



REPORT

BUILDING CAPACITY FOR THE EU GLOBAL STRATEGY COMPANION REPORT

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JUNE 2017

RKK
ICDS

RAHVUSVAHELINE KAITSEURINGUTE KESKUS
INTERNATIONAL CENTRE FOR DEFENCE AND SECURITY
EESTI • ESTONIA



REPUBLIC OF ESTONIA
GOVERNMENT OFFICE

Title: Building Capacity for the Global Strategy: Companion Report

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Publication date: June 2017

Category: Report

Cover page photo: An Estonian soldier from the newly deployed EUFOR-RCA European Union military operation in the Central African Republic, carries his weapon as he patrols along a street in Bangui May 8, 2014. Reuters/Emmanuel Braun/Scanpix.

Keywords: European Union, CSDP, capability development, defence cooperation

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ISSN 2228-0529

ISBN 978-9949-9885-6-3 (pdf)

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ACKNOWLEDGEMENTS

We are grateful to the Government Office of the Republic of Estonia for commissioning this study, and to all the representatives of the Member States and the institutions in Brussels who agreed to be interviewed during a very busy period and who were generous with their knowledge and frank with their opinions.

We are particularly grateful to our team of advisers: Anne Bakker, Margriet Drent, Daniel Fiott, Christian Mölling, and Dick Zandee for their assistance in shaping the study and in reviewing its deliverables. We have benefitted greatly from their insights and suggestions. Any errors of fact or judgment, however, are ours alone.

The study was commissioned by the Strategy Unit of the Government Office of the Republic of Estonia and funded by the Operational Programme for Cohesion Policy Funds, 2014-2020, priority axis 12 “Administrative capacity”, action 12.2 “Development of quality of policy-making”.

EXECUTIVE SUMMARY

This report is a companion to an ICDS policy paper intended to stimulate discussions on military capability development in support of the EU's defence dimension, during Estonia's Presidency of the Council of the EU. It provides more background and argument to support the recommendations of the policy paper.

The debate on an EU defence dimension has recently accelerated with the elaboration of a number of proposals by the Member States and institutions designed to give effect to the EU Global Strategy. A series of concrete initiatives is presently under discussion at the EU level which, taken together, have the potential to have a positive and transformative impact. However, these initiatives will amount to little if the EU's new level of ambition is not underpinned by effective military capabilities. The record in past years has been poor. Until very recently, European defence budgets have been in decline and agreed capability shortfalls have not been addressed. European states have largely continued to pursue national capability development priorities, separately from their partners.

Real steps in eradicating the 'cost of non-Europe' in defence will only be made when cooperation in acquiring and supporting military equipment becomes habitual, rather than exceptional. Presently, such cooperation is limited by political concerns over sovereignty and trust, technical arguments such as the problem of aligning requirements and the additional bureaucratic and financial overhead of collaborative projects, and the preference of the Member States to procure from national suppliers.

Several initiatives have been generated or revived at the EU level that will support collaborative capability development. These include the possibility of implementing the Lisbon Treaty provisions on Permanent Structured Cooperation, establishing a Coordinated Annual Review on Defence, and the Commission's European Defence Action Plan and European Defence Fund. Additionally, the EU is working with NATO to implement the joint declaration for enhanced cooperation issued at the Alliance's Warsaw Summit. There are also existing EU mechanisms – such as Pooling and Sharing, the EDA's Capability, Armament and Technology programme, and the Capability Development Plan. These initiatives will provide the Member States with a useful set of tools to support collaborative capability development, but historically such initiatives have suffered from poor uptake. Effort should be made to generate the political will necessary for the Member States to take up what is on offer.

There is no cure-all for the generation of political will. However, steps may be taken in the context of the current work on security and defence that may encourage the Member States. Policy recommendations are made in the final part of this report, along with recommendations for the Estonian Presidency of the Council of the EU.

LÜHIKOKKUVÕTE

Käesolev raport täiendab RKK poliitikapaberit, mis on mõeldud ergutamaks Eesti Euroopa Liidu Nõukogu eesistumise ajal arutelusid sõjaliste võimete arendamisest ELi kaitsemõõtme toetuseks. Raport esitab rohkem taustu ning argumente toetamaks poliitikapaberis esitatud soovitusi.

Euroopa Liidu kaitsemõõtme alane arutelu on hiljuti kiirenenud tulenevalt erinevatest ettepanekutest EL globaalstrateegia rakendamiseks, mis on välja käidud nii liikmesriikide kui ka EL institutsioonide poolt. ELi tasemel on hetkel arutlusel rida konkreetseid algatusi, mis koos võetuna omavad potentsiaali omada positiivset ja muundavat toimet. Samas jääb nende algatuste mõju väheseks kui ELi uut ambitsioonitaset ei toeta tõhusad sõjalised võimed. Viimaste aastate saavutuste nimekiri on siinkohal olnud kesine. Euroopa riikide kaitse-eelarved on kuni viimase ajani olnud languses ning võimepuudujääke pole kõrvaldatud. Riigid on suuresti jätkanud lähtumist omaenese võimearenduse prioriteetidest ning teostanud võimete arendamist igaüks eraldi.

Tõelisi samme likvideerimaks „mitte-Euroopa maksumust“ kaitsevaldkonnas saab teha vaid siis, kui koostegutsemine sõjalise varustuse hankimisel ja kasutamisel muutub senise erandliku asemel harjumuspäraseks. Hetkel piiravad sellist koostööd poliitilised mured riikliku suveräänsuse ja usalduse küsimustes, tehnilised argumendid, nagu näiteks küsimus nõuete ühtlustamisest ja koostööprojektide täiendavad bürokraatlikud ja rahalised lisakulud, ning liikmesriikide eelistus hangeteks omaenda tarnijatelt.

ELi tasemel on käivitatud või taaselustatud mitmeid algatusi, mis toetavad ühist võimearendust. Need sisaldavad võimalust rakendada Lissaboni lepingu sätteid alalise struktureeritud koostöö (PESCO) kohta, kaitseküsimuste iga-aastase kooskõlastatud läbivaatamise (CARD) käivitamist ning Euroopa Komisjoni kaitsealast tegevuskava (EDAP) ja Euroopa Kaitsefondi (EDF). Lisaks töötab EL koos NATOga rakendamaks alliansi Varssavi tippkohtumisel välja antud ühisdeklaratsiooni kahe organisatsiooni tõhustatud koostöö kohta. Olemasolevad EL mehhanismid – nagu näiteks ühendamine ja jagamine (Pooling and Sharing), Euroopa Kaitseagentuuri võimete, relvastuse ja tehnoloogia programm ning võimete arendamise plaan – pakuvad samuti liikmesriikidele kasulikke tööriistade komplekte toetamaks võimete ühist arendamist, kuid neid algatusi on seni vähe kasutatud. Tuleb teha jõupingutusi tekitamiseks poliitilist taht, mis on vajalik et liikmesriigid kasutaks pakutavaid võimalusi.

Poliitilise tahte tekitamiseks ei ole ühte ühtset retsepti. Liikmesriikide julgustamiseks vajalikke samme on aga võimalik teha praeguse julgeoleku- ja kaitsealase tegevuse raames. Käesoleva raporti viimases osas tehakse vastavaid poliitikasoovitusi, samuti soovitusi Eesti Euroopa Liidu Nõukogu eesistumiseks.

LIST OF ABBREVIATIONS

AAR	Air to Air Refuelling
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
CARD	Coordinated Annual Review on Defence
CDP	Capability Development Plan
CODABA	Collaborative Database
COTS/MOTS	Commercial Off The Shelf/Military Off The Shelf
CSDP	Common Security and Defence Policy
EDA	European Defence Agency
EDAP	European Defence Action Plan
EDIDP	European Defence Industrial Development Programme
EDF	European Defence Fund
EDTIB	European Defence Technological and Industrial Base
NDPP	NATO Defence Planning Process
NORDEFCO	Nordic Defence Cooperation
PESCO	Permanent Structured Cooperation
R&D	Research and Development
R&T	Research and Technology (a subset of R&D covering basic research, applied research and technology demonstration)
SIPRI	Stockholm International Peace Research Institute
SME	Small- and Medium-sized Enterprises
TEU	Treaty on European Union

INTRODUCTION

The largely dormant debate on an EU defence dimension was revived in 2013 when the European Council, discussing defence for the first time since the entry into force of the Lisbon Treaty, met to declare that “defence matters”.¹ A confluence of external and internal factors has recently accelerated this debate. In particular, the UK’s Brexit referendum in June 2016 was followed by a rash of proposals from the Member States and institutions designed to give effect to the Global Strategy presented in the same month by the High Representative of the EU for Foreign Affairs and Security Policy.² A series of concrete initiatives is presently under discussion at the EU level which, taken together, have the potential to have a positive and transformative impact.

These initiatives will, however, amount to little if the EU’s new level of ambition is not underpinned by effective capabilities. Military capability development in particular will need to be a priority if European security and defence is to be credible, and if Europe is to make a more effective contribution to transatlantic and global security. But the record in the past years has been poor. Until very recently, European defence budgets have been in decline and agreed capability shortfalls have not been addressed. European states have largely continued to pursue national capability development priorities, separately from their partners. A fundamental shift in attitudes towards capability development, in particular collaborative capability development, is a prerequisite for success.

1. European Union, European Council, *Conclusions*, EU/CO 217/13, 20 December 2013, 1.

2. European Union, High Representative of the EU for Foreign Affairs and Security Policy, *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union’s Foreign and Security Policy*, June 2016.

1. THIS REPORT

This report is a companion to an ICDS policy paper of the same title intended to stimulate policy discussions on military capability development during Estonia’s Presidency of the Council of the European Union.³ The policy paper is short and assumes a certain level of knowledge of the current defence debate in the EU; this companion report provides more background and argument to support the recommendations of the policy paper.

Military capability development will need to be a priority if European security and defence is to be credible

After this introductory chapter, chapter 2 briefly presents the arguments in favour of an EU defence dimension – some actors remain sceptical and would prefer to see all of Europe’s security and defence needs realised through NATO alone. Chapter 3 outlines the state of defence in Europe and summarises research findings into why defence cooperation among European states has proved so difficult. Chapter 4 outlines the mechanisms available to the EU Member States to support capability development, including the new tools that are currently being discussed and developed. Chapter 5 discusses some of the principles behind the new initiatives and makes policy recommendations; this chapter is largely a repetition of the analytical section of the policy paper. Finally, a concluding chapter summarises the report’s key findings and makes recommendations for Estonia’s Presidency of the Council of the EU.

1.1 THE STUDY

This report and the policy paper it accompanies are the products of a short ICDS study consisting of two main research strands. The first was a review of the literature, including

3. Tony Lawrence, Henrik Praks and Pauli Järvenpää, *Building Capacity for the EU Global Strategy* (Tallinn: ICDS, 2017).

both primary sources (mostly official EU documents) and secondary sources – scholarly articles and reports, media coverage and data collections. The second was a set of semi-structured interviews with representatives of twelve of the EU Member States holding positions in policy development and capability development, with representatives of the European defence industry (i.e. defence industry associations), and with representatives of relevant institutions (the European Commission, the European Defence Agency, the European External Action Service, the European Parliament, the European Union Military Staff, and the NATO International Staff).⁴

75% of EU citizens are in favour of a common defence and security policy

The study also benefitted greatly from the advice of a team of international experts in European security and defence, who contributed to its scoping and to the review of its products.

2. THE CASE FOR DEFENCE IN THE EU

The arrangements known today as the Common Security and Defence Policy (CSDP) have their origins in the 1998 St Malo agreement between French President Jacques Chirac and UK Prime Minister Tony Blair, who had (albeit only briefly) overturned long-standing UK objections to an EU defence dimension.⁵ From the start, it has been clear that the CSDP is intended to underpin the Union's Common Foreign and Security Policy (CFSP), with a focus on crisis management outside the EU's borders and capacity building among partners. There have been no serious proposals to build a 'European army', to take over NATO's primary role of collective defence of the Allies, or to otherwise undermine the Alliance. Nonetheless, some

Member States, notably the UK and some of those from central and eastern Europe, have remained sceptical that the EU should have a role in defence and security at all, and some observers have persisted in painting the EU defence dimension as threatening to transatlantic solidarity.⁶

The case for defence in the EU is based on at least three sets of arguments. First, Europe is a continent of wealthy nations that should do more for their own security and more to help the less fortunate, in particular in their immediate neighbourhood.⁷ But European nations are small, and can have more impact through collective policies and

collective action. EU citizens want this - according to the most recent Eurobarometer data, 75% are in favour of a common defence and

security policy among EU Member States.⁸ This is the underlying rationale for the CFSP, which aims to strengthen its "external ability to act through the development of civilian and military capabilities in Conflict Prevention and Crisis Management."⁹ But the CFSP will remain weak without the military means to support it, thus the need for a common EU defence dimension.

Second, crises are usually multi-dimensional in nature, requiring a coordinated multi-dimensional response. In addition to security and defence instruments, the EU is able to deploy diplomacy, sanctions, development cooperation and trade tools, and to promote

4. In some cases, interviews were not possible and written submissions were received instead.

5. *From St-Malo to Nice. European Defence Core Documents*, comp. Maarte Ruttem (Paris: WEU Institute for Security Studies, 2001), 8.

6. See, for example, Luke Coffey, "EU Defense Integration: Undermining NATO, Transatlantic Relations, and Europe's Security," *Heritage Foundation Backgrounder*, no. 2806, June 2013

7. 2016 GDP based on purchasing power parity as a percentage of world total: EU, 16.8%; US, 15.6%; China, 17.9%; Russia, 3.2%. International Monetary Fund, "World Economic Outlook Database," <http://www.imf.org/external/pubs/ft/weo/2016/02/weodata/index.aspx>.

8. European Union, European Commission, *L'opinion des Européens sur les priorités de l'Union européenne. Eurobarometer Standard 86*, Autumn 2016, 5.

9. European Union, European External Action Service, "Common Foreign and Security Policy (CFSP)", 16 June 2016, https://eeas.europa.eu/headquarters/headquarters-homepage/420/common-foreign-and-security-policy-cfsp_en.

peace, growth, human rights, the rule of law and environmental protection in support of its aims.¹⁰ As a multi-dimensional actor, the EU will thus often be able to provide a fuller response to crises than, say, NATO.

Third, an EU defence dimension may offer a more productive framework for military capability development, as the EU can provide a motivating narrative. The idea of completing the European project – of ‘ever closer Union’ – is an inspiration for at least some Member States. So far, the EU has not been able to motivate the Member States to build more and better European capabilities – but neither has NATO. The initiatives currently under discussion in the EU may be a turning point.

In addition to these core arguments, there are also spill-over benefits to be gained from developing the European Defence Technological and Industrial Base (EDTIB) in support of the CSDP. According to the European Commission, the European defence industry directly or indirectly employs 1.4 million people in Europe and its total turnover amounts to €100 billion per year; further each euro invested in defence generates a return of €1.6.¹¹

Savings from reductions have largely not been invested in projects to address agreed capability shortfalls

3. THE STATE OF EUROPEAN DEFENCE

Although defence spending is currently rising in most Member States, a long period of decline in prior years has left Europe’s defence capabilities in poor shape. European nations do not spend enough on defence and what they do spend, they spend inefficiently. An often quoted statistic is that while

the Europeans together spend about half as much as the USA, for this they achieve the equivalent of only 10-15% of the capability.¹²

3.1 MILITARY CAPABILITY

Researchers at the German Institute for International and Security Affairs (Stiftung Wissenschaft und Politik) define ‘criticality’ as being higher when capability areas have smaller absolute numbers of troops or equipment, owned by fewer EU Member States, and less evenly dispersed among the holders. In the overall pool of military capabilities available to underpin European security and defence, they assess that most capability areas have seen a long-term reduction in absolute numbers of troops and equipment and a concentration, or at least an uneven distribution of capabilities, among the Member States. ‘Criticality’ has thus increased in most capability areas. Further, they observe that savings from these reductions have largely not been invested in projects to address agreed capability shortfalls such as strategic airlift or tanker/transport aircraft.¹³

In 2016, from a total of 1.5 million armed forces personnel, the EU28 deployed only 24 343 (1.6%) to CSDP, NATO, UN, national and coalition operations.¹⁴ There have, how-

10. European Union, European Commission, *Reflection Paper on the Future of European Defence*, COM(2017) 315, 7 June 2017, 6.

11. European Union, European Commission, *European Defence Action Plan*, COM(2016) 950, 30 November 2016, 3. The employment figure represents around 0.6% of the EU’s total labour force of 243 million (2015 data). OECD, “Labour Force,” <https://data.oecd.org/emp/labour-force.htm#indicator-chart>

12. For example: Federica Mogherini, “The EU at 27: What Prospects for a Stronger Union?” (conference remarks, Tallinn, 12 May 2017); Valerio Briani, *The Costs of Non-Europe in the Defence Field* (Moncalieri: Centre for Studies on Federalism and Rome: Istituto Affari Internazionali, 2013), 28. Although widely quoted, the analysis behind this statistic appears to date from the early 2000s; while there is good reason to doubt its absolute accuracy, it provides at least an indication of the magnitude of the transatlantic capability gap.

13. Christian Mölling, Marie-Louise Chagnaud, Torben Schütz, Alicia von Voss, *European Defence Monitoring (EDM)*, Working Paper FG3-WP No 01 (Berlin: Stiftung Wissenschaft und Politik, 2014), 11.

14. European Union Institute for Security Studies, *YES 2017. EUISS Yearbook of European Security* (Paris: EUISS, 2017), 118-19.

ever, been fewer opportunities for European troops to deploy in recent years, particularly when compared to the very intense period of the 2000s. According to the latest figures from the US Department of Defense, from a total active armed force of 1.3 million, a little over 200 000 personnel (15.4%) are deployed overseas (the DoD does not distinguish in this dataset between personnel serving on operations and, for example, personnel serving in headquarters positions).¹⁵

EU Member States are unable to conduct operations of any complexity without substantial support from the US

Under the CSDP, the EU currently has more than 5 000 personnel deployed on six military and nine civilian missions; three of the military missions are training missions in the Central African Republic, Mali and Somalia, and three are operational missions in Bosnia and Herzegovina, in the Mediterranean Sea and off the coast of Somalia.¹⁶ Further qualitative evidence of the poor state of Europe's defence capability may be found in its inability to conduct operations of any complexity without substantial support from the US. Speaking in 2012, for example, then NATO Secretary General Anders Fogh Rasmussen noted that NATO's Libyan operation pointed to "significant shortfalls in a range of European capabilities - from smart munitions, to air-to-air refuelling, and intelligence surveillance and reconnaissance".¹⁷ Meanwhile, shortfalls in capabilities for the autonomous 2008 EUFOR Chad/CAR mission (for example in strategic and tactical airlift, deployable Communications and Information

Systems, and deployable medical facilities) constrained planners and led them to underestimate the required force size, meaning that deployed forces were less effective and more exposed to operational risk.¹⁸

Despite these inadequacies, in its November 2016 conclusions on implementing the Global Strategy, the Council of the EU agreed to a higher level of ambition for EU security and defence. To the established CSDP aims

of responding to external crises and capacity building of partners, the Council added a third strategic priority of "protecting the Union and its citizens"¹⁹ which, while it recognises NATO's primary

role in collective defence, anticipates a larger contribution from the Member States to tackling challenges and threats, from a security and defence perspective, to the security of the Union and its citizens. They also identified possible military operations derived from this level of ambition, including complex and difficult military tasks such as joint crisis management operations in areas of high security risk in the regions surrounding the EU, close air support and air surveillance, and maritime security and surveillance.²⁰

There is apparently a divergence between what the EU wishes to be able to do, and what it is currently capable of doing. If this circle is to be squared, and if the Member States are to deliver the necessary "credible, deployable, interoperable, sustainable and multifunctional civilian and military capabilities," they will need to spend more, spend better, or both.²¹

15. Department of Defense (US), Defense Manpower Data Center, "Military and Civilian Personnel by Service/Agency by State/Country," March 2017.

16. European Union, European External Action Service, "Military and civilian missions and operations," 3 May 2016, https://eeas.europa.eu/topics/military-and-civilian-missions-and-operations/430/military-and-civilian-missions-and-operations_en.

17. Anders Fogh Rasmussen, "Speech to the chairpersons of the foreign affairs committees of the European Union member's states parliaments" (Copenhagen, 12 March 2012).

18. Bjoern Seibert, "The Quest for European Military Capabilities," in *European Defence Capabilities. No Adaptability without Co-operation*, ed. Luis Simon, RUSI Occasional Paper, 2010, 9-10; Bjoern Seibert, *Operation EUFOR Tchad/RCA and the European Union's Common Security and Defense Policy* (Carlisle: US Army War College Strategic Studies Institute, 2010), 45-6.

19. European Union, *Council of the European Union, Council Conclusions on implementing the EU Global Strategy in the area of Security and Defence*, 14149/16, Brussels, 14 November 2016, 4.

20. *Ibid.*, 15 ('Annex to the Annex').

21. *Ibid.*

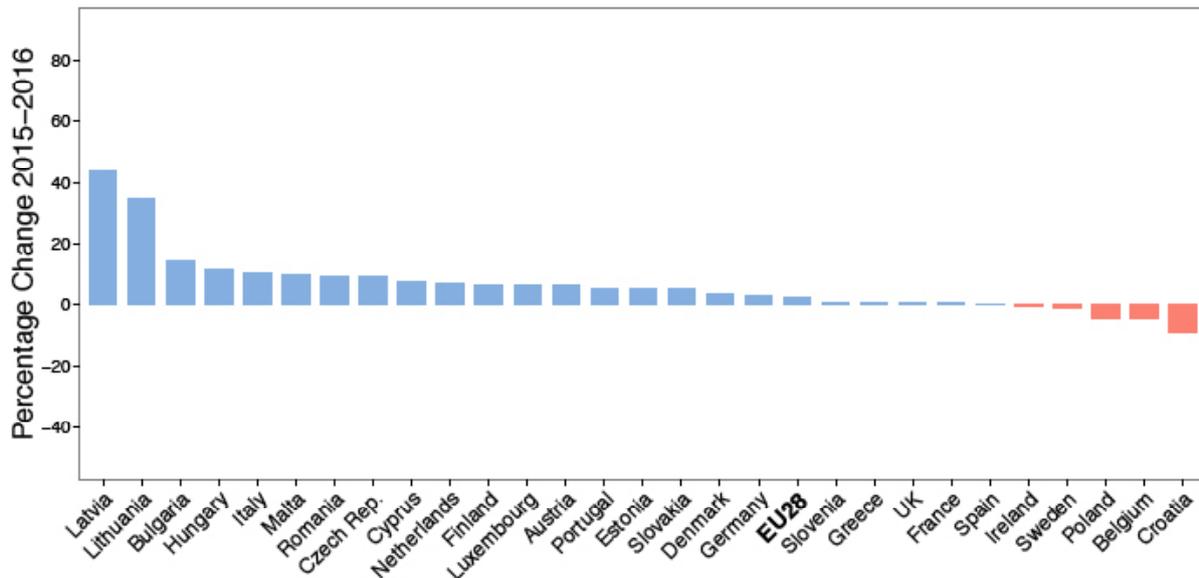


Figure 1. Change in Member States' Military Expenditure 2015-2016. Constant (2015) US\$. Information from SIPRI.

3.2 WHAT DO MEMBER STATES SPEND ON DEFENCE?

At the time of writing, the most up to date defence spending figures including all EU Member States are those produced by SIPRI, which also have the advantage of allowing like-for-like comparisons between EU and non-EU states.²² SIPRI's data indicates that European 'military expenditure' (SIPRI terminology) is currently rising, but this follows a long period of decline. Figures 1 and 2 show percentage changes in the Member States' military expenditure between 2015 and 2016, and between 2009 (the year of entry into force of the Lisbon Treaty) and 2016. Of the EU28, the expenditure of only five Member States fell in the period 2015-2016; in one of these five, Poland, military expenditure saw a small reduction after several years of sustained growth. In total, the expenditure of the EU28 grew by 2.5%, representing an increase of (constant 2015) \$6 billion. Over the longer period 2009-2016, however, military expenditure decreased in 17 of the Member States, falling in total by 9%, or \$25 billion.

Does Europe spend enough on defence? In the absence of defence plans that identify and cost the full set of capabilities required to meet the EU's level of ambition, one answer might be found in these statistics – if larger defence budgets were considered necessary in the calmer period of 2009, they should surely be considered necessary in 2016 when the security environment is much degraded.

In 2016, the overall average expenditure of the EU's NATO Allies was a mere 1.47% of GDP

A second answer may be found in the political positions of the Member States. As 22 of them are also NATO Allies, they have committed to the NATO guideline to spend a minimum of 2% of their GDP on defence.²³ In 2016, of the 25 European members of NATO, only Estonia, Greece, Poland and the UK met this target, the overall average expenditure being a mere 1.47%.²⁴ In the same year, the

22. Stockholm International Peace Research Institute, "SIPRI Military Expenditure Database," <https://sipri.org/databases/milex>.

23. Although 2% has been accepted as an unofficial guideline since at least 2006, it was not until the Wales Summit, that the Allies declared their intention to "aim to move towards the 2% guideline within a decade". NATO, "Wales Summit Declaration," Press Release (2014) 120, 5 September 2014, paragraph 14.

24. NATO, "Defence Expenditure of NATO Countries (2009-2016)," Communiqué PR/CP(2017)045, 13 March 2017, 9.

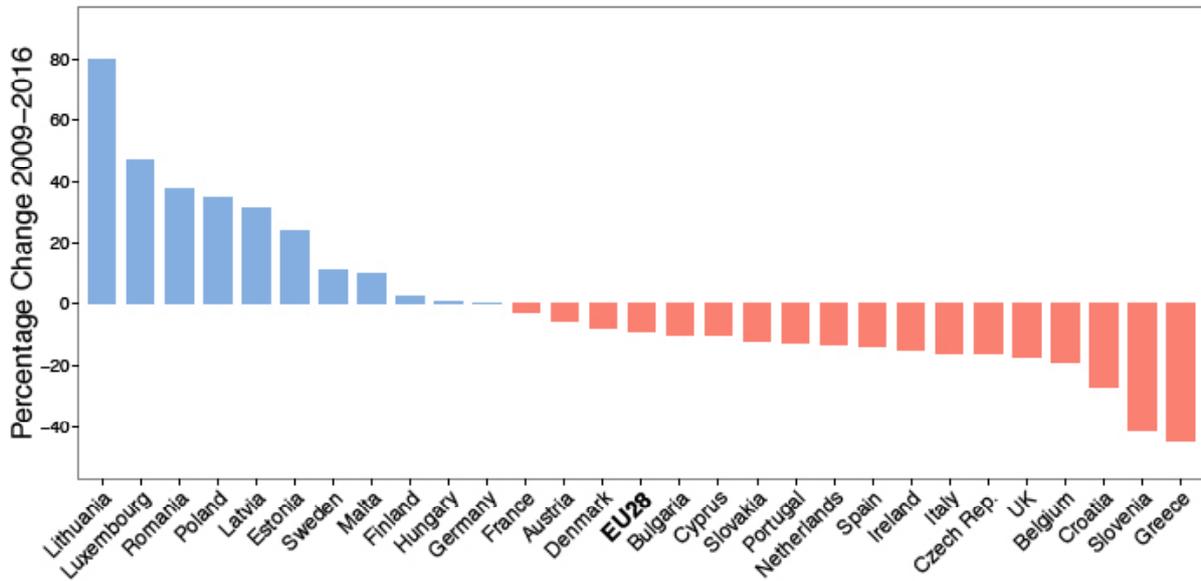


Figure 2. Change in Member States' Military Expenditure 2009-2016. Constant (2015) US\$. Information from SIPRI.

average expenditure of the six non-NATO EU Member States was 0.97% of GDP.²⁵ Had the EU27 (i.e. excluding Denmark, which opts out of EU defence issues) achieved this guideline in 2015, their total defence expenditure of €200 billion would have grown by 45%, or €89 billion. This is almost equivalent

to the combined defence budgets of the EU's two largest defence spenders, France and the UK, who together spent €92 billion in the same year.²⁶

A third answer may be found by comparing European defence expenditure with the

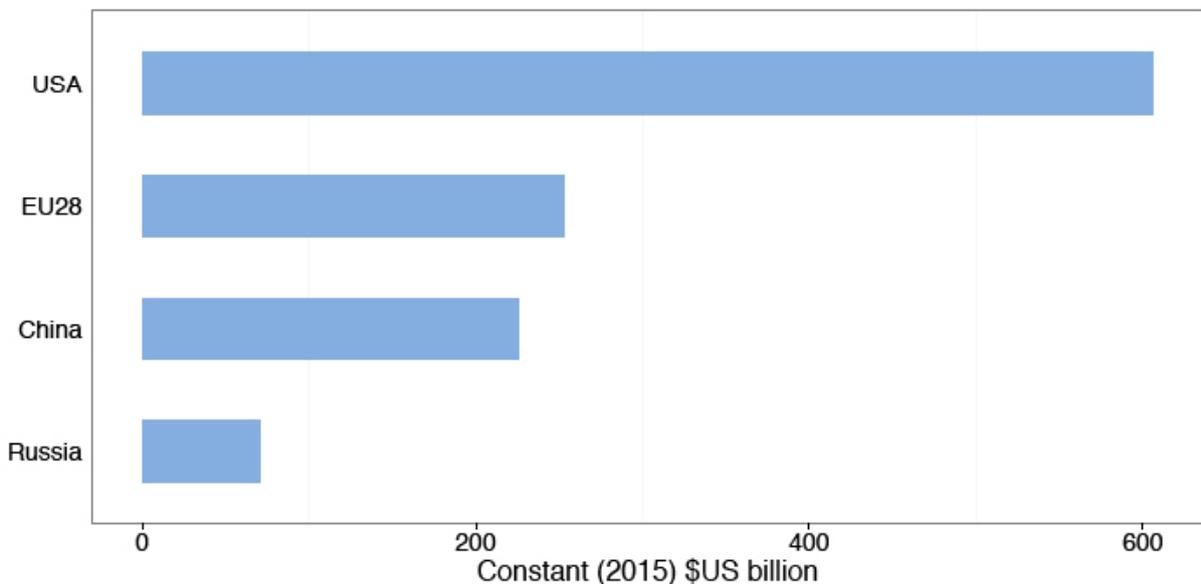


Figure 3. Military Expenditure of the USA, the EU28, China, and Russia, 2016. Constant (2015) US\$. Information from SIPRI.

25. Stockholm International Peace Research Institute, "Military expenditure by country as a percentage of gross domestic product, 2003-2016," (SIPRI, 2017).

26. European Union, European Defence Agency, *National Defence Data 2013-2014 and 2015 (est.)* (Brussels: EDA, 2016), 4-6.

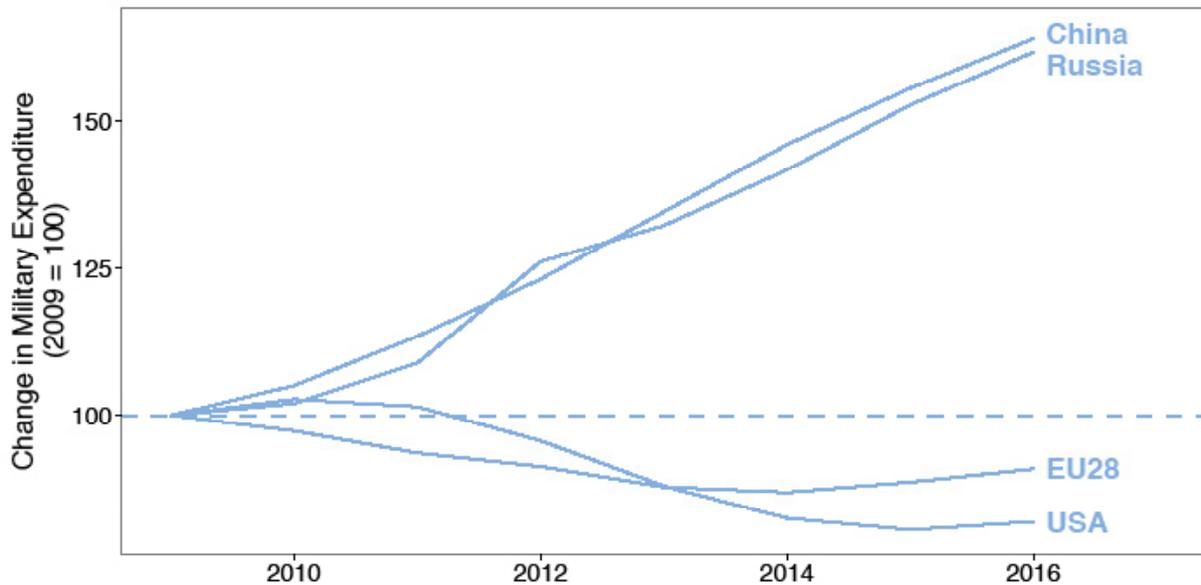


Figure 4. Military Expenditure Trends: the USA, the EU28, China, and Russia, 2009-2016. Constant (2015) US\$. Information from SIPRI.

defence expenditure of partners and competitors. In November 2016, the Council of the EU declared its commitment to enhancing the Union’s “global strategic role and its capacity to act autonomously when and where necessary and with partners wherever possible”.²⁷ In the light of this global ambition, Figures 3 and 4 compare EU military expenditure with that of the USA, China and Russia. Figure 3 shows that in 2016, the EU28 spent a little over 40% of the US total, a little more than China, and around 3½ times Russia’s expenditure. Figure 4, however, demonstrates that while military expenditure by America and Europe has declined since 2009, Chinese and Russian spending has increased dramatically.

3.3 HOW DO MEMBER STATES SPEND THEIR DEFENCE BUDGETS?

In addition to not spending enough (or, at least, not spending what most of them have committed to spend) the Member States do not spend well. Individual defence budgets are spent inefficiently and resources are wasted through a lack of cooperation in planning and delivering capability.

In terms of individual defence spending profiles, in 2014 only seven of the EU27 reached the EDA benchmark of spending 20% of their defence budgets on procurement (including R&T/R&D).²⁸ None of them achieved the benchmark of spending 2% of their defence budgets on R&T.²⁹ Meanwhile, 17 of the EU27 spent more than 50% of their defence budgets on personnel.³⁰

Figure 5 shows that spending on investment as a percentage of defence budgets fell from 21.9% to 17.8% between 2010 and 2014, representing a reduction of more than (constant 2010) €10 billion available for equipment procurement and defence R&D/R&T.³¹ Investment spending lies at the heart of defence capability programmes and is the spending category that will have the greatest impact on whether or not the EU is able to address its capability shortfalls. Spending on R&T, the cornerstone of effective capabilities

27. Council of the European Union, *Council Conclusions on implementing the EU Global Strategy*, 2.

28. European Defence Agency, *National Defence Data 2013-2014 and 2015*, 27. The 20% benchmark is collective and its adoption on a national basis is voluntary; together, the EU27 achieved 17.8%.

29. Ibid., 36. Again the benchmark is collective, and the collective achievement 1.02%.

30. Ibid., 21. There is no agreed EU benchmark for personnel expenditure, although a figure of less than 50% is a widely recognised target.

31. European Union, *European Defence Agency, Defence Data 2014* (Brussels: EDA, 2016), 20-21.

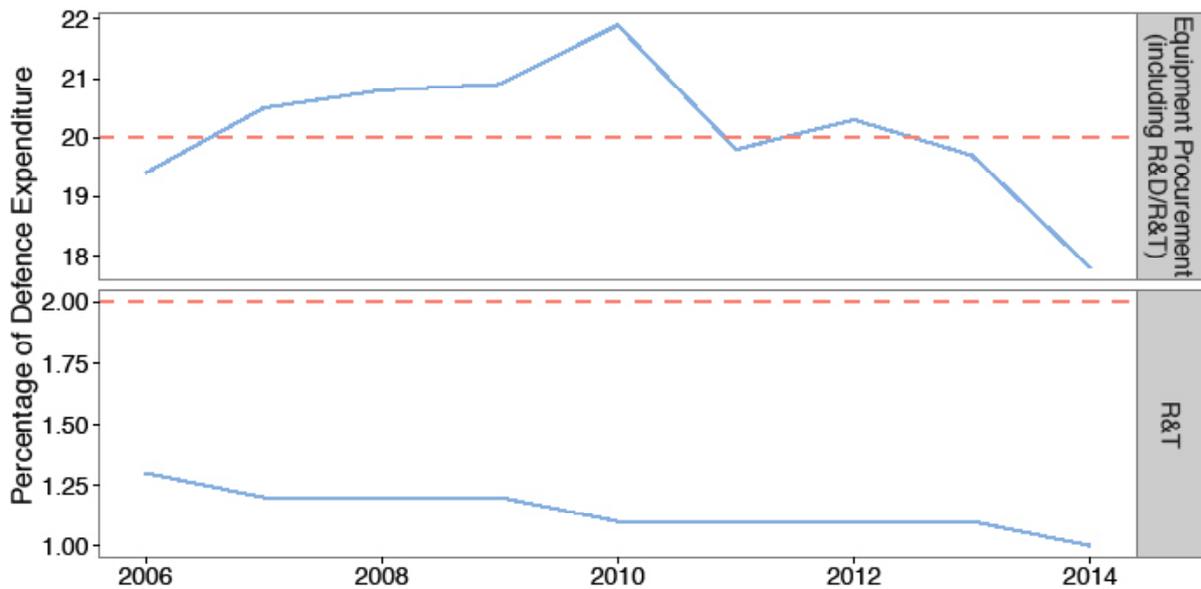


Figure 5. EU Spending on Investment and R&T compared to EDA benchmarks, 2006-2014. Information from EDA.

and the prerequisite for a globally competitive European defence industry, has suffered disproportionately, falling by 32% between 2006 and 2014.³² According to somewhat dated, but still the most recent EDA figures, the

coordinated and inefficient use of defence budgets leads to a lack of standardisation and poor interoperability. Some capabilities are duplicated, while others remain in short supply. Europe's defence industry, artificially propped up by nationally-based procurement, suffers from a lack of competitiveness in global markets. Money is wasted.

More cooperation has long been recognised as the best solution to Europe's defence problems

EU27's defence spending per soldier is only a third that of the US, while the Americans' investment spend per soldier (procurement and R&D/R&T) is more than four times the average EU value.³³

In addition to inefficient spending on an individual basis, the Member States mostly plan and deliver capabilities on a national basis. Fragmentation of both defence demand and defence supply has led to the EU28 having, for example, 17 different types of main battle tank compared to just one in the USA, 29 types of destroyer and frigate compared to America's four, and 20 types of fighter aircraft compared to America's six.³⁴ The un-

More cooperation has long been recognised as the best solution to Europe's defence problems.³⁵ On the financial side alone, a recent study calculated that the unrealised efficiency gains that would result from closer defence cooperation - the 'cost of non-Europe' in defence - amount to €26 billion per year.³⁶

32. Ibid., 20, 23.

33. European Union, European Defence Agency, *EU-US Defence Data 2011* (Brussels: EDA, 2013), 13.

34. European Commission, *Reflection Paper*, 9.

35. See, for example: Javier Solana, *More Union in European Defence* (Brussels: Centre for European Policy Studies, 2015); Jan Joel Andersson, Sven Biscop, Bastian Giegerich, Christian Mölling, and Thierry Tardy, *Envisioning European Defence. Five Futures* (Paris: EUISS, 2016).

36. Blanca Ballester, *The Cost of Non-Europe in Common Security and Defence Policy* (Brussels: European Parliamentary Research Service, 2013), 83. 2011 prices. The Commission recognises this figure and goes on to claim that lack of cooperation in defence and security may cost the Member States as much as €100 billion per year (European Union, European Commission, "Defending Europe. The case for greater EU cooperation on security and defence," (factsheet)). A source for this figure is not provided, but similar figures in earlier works (e.g Briani, *The Costs of Non-Europe*, 28) were derived

The Member States have over the years adopted several initiatives designed to stimulate military capability development, including through greater cooperation. These include the Helsinki Headline Goal, the European Capability Action Plan, the Headline Goal 2010 and most recently Pooling and Sharing (NATO has launched many initiatives with similar aims – a partial list includes the Defence Capabilities Initiative, the Prague Capabilities Commitment and the targeted initiatives that grew from it, Smart Defence and the Framework Nations Concept). They have established the European Defence Agency, intended to play a key role in brokering greater defence cooperation.³⁷ And they have agreed specific, albeit collective, benchmarks for defence cooperation – that European collaborative procurement should account for 35% of

Only 20% by value of the Member States' defence equipment procurement and 8.6% of R&T is delivered through European collaborative projects

total equipment spending and that European collaborative R&T should account for 20% of total defence R&T spending.³⁸

Still, only 20% by value (around €5 billion) of the Member States' defence equipment procurement and 8.6% of defence R&T is delivered through European collaborative projects as compared to these benchmarks.³⁹ Just a handful of Member States account for most of this collaborative expenditure.⁴⁰

simply by calculating the difference between what Europe actually spends and what it would need to spend at US rates of efficiency to achieve the same level of capability. These figures need to be treated with caution, not only because of distortions in aggregate defence data (see Ballester, *The Costs of Non-Europe*, 76), but also because such savings could only be realised through single European defence policies and structures that are far beyond what is currently under discussion.

37. Katia Vlachos-Dengler, "The EDA and armaments collaboration," in *The European Defence Agency: Arming Europe*, ed. Nikolaos Karampekios and Iraklis Oikonomou (London and New York: Routledge, 2015), 91.
38. European Defence Agency, *Defence Data 2014*, 2.
39. *Ibid.*, 25, 27.
40. France, Italy, Spain and UK account for 95% of the total. European Defence Agency, *National Defence Data 2013-2014 and 2015*, 47.

3.4 THE BARRIERS TO COOPERATION

Operational cooperation amongst the Member States is more successful and more widespread than cooperation in acquiring and supporting equipment; indeed there are several success stories here. The European Air Transport Command, for example, is a seven nation structure that coordinates the pooling and sharing of 60% of Europe's air transport assets.⁴¹ Close cooperation between the navies of Belgium and the Netherlands (BeNeSam) over many years has resulted in an unprecedented degree of integration in areas such as training, education, workup, logistics and maintenance, soon to be complemented by a joint procurement of frigates and minehunters.⁴² Germany and the Netherlands

have pursued extensive cooperation – even integration. For example, in the land domain the Dutch Air Mobile Brigade is under the command of the German Rapid Forces Division, and it is only

by integrating the Dutch 43rd Mechanized Brigade into the German 1st Armoured Division that the Netherlands has been able to re-introduce main battle tanks into its national force structure.⁴³ More widely, Germany is pursuing a range of cooperation and integration projects with other European partners through the Framework Nations' Concept.⁴⁴

But real steps in eradicating the cost of non-Europe will only be made when cooperation

41. European Air Transport Command, "EATC Factsheet" (EATC, 2017).

42. Dick Zandee, Margriet Drent, and Rob Hendricks, *Defence Cooperation Models. Lessons Learned and Usability* (The Hague: Clingendael, 2016), 38-47; naval-technology.com, "Netherlands and Belgium sign MoU to jointly replace naval vessels", 5 December 2016, <http://www.naval-technology.com/news/newsnetherlands-and-belgium-sign-mou-to-jointly-replace-naval-vessels-5686258>.

43. The Netherlands EU Presidency 2016, "Germany and the Netherlands step up their military cooperation," 4 February 2016, <https://english.eu2016.nl/latest/news/2016/02/04/germany-and-the-netherlands-step-up-their-military-cooperation>.

44. Diego A. Ruiz Palmer, *The Framework Nations' Concept and NATO: Game-Changer for a New Strategic Era or Missed Opportunity?* Research Paper 132 (Rome: NATO Defense College, 2016), 13-14.

at all stages of the procurement process becomes habitual, rather than exceptional. Presently, though, for most Member States and most procurement projects, cooperation is not the natural avenue to follow. The reasons for this (and the factors that tend to encourage cooperation) are mostly well known, were reinforced during interviews conducted for this report, and can broadly be categorised into three groups.⁴⁵

For obvious reasons of domestic policy, states have preferred to procure from national suppliers

First, there are large political concerns over sovereignty and trust. Defence is a fundamental symbol of national sovereignty and states wish to retain strategic flexibility and a national autonomy to decide and to act. Concerns over access to military capability, security of supply, and national access to critical technologies make joint procurement and operation of military capabilities difficult and role specialisation all but impossible. However, sovereignty and autonomy may be an illusion if states cling to barely credible capabilities in the belief that they retain a national capacity to act – sovereignty for many Member States can only be achieved on a collective basis by operating with others. Conversely, the argument of ‘pool it or lose it’ can be a strong motivator for defence cooperation. If buying American is not an acceptable option, complex collaborative projects such as A400M or Eurofighter Typhoon are the only way for even the larger European states to retain, for example, aerospace capabilities. Collaboration in the aerospace sector is also made easier by the consolidation on the supply side that has not occurred in many other sectors.

Related to sovereignty issues are issues of trust. Member States are reluctant to place

themselves in the position of being forced to rely on others in the development and operation of defence capability. For this reason, cooperation is more likely to be successful among partners who share strategic culture, who are neighbours, who have successfully cooperated in the past and who are of similar size. Cooperation is also more likely to succeed when there is a smaller number of partners.

Second, there are technical arguments, such as the problem of aligning requirements. Because Member States have limited

visibility of each other’s defence plans, they will often define capability requirements in isolation, before potential opportunities for cooperation have been identified. As projects advance, it becomes harder for the military end user to accept changes that would harmonise military and technical requirements, a problem compounded by a ten-

States wish to retain strategic flexibility and a national autonomy to decide and to act

dency for end users to specify a ‘gold-plated’ solution, which includes many desirable, but not necessarily critical, requirements. It also becomes harder for programmers to adjust plans that would align national requirements for project spending, and harder for the political leadership to insist on the compromises that would be necessary to make cooperation work – politicians are rarely ready to challenge the advice of their military experts.

Also, the additional bureaucratic and financial overhead of a collaborative project is often perceived to make such an approach too expensive. While high-tech projects may realise longer-term savings through shared development costs, states are less convinced that savings are possible for Commercial off the Shelf/Military off the Shelf (COTS/MOTS) procurements, which account for the majority of procurements in the majority of Member States.

45. See, for example: Tomas Valasek, *Surviving austerity. The case for a new approach to EU military collaboration* (London: Centre for European Reform, 2011), 17-27; Zandee, *Defence Cooperation Models*, 3-7.

Third, issues related to defence industry also present obstacles to collaboration. For obvious reasons of domestic policy, states have preferred to procure from national suppliers, who are competitors to suppliers in other nations. The European Commission's 'Defence Package', which included Directive 2009/81/EC requiring Member States to use transparent and fair competitive tendering procedures in defence and security procurement has had only limited success in resolving this issue; in 2016, the Commission concluded that "a very significant share of defence procurement expenditure is still made outside the Directive," and estimated that only 10% by value of contracts awarded under the Directive had been won by foreign companies.⁴⁶

The UK accounts for a little over a quarter of the total defence expenditure of the EU27

The Member States have struggled to overcome these barriers, despite Europe's declining performance in defence, despite the financial crisis, despite pressure from successive US administrations, and despite the growing challenges the continent has faced in recent years. Fundamentally, though, these objections should not be show-stoppers. They might be overcome if there was sufficient political courage and political will among the Member States to work together and in the institutions to implement existing procedures.

4. NEW RISKS, NEW OPPORTUNITIES

A number of issues have recently come together to give new impetus to the drive for more Europe in defence.

46. European Union, European Commission, *Report from the Commission to the European Parliament and the Council on the implementation of Directive 2009/81/EC on public procurement in the fields of defence and security, to comply with Article 73(2) of that Directive*, COM(2016) 762, 30 November 2016, 4-5.

4.1 THE CHALLENGES TO EUROPE

Externally, threats have become more immediate and have changed in character. Russia's aggression in Ukraine has led to the deployment of Allied troops into territories on Europe's eastern borders for the first time since the end of the Cold War. Terrorism has led to the first invocation of the EU's mutual assistance clause (article 42(7) TEU), by France following the November 2015 attacks in Paris. The migration crisis has stretched the capacity of many Member States to the south of Europe and threatened European cohesion. Hybrid and cyber warfare, and the proliferation of cheap information technology have added additional dimensions to conflicts.

The situation is compounded and confused by the diminution of cohesion in the West. Most strikingly, Donald Trump has blown hot and cold

on NATO, focusing above all on the European Allies' defence expenditure. Although this is not a new complaint from the US, unlike others Trump as a presidential candidate explicitly linked the European's defence expenditure to America's commitment to the Alliance; and as president, on his first visit to Brussels, declined to publicly reaffirm US commitment to the principle of collective defence, apparently against the advice of the Pentagon, the National Security Council and the State Department.⁴⁷

Closer to home, the UK's decision to leave the Union following the Brexit referendum and the consequent need for the remaining Member States to find areas in which they could show solidarity has been a major factor in revitalising the debate on the EU's defence dimension. It has also raised more practical concerns about whether the UK's military capabilities will remain available to the EU. Although the UK has been sceptical

47. Susan Glasser, "The 27 Words Trump Wouldn't Say," *Politico Magazine*, 6 June 2017, <http://www.politico.com/magazine/story/2017/06/06/trump-nato-speech-27-words-commitment-215231>.

about the CSDP and its current contribution to EU military operations⁴⁸ is small – it contributes less than 5% of the total number of troops on EU military missions – it still accounts for a little over a quarter of the total defence expenditure of the EU27, and hosts one of five operation headquarters available to the EU for military operations. It is one of few states able to field a full spectrum of capabilities – from the Joint Force 2025, the force structure outlined in the UK’s 2015 Strategic Defence and Security Review, the UK expects to be able to deploy an expeditionary force of around 50,000, including: a maritime task group centred on an aircraft carrier with F35 Lightning combat aircraft; a land division with three brigades; an air group of combat, transport and surveillance aircraft, and a Special Forces task group.⁴⁹ The UK has stated an intent to remain involved in European security and defence matters.⁵⁰ Arrangements may indeed be found to allow the UK to continue to participate in EU-led operations, but prudence will require EU defence planners to assume that UK capabilities will not be available in all circumstances.

These challenges demand common solutions and the EU and its Member States have reacted with speed and determination. The proposals from the Member States and institutions that emerged after the UK’s Brexit referendum have coalesced into a series of concrete initiatives, presently under discussion in Brussels. The debate within the Union is no longer just about the CSDP; the narrative in EU circles has shifted to the much

48. Riina Kaljurand, Tony Lawrence, Pauli Järvenpää and Tomas Jermalavičius, *Brexit and Baltic Sea Security* (Tallinn: ICDS, 2016), 4.

49. HM Government (UK), *National Security Strategy and Strategic Defence and Security Review 2015. A Secure and Prosperous United Kingdom*, Cm 9161 (London: HMSO, 2015), 29.

50. For example: Theresa May, “The government’s negotiating objectives for exiting the EU: PM speech,” 17 January 2017, Gov.UK, <https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech>. May stated, “We will continue to work closely with our European allies in foreign and defence policy even as we leave the EU itself.”

wider concept of ‘security and defence’.

4.2 THE NEW INITIATIVES

Several key initiatives have been generated or revived at the EU level. These include implementing the Lisbon Treaty provisions on Permanent Structured Cooperation (PESCO), establishing a Coordinated Annual Review on Defence (CARD), and the Commission’s European Defence Action Plan (EDAP) and European Defence Fund (EDF), offering respectively a means for a group of Member States to undertake legally binding commitments to each other on defence, a process for collectively reviewing progress and identifying future avenues for cooperation, and a means to provide EU-level financial incentives for collaborative R&T and development. Additionally, the EU is working with NATO to implement the joint declaration for enhanced cooperation issued at the Alliance’s Warsaw Summit.⁵¹

PESCO participating Member States will be required to make legally binding commitments

4.2.1 PESCO

PESCO is a framework to allow a core group of willing Member States to move forward more rapidly on defence cooperation. It is codified in Articles 42(6) and 46, and Additional Protocol 10 of the Treaty of Lisbon.⁵²

PESCO’s main strength is its Treaty basis. PESCO participating Member States will be required to make legally binding commitments in five areas (Box 1, Page 14). Further, Member States’ capability contributions will be regularly assessed by the EDA and their participation may be suspended if they are

51. NATO, “Joint declaration by the President of the European Council, the President of the European Commission, and the Secretary General of the North Atlantic Treaty Organization,” Press Release (2016) 119, 8 July 2016.

52. European Union, “Consolidated version of the Treaty on European Union,” *Official Journal of the European Union*, Vol 59, C202, 7 June 2016.

unable to meet their commitments.⁵³

The Treaty also requires Member States to meet certain, as yet undefined, criteria in order to participate in PESCO.⁵⁴ There has been some debate over whether these criteria should be designed to restrict participation to Member States who are more committed to defence, thus ensuring a more effective PESCO, or whether the criteria should ensure that PESCO is open to all Member States who wish to join. The High Representative's implementation plan for security and defence proposed that PESCO could include both common elements and a "modular and differentiated approach" that would allow smaller groups of PESCO member states to undertake particular projects and cooperation initiatives.⁵⁵ This would potentially allow the participation of all Member States

commitments ... with a precise timetable and specific assessment mechanisms," within three months.⁵⁸

As noted, PESCO's chief strength lies in its Treaty basis. The commitments that participating Member States make to each other will be legally binding, and regularly assessed with sanctions for non-performance. As these commitments include various means of cooperation, even integration, the participating Member States will effectively be coerced into achieving what they that have so far largely failed to do on a voluntary basis. However, the Treaty basis is PESCO's greatest risk too, if it means that the participating Member States can only operate at the level of the lowest common denominator. There is, for example, no real agreement on the details of the EU's new level of ambition

(reflecting a wider lack of convergence in the strategic cultures of the Member States), making it difficult to agree what the Member States' armed forces are for and thus what capabilities

they should collectively make available.⁵⁹ More broadly, there is a range of views among the Member States' on the extent to which armed their forces should cooperate or integrate – the real potential of PESCO will not be realised if it is built upon the views of the more cautious Member States. The greater the number of Member States that take part in PESCO, the larger this risk will be.

CARD should ensure a more systematic approach to the identification of capability shortfalls and to collaborative approaches to addressing them

who wished to join, while ensuring that effective capability development would take place among smaller groups of states.⁵⁶

Meeting in November 2016, the Council agreed to explore the potential of an inclusive PESCO along these lines and tasked the High Representative to provide ideas for further consideration.⁵⁷ In June 2017, the European Council agreed "on the need to launch an inclusive and ambitious PESCO," and invited the Member States to draw up "a common list of criteria and binding

4.2.2 THE CARD

The CARD is intended to "develop, on a voluntary basis, a more structured way to deliver identified capabilities based on greater transparency, political visibility and commitment from Member States".⁶⁰ It is based on earlier proposals for a 'European Semester'

53. Article 3, Protocol (No 10) on Permanent Structured Cooperation Established by Article 42 of the Treaty on European Union; Article 46(4) Treaty on European Union.

54. Article 42(6) Treaty on European Union.

55. European Union, High Representative of the EU for Foreign Affairs and Security Policy, *Implementation Plan on Security and Defence*, 14392/16. Brussels, 14 November 2016, 29.

56. Anne Bakker, Margriet Drent and Dick Zandee, *European defence core groups*, Clingendael Institute Policy Brief, November 2016, 4.

57. Council of the European Union, *Council Conclusions on implementing the EU Global Strategy*, 13.

58. European Union, European Council, *Conclusions*, EUCO 8/17, 23 June 2017, 5.

59. Sven Biscop, *Oratorio Pro PESCO*, Egmont Paper 91, January 2017, 4-5.

60. Council of the European Union, *Council Conclusions on implementing the EU Global Strategy*, 9.

Member States participating in permanent structured cooperation shall undertake to:

(a) cooperate, as from the entry into force of the Treaty of Lisbon, with a view to achieving approved objectives concerning the level of investment expenditure on defence equipment, and regularly review these objectives, in the light of the security environment and of the Union's international responsibilities;

(b) bring their defence apparatus into line with each other as far as possible, particularly by harmonising the identification of their military needs, by pooling and, where appropriate, specialising their defence means and capabilities, and by encouraging cooperation in the fields of training and logistics;

(c) take concrete measures to enhance the availability, interoperability, flexibility and deployability of their forces, in particular by identifying common objectives regarding the commitment of forces, including possibly reviewing their national decision-making procedures;

(d) work together to ensure that they take the necessary measures to make good, including through multinational approaches, and without prejudice to undertakings in this regard within the North Atlantic Treaty Organisation, the shortfalls perceived in the framework of the "Capability Development Mechanism";

(e) take part, where appropriate, in the development of major joint or European equipment programmes in the framework of the European Defence Agency.

Box 1. Article 2, Protocol (No 10) on Permanent Structured Cooperation Established by Article 42 of the Treaty on European Union

to promote transparency in Member States' defence budget and capability plans.⁶¹ The CARD process will be trialled in 2017-18 with the EDA responsible for collecting the necessary data and reporting; its first full implementation will be launched in autumn 2019.⁶²

The CARD may become a powerful tool. In requiring greater transparency of defence plans among the Member States, it should ensure a more systematic approach to the identification of capability shortfalls and to collaborative approaches for addressing them. And its political visibility (the findings of the CARD will be reported to defence ministers) should stimulate leadership and commitment in efforts to improve European military capabilities.

But the CARD also has potential weaknesses. First, as the Council has repeatedly stressed, it will be a voluntary process (it is not fully

clear what is to be voluntary, particularly if CARD is to become a component of a legally binding PESCO arrangement). But voluntary initiatives have not succeeded in encouraging collaboration among the Member States. In terms of transparency of their defence planning, for example, their use of the EDA's existing information sharing platform, the Collaborative Database (CODABA) has been underwhelming.⁶³

Second, while the EDA currently assesses and reports Member States' performance against four agreed benchmarks, it does so on a collective basis.⁶⁴ If the CARD adopts a similar approach, it may be too weak to

61. Solana, *More Union in European Defence*, 16.

62. Council of the EU, Conclusions on security and defence, 13.

63. European Union, European Defence Agency, "Collaborative Database," 12 June 2017, <https://www.eda.europa.eu/what-we-do/activities/activities-search/collaborative-database>.

64. The benchmarks are: equipment procurement (including R&D/R&T): 20% of the total defence spending; European collaborative equipment procurement: 35% of the total equipment spending; Defence R&T: 2% of the total defence spending; European collaborative defence R&T: 20% of the total defence R&T spending. European Defence Agency, *Defence Data 2014*, 2.

persuade individual Member States to improve their performance.

Third, as currently envisaged by the Council, the focus of the CARD is on the identification and encouragement of opportunities for defence collaboration.⁶⁵ While this is welcome, a CARD that does not also robustly review progress and strongly encourage corrective actions may fall short of its aims.

4.2.3 THE EDAP

As the CSDP is an intergovernmental venture, the Member States have traditionally resisted the involvement of the Commission in defence matters. The Commission has gradually pushed against this resistance, including through legal action at the European Court of Justice, and has carved out a role in two main areas. First, it has made efforts to extend single market principles to the defence sector, and to foster the development of a functioning European defence equipment market and EDTIB. Notable milestones have been the ‘Defence Package’ – a directive on defence procurement (2009/81/EC), a directive on intra-EU defence transfers (2009/43/EC), together, the first supranational legislation in the field of defence and security, and an accompanying communication setting out a strategy for the European defence industry; and a 2013 communication on strengthening Europe’s defence and security sector, including strengthening the internal market for defence, promoting more competition, and seeking opportunities to exploit dual-use research and capabilities.⁶⁶

The European Defence Fund will provide, for the first time, EU funding for security and defence projects

Second, in cooperation with the High Representative it has stressed the need for the EU to pursue a whole of Union approach (which would include a role for the Commission) to security questions.⁶⁷ This has resulted in several important joint initiatives dealing with, for example, maritime security, cyber security and hybrid threats.⁶⁸

At the direction of successive meetings of the European Council and Council of the European Union, the Commission has since delivered an implementation plan for its 2013 communication, the EDAP, and further details on the EDF.⁶⁹

The EDF will provide, for the first time, EU funding for security and defence projects. The envisaged financing structures are a ‘research window’ and a ‘capabilities window’. Both are intended to support collaborative-projects that aim to address the defence

65. “[The Council] underlines that CARD should support Member States in delivering capabilities against present and future strategic trends and challenges, and actively promoting enhanced defence cooperation among Member States.” Council of the EU, *Conclusions on security and defence*, 12.

66. European Union, Parliament and Council of the European Union, Directive 2009/81/EC, *Official Journal of the European Union*, L 216, 20 August 2009, 76–136; European Union, Parliament and Council of the European Union, Directive 2009/43/EC, *Official Journal of the European Union*, L 146, 10 June 2009, 1–36; European

Union, European Commission, *A Strategy for a Stronger and More Competitive European Defence Industry*, COM(2007) 764, 5 December 2007; European Union, European Commission, *Towards a more competitive and efficient defence and security sector*, COM(2013) 542, 24 July 2013.

67. European Union, European Commission and High Representative of the EU for Foreign Affairs and Security Policy, *The EU’s comprehensive approach to external conflict and crises*, JOIN(2013) 30, 11 December 2013.

68. European Union, Council of the European Union, *European Union Maritime Security Strategy*, 11205/14, 24 June 2014; European Union, Commission and High Representative of the EU for Foreign Affairs and Security Policy, *Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace*, JOIN(2013) 1, 7 February 2013; European Union, European Commission and High Representative of the EU for Foreign Affairs and Security Policy, *Joint Framework on countering hybrid threats: a European Union response*, JOIN(2016) 18, 6 April 2016.

69. European Union, European Commission, *A New Deal for European Defence*. Implementation Roadmap for Communication COM(2013) 542; European Union, European Commission *Towards a more competitive and efficient defence and security sector*, COM(2014) 387, 24 June 2014; European Commission, *European Defence Action Plan*; European Union, European Commission, *Launching the European Defence Fund*, COM(2017) 295.

capability shortfalls agreed by the Member States.

The ‘research window’, will fund collaborative defence research. The plan envisages directly funding projects conducted by institutes and companies from several member states and will distribute an annual budget of €500 million from 2021. For comparison, the defence

must be conducted by groups of member states, who have committed to buy the final product that emerges from the development activity.

Looking further ahead, the Commission’s proposals for the EDF also envisage supporting collaborative procurement: by providing financial instruments to allow Member

States to coordinate and synchronise national budgets, recover development costs, assist small- and medium-sized enterprises (SMEs) in se-

curing financing, and make use of alternative ownership structures for capabilities; and by providing other advisory, financial and administrative services.⁷⁴

EU funding for defence R&D represents a significant step and, perhaps more than any other initiative on the table, the EDAP has the potential to incentivise cooperation among the Member States. The risks include whether investment in these earlier stages of the project cycle will indeed stimulate through-life cooperation and the development of useful military capability – moving projects forward from R&T is always challenging.⁷⁵ More widely, there is a risk that the EDF will not be used to fund the most appropriate mix of research; criteria for selecting research areas will need to be established and appropriate review mechanisms put in place. The concerns that some Member States have about a role for the Commission in defence may also be an obstacle, as may the worries of some smaller Member States that the EDF will, despite being funded by all, favour the interests of Member States with sizeable defence industries. But perhaps the largest risk to the EDAP is that the funding available, though substantial, will be insufficient to mobilise the Member States to overcome their reluctance to work together in an EU framework and thus to access the EDF.

It is essential that EU initiatives complement NATO’s defence planning

R&T expenditure of the EU27 in 2014 was €2 billion, of which €185 million was spent collaboratively.⁷⁰ The research window will be preceded in 2017-19 by a Preparatory Action, managed by EDA, with a budget of some €90 million to test the proposal.⁷¹

The ‘capabilities window’, will support capability development projects in the post R&T phases. It will include a European Defence Industrial Development Programme (EDIDP), through which the Commission will co-finance development projects (e.g. the definition of common technical requirements, feasibility studies, prototypes and testing) at a rate of up to 20% and with a budget of up to €1 billion per year from 2021.⁷² Including the 80% financing by Member States, the budget expectation for the EDIDP is thus €5 billion per year. For comparison, the defence R&D expenditure of the EU27 in 2014 was €8.8 billion.⁷³ To qualify for EDIDP funding, projects

70. European Defence Agency, *Defence Data 2014*, 27.

71. The Preparatory Action will target research in autonomous platforms, C4ISR, effects, force protection and soldier systems. A pilot project for the Preparatory Action is currently underway. With a budget of €1.4 million, the pilot project addresses three topics: development of unmanned heterogeneous swarm of sensor platforms; standardisation of detect-and-avoid systems for unmanned aerial vehicles. Its implementation was delegated by the Commission to the European Defence Agency. European Commission, *Launching the European Defence Fund*, 6. European Union, European Defence Agency, "Preparatory Action (PA) on CSDP-related research," Factsheet, 27 October 2016.

72. PESCO projects will benefit from a 10% bonus in co-financing. European Commission, *Launching the European Defence Fund*, COM(2017), 9-10; European Commission, *Defending Europe*.

73. European Defence Agency, *Defence Data 2014*, 21.

74. European Commission, *Launching the European Defence Fund*, 11-13.

75. Daniel Fiott, "Funding EU defence cooperation," *EUISS Issue Alert*, No.11, April 2017, 1.

4.2.4 SYNERGY

PESCO, the CARD and the EDF are stand-alone initiatives. Nonetheless, if taken as a package, the synergies between them offer better prospects for improving capability development by the Member States than do these initiatives individually. A CARD inside PESCO, for example, would likely be less voluntary, and thus more useful, than a free-standing CARD; meanwhile a CARD strongly linked to the EDF would help ensure that research and development conducted under the funding windows was better targeted towards meeting the EU's defence and security needs.⁷⁶

Member States appear to simply lack the political will to engage in pooling and sharing projects that would deliver significant capabilities

It is also essential that the EU initiatives complement NATO's defence planning. Both organisations are challenged by Europe's weakness in defence, and both stand to benefit from mechanisms in the EU that can address these weaknesses. The EU and NATO have agreed a common set of proposals to implement their joint Warsaw Summit declaration that recognise the importance of complementarity in defence planning.⁷⁷ Both organisations will need to pay continuing attention to ensuring systematic coordination between their respective planning processes – this is a job for both experts and the political level.

4.3 EXISTING MECHANISMS

There are also existing EU mechanisms – such as Pooling and Sharing, the EDA's Capability, Armament and Technology programme, and the Capability Development Plan – which are designed to promote and provide practical support to all phases of collaborative capability development.

4.3.1 POOLING AND SHARING

The pooling and sharing concept is the EU's main framework for encouraging and facilitating defence cooperation. It is built upon proposals made by Germany and Sweden in 2010 – the 'Ghent Initiative'.⁷⁸ Pooling is the use of nationally owned capabilities on a collective basis, while sharing is when Member States relinquish capabilities in the expectation that others will make them available when necessary.⁷⁹ The initiative

thus has much in common with NATO's Smart Defence initiative. The benefits of such an approach were set out in the original German-Swedish food-for-thought paper: "to preserve and enhance national operational capabilities – with improved effect, sustainability, interoperability and cost efficiency as a result".

EDA's role in pooling and sharing is to identify opportunities, to encourage, to coordinate and to advise. It can claim some successes, for example in training, maritime surveillance, and air-to-air refuelling. The helicopter training programme, involving 13 Member States and Norway, includes several strands such as an exercise programme, tactics training and training for tactics instructors, and an operational English language course.⁸⁰ The maritime surveillance programme (18 Member States and Norway) aims to find simple, low-cost solutions to allow maritime information systems to talk to each other and thus to improve the common recognised

76. Daniel Fiott, "The CARD on the EU defence table," *EUISS Issue Alert*, no. 10, April 2017.

77. European Union, Council of the European Union, *Council Conclusions on the Implementation of the Joint Declaration by the President of the European Council, the President of the European Commission and the Secretary General of the North Atlantic Treaty Organization*, 15283/16, 6 December 2016.

78. "Pooling and sharing, German-Swedish initiative. Food for Thought" (Berlin and Stockholm, November 2010), 1.

79. European Union, European Defence Agency, "EDA's Pooling & Sharing," (factsheet), 30 January 2013.

80. European Union, European Defence Agency, "Helicopter Initiatives," 17 January 2016, <https://www.eda.europa.eu/what-we-do/activities/activities-search/helicopter-initiatives>.

maritime picture.⁸¹ The air-to-air refuelling programme seeks to address an important capability shortfall by optimising existing AAR capability, acquiring fuelling pods for the A400M, and acquiring A330 multi-role tanker transport aircraft.⁸²

This last example, though, is one of very few programmes through which the pooling and sharing initiative has been able to deliver hardware to address agreed capability shortfalls. Member States appear to simply lack the political will to engage in pooling and sharing projects that would deliver significant capabilities. In particular, the larger Member States who have the potential to lead substantial projects (EDA has neither the resources nor the mandate to take on this role and looks to the Member States to do so) are reluctant; it is small and medium-sized countries that have taken the lead in the more successful projects, e.g. the Netherlands for air-to-air refuelling, Finland for maritime surveillance and Ireland for Naval logistics and training.⁸³

4.3.2. CAPABILITY PROGRAMMES

The EDA's capability programmes are the means by which the Agency focuses attention on the four priorities identified by the European Council in 2013: air-to-air refuelling, remotely piloted aircraft systems, government satellite communications and cyber defence.⁸⁴ For these and other programmes, the EDA is able to support

collaborative capability development through tools such as its new Cooperative Financial Mechanism, which is intended to provide a framework through which Member States can advance and defer project payments as a means of overcoming the lack of synchronisation of defence budgets.⁸⁵ The EDA has also seen some success in the formation of user groups through which end users can build more powerful relationships with manufacturers (e.g. for the Leopard II, and C-27J Spartan), and in pursuing the unexciting, but vital subject of defence standardisation.⁸⁶

Capability development pursued through bilateral, trilateral or mini-lateral arrangements has achieved greater success

Where political will for defence cooperation exists, however, Member States appear to be reluctant to make use of EU-level arrangements to implement such cooperation. Whether through hostility to EU defence arrangements (UK), disillusionment with the EU's inability to stimulate capability development (France), or simply difficulty in seeing how the EU can add value, in particular where strong relationships already exist (the Nordic states), capability development pursued through bilateral, trilateral or mini-lateral arrangements (e.g. UK-France, the Weimar group, NORDEFCO) has achieved greater success.⁸⁷

81. European Union, European Defence Agency, "Maritime Surveillance (MARSUR)," 1 June 2017, [https://www.eda.europa.eu/what-we-do/activities/activities-search/maritime-surveillance-\(marsur\)](https://www.eda.europa.eu/what-we-do/activities/activities-search/maritime-surveillance-(marsur)).

82. European Union, European Defence Agency, "Air-to-Air Refuelling," 1 June 2017, <https://www.eda.europa.eu/what-we-do/activities/activities-search/air-to-air-refuelling>.

83. L. Chappell and P. Petrov, "Making pooling and sharing work," in *The European Defence Agency: Arming Europe*, ed. Nikolaos Karampekios and Iraklis Oikonomou (London and New York: Routledge, 2015), 203.

84. European Union, European Defence Agency, "Capability Programmes," <https://www.eda.europa.eu/what-we-do/eda-priorities/capability-programmes>.

85. European Union, European Defence Agency, "Outcome of EDA Ministerial Steering Board," 18 May 2017, <https://www.eda.europa.eu/info-hub/press-centre/latest-news/2017/05/18/outcome-of-eda-ministerial-steering-board>.

86. European Union, European Defence Agency, "Material Standardisation," 18 June 2015, <https://www.eda.europa.eu/what-we-do/activities/activities-search/materiel-standardisation>.

87. A. J. K. Shepherd, "EU military capability development and EDA," in *The European Defence Agency: Arming Europe*, ed. Nikolaos Karampekios and Iraklis Oikonomou (London and New York: Routledge, 2015), 79. A. J. K. Shepherd, "EU military capability development and EDA," in *The European Defence Agency: Arming Europe*, ed. Nikolaos Karampekios and Iraklis Oikonomou (London and New York: Routledge, 2015), 79.

4.3.3 THE CAPABILITY DEVELOPMENT PLAN

The CDP, the EU's main tool for collective defence planning, "looks at future security scenarios and makes recommendations about the capabilities European militaries will need to react to a variety of potential developments".⁸⁸ It is not, however, a supranational planning document; and unlike the NATO Defence Planning Process, it is not a comprehensive capability planning tool that requires individual Member States to take action to address specific capability shortfalls. It is, rather, a tool to identify collective capability shortfalls and allow "the identification and coordination of potential opportunities for cooperation".⁸⁹ The next iteration of the CDP is due in 2018.

The CDP provides an EU-level overview, but lacks teeth in stimulating capability development and defence cooperation at the level of the Member States. At best, it is a reference document for them in their national defence planning. However, a more robust CDP may set priorities that would compete with those established by NATO's more comprehensive planning process. Reconciling the fact that most Member States will continue to place primacy on NATO planning with the EU's need for strategic autonomy will require continued attention at the political and expert levels.

4.3.4 SUMMARY

The new and existing initiatives provide the Member States with a useful set of tools to support collaborative capability development. It is not that there are obvious gaps in the toolset available at the EU level, rather the problem so far has been poor uptake. Instead of tinkering with existing mechanisms or, even, designing new eye-catching

initiatives, the focus of effort should be on how to generate the political will necessary for the Member States to take up what is now on offer.

5. PRINCIPLES AND POLICIES

This section considers some of the principles underlying the current discussion on European capability development, drawing policy conclusions where appropriate. It focuses particularly on the generation and sustainment of political will.

The focus of effort should be on how to generate the political will necessary for the Member States to take up what is now on offer

5.1 INCLUSIVENESS AND EFFECTIVENESS

Two possible arrangements for PESCO have been discussed among the Member States. Some have argued for an exclusive PESCO in which participation would be restricted, as the Treaty provides to "those Member States whose military capabilities fulfil higher criteria ... with a view to the most demanding missions".⁹⁰ In limiting participation, at least in the early stages, they hope to ensure that the arrangements would be militarily effective. However, the European Council has agreed that PESCO should be open to all Member States ready to make the necessary commitments and meet criteria based on the PESCO articles of the Treaty, i.e. an inclusive PESCO.⁹¹ It is not immediately obvious that PESCO will add value if it is simply another forum for all, but few Member States wish to be excluded, in particular as the financial incentives of the EDIDP will not be equally available to those within and those outside. And if PESCO is to be a vehicle for "within the Union framework, [generating] new collaborative efforts, cooperation and

88. European Union, European Defence Agency, "Capability Development Plan" (factsheet), 7 May 2015.

89. Ibid.

90. Article 42(6) Treaty on European Union.

91. European Council, *Conclusions*, June 2017, 5.

projects,” there are clear benefits to including as many Member States as possible.⁹² The challenge, then, is to ensure that PESCO can be both inclusive and effective.

Effectiveness may be enhanced in several ways. First, while PESCO as a whole will be inclusive, the second layer of governance “at the level of projects and initiatives” agreed by the Council will allow the real business of capability development to be taken forward by smaller groups of Member States.⁹³ Defence cooperation has proven more successful in smaller groups as the risk of diverging interests and national sensitivities is lower.⁹⁴ A regional approach that builds on existing and developing regional groupings (for example, BENELUX, NORDEFECO, the Visegrád Group, Germany-Netherlands) is also likely to be valuable, as similar cultures, geography and history, and positive experiences of pre-existing cooperation are ingredients for success in collaborative projects.⁹⁵ It will be important, however, in taking forward

Clearly a PESCO intended to be inclusive cannot set criteria that the Member States cannot meet. However, a lowest common denominator approach can be avoided by setting entry criteria in the form of sufficiently challenging targets to be reached by the participating Member States within an agreed timeframe.⁹⁶ One obvious candidate is a commitment to work towards spending 2% of GDP on defence. This is undoubtedly a blunt instrument, but there is a broad correlation between spending and capability and, more importantly, defence budgets are a clear political signal of the importance attached to defence. Further, reflecting the NATO target inside the EU would stress the linkages between and common goals of the two organisations.

The EDA’s budget-related benchmarks (section 4.2.2) might also be imported into the more binding PESCO framework. At present these benchmarks are assessed on an aggregate basis, hence this also implies a shift from collective towards individual accountability (see section 5.3). Input criteria alone, however, would not provide a complete picture and should be supplemented with binding commitments to meet through-

put criteria (for example, the percentage of investment expenditure spent on European collaborative projects) and output criteria, most importantly, measures of the degree to which agreed capability shortfalls have been addressed and measures of the operational readiness of the forces available for CSDP operations. These criteria should be challenging enough to ensure progress, but achievable so as to ensure credibility.

Third, commitments need to be followed up by a rigorous process of peer review. Measuring progress against benchmarks as a means to stimulate capability development has not been particularly successful in the EU. A more effective system would require

PESCO entry criteria should take the form of sufficiently challenging targets to be reached by the participating Member States within an agreed timeframe

this modular approach, to ensure that the concrete projects and initiatives reflect agreed priorities for capability development – Member States cannot be permitted to simply add a PESCO label to non-contributing projects. Equally, care must be taken in including existing projects under the PESCO umbrella (as, for example, NATO did when it labelled Alliance Ground Surveillance, Ballistic Missile Defence and Baltic Air Policing as Smart Defence projects) if PESCO is not to look like yet another rebranding initiative.

Second, the TEU requires Member States to fulfil entry criteria to participate in PESCO.

92. Council of the EU, *Conclusions on security and defence*, 11.

93. *Ibid.*

94. Dick Zandee, *Defence Cooperation Models*, 5.

95. *Ibid.*, 4-6.

96. Bakker, *European defence core groups*, 4.

a move away from voluntarism towards obligation, and a greater focus on individual, rather than collective performance (sections 5.2 and 5.3). While the CARD is presently seen more as a tool to assess the collective ‘capability landscape’ and to encourage cooperation, it should in time be developed to address these needs.

Member States should accept a greater degree of obligation to each other

5.2 VOLUNTARISM AND OBLIGATION

Defence is a fundamental symbol of national sovereignty and defence cooperation will remain an intergovernmental and, at heart, voluntary process – the current agenda is not about creating an ‘EU army’. However, the record of responses to a series of voluntary initiatives – for example, the Headline Goal, the European Capability Action Plan, Pooling and Sharing, and in NATO the Defence Capabilities Initiative, the Prague Capabilities Commitment and Smart Defence – has demonstrated that high level political commitment does not often translate into delivery. Member States should accept that a greater degree of obligation to each other is necessary if real progress is to be made.

Individual Member States can hide behind collective targets

Through its treaty basis, PESCO will inevitably entail a higher degree of obligation, which participating Member States will need to accept as part of the cost of membership. The Member States should aim to develop a community in which they support and assist each other in meeting the pledges they make within this framework. Nonetheless, they should be ready to take steps to deal with persistent laggards including, ultimately, suspension of participation (Art 46(4) TEU) if this initiative is to deliver on its promise.

Certainly there needs to be a step change in the Member States’ commitment to look for

collaborative before national solutions to defence problems. The EDA’s Code of Conduct on Pooling and Sharing, adopted by defence ministers in 2012, requires Member States to “systematically consider cooperation from the outset in national defence planning”.⁹⁷ They may consider it, but any resulting action is rare. Today though, this practice is very much in their own interests as the EDF will be available only to projects that involve European cooperation.

The quantity and quality of information the Member States will provide to the CARD process on their defence plans must also be enhanced as compared to their current provision of data to the EDA’s CODABA. That CARD will “be implemented on a voluntary basis” must not be used as an excuse to avoid providing data, even if this means an additional – though hopefully minimal – bureaucratic overhead.⁹⁸ In this case, it will also be important to demonstrate that CARD is adding value, perhaps by demonstrating the financial savings or capability gains from projects that have emerged from it – CARD itself must be subject to a regular review and improvement.

5.3 COLLECTIVE AND INDIVIDUAL ACCOUNTABILITY

EU benchmarks for capability development are collective, reflecting the spirit of cooperation and the search for common solutions prevalent in the EU. But individual Member States can hide behind collective targets.

97. European Union, European Defence Agency, “Code of Conduct on Pooling and Sharing,” November 2012, 1.

98. Council of the EU, *Conclusions on security and defence*, 12. The Council has not specified just what the “voluntary basis” is intended to refer to – e.g. is it participation, the information to be shared, the implementation of recommendations?

CARD must find ways for individual Member States, represented by their defence ministers, to hold each other to account for the progress made in addressing agreed capability shortfalls. In this, the Member States should not be seeking to chastise each other (unless this is helpful for a particular minister in his/her national capital), but to encourage, learn and identify future opportunities; nonetheless the focus should be on individual, just as much as collective performance. Some lessons may be drawn from the NDPP and its system of bi- and multi-lateral meetings, through which national defence plans and progress against them are studied. Attention should also be given to this point in reviewing the 2017-18 trial run of CARD.

5.4 FAIRNESS FOR LARGER AND SMALLER MEMBER STATES

There is some concern amongst the smaller Member States that the current set of defence proposals, in particular the EDF, will favour the interests of Member States with sizeable defence industries. The needs of the smaller Member States will need to be addressed both to ensure the trust and sense of fairness required to foster the will to cooperate among all Member States, and in recognition of the fact that the financial contribution of these states will become proportionately larger after Brexit. The smaller defence spenders among the EU27 – all except France, Germany, Italy and the UK – currently account for a little less than 30% of the EU’s total defence expenditure, a figure that will increase to close to 40% after the UK’s departure from the EU. They account for 36% of national contributions to the EU budget, from which the EDAP’s ‘research window’ will be funded and ‘capability window’ supported; this figure will likely also increase after Brexit.⁹⁹

99. European Union, European Commission, “EU expenditure and revenue 2014-2020,” http://ec.europa.eu/budget/figures/interactive/index_en.cfm.

In practice this means smaller states must be assured of opportunities to access the EDF and that their SMEs must have fair opportunities to become part of defence supply chains. Financial incentives for cooperative defence programmes at the early stage of the programme life cycle are more likely to lead to cooperation in later stages, hence smaller Member States cannot be left out if wider and deeper cooperation in collaborative capability development is to be encouraged throughout the EU.

Smaller states must be assured of opportunities to access the European Defence Fund

Most of the smaller Member States do not host primes or system integrators, hence it is essential that their SMEs are able to compete across the EU on a level playing field. The Commission has had limited success in implementing the single market in defence through regulation, hence the EDAP’s emphasis on a new approach based on incentives. However, without a fuller and fairer application of the Defence Package, SMEs in the smaller states will not be able to integrate into defence supply chains. The Commission should thus place more emphasis on sticks to complement its current carrots-based approach. It should also, in taking forward the details of the EDAP, revisit, the Defence Package’s provisions for subcontracting, which have “have not been used and are considered ineffective”.¹⁰⁰

Tying in with the themes of commitment and review present in the current proposals, the industrial aspects of capability development should also be reported on and collectively reviewed. The Member States’ application of the defence directives, the level of inclusion of SMEs in projects, and the degree of cross-border sub-contracting should not only be monitored by the Commission and transgressions acted upon, but a framework should be provided

100. European Commission, *Report on the implementation of Directive 2009/81/EC*, 11.

for peer review of the Commission’s findings amongst Member States. Ideally, this would take place in coordination with the CARD process.

Finally, in exploring ways to incentivise cooperation in the later stages of the equipment life cycle, the particularities of procurement in the smaller Member States should be recognised. COTS/MOTS procurements dominate the defence investment plans of small states and the administrative costs of collaboration here are high when compared to the savings that may accrue from buying in larger quantities. For example, while Estonia claims to have essentially acquired two medium range radars for the price of one through a cooperative MOTS procurement with Finland, Latvian sources report that the Baltic states saw price increases of 20% in the procurement of Carl Gustav anti-tank ammunition through the EDA.¹⁰¹

Common procurement of COTS/MOTS products would be greatly assisted if administrative costs could be covered by the EDF. Such financial support, however, should be conditional on the Member States looking for opportunities for cost savings not only at the procurement phase, where they are likely to be limited, but in common solutions also for the in-service phase, for example in upgrades, storage, spares arrangements, maintenance, operations, disposal, and arrangements for dealing with original equipment manufacturers. The Member States have signed up to “[considering] Pooling & Sharing for the whole life-cycle of a capability,” in the EDA’s Code of Conduct on Pooling and Sharing.¹⁰²

101. Ministry of Defence (Estonia), “Estonia concluded a contract for the procurement of two medium range radar systems,” 3 July 2009, <http://www.kmin.ee/en/news/estonia-concluded-contract-procurement-two-medium-range-radar-systems>; Nora Vanaga, “Baltijas valstu militārā sadarbība: kopīgas atbildes meklējums pēc Ukrainas krīzes (Baltic military cooperation: joint search for answers after the Ukrainian crisis),” *sargs.lv*, 5 August 2016. <http://www.sargs.lv/Viedokli/2016/08/05-01.aspx#lastcomment>.

102. European Defence Agency, “Code of Conduct on Pooling and Sharing,” 1.

5.5 GETTING THINGS DONE AND GETTING THINGS RIGHT

The window of opportunity for advancing the security and defence agenda will not remain permanently open. Other issues and crises will draw the attention of decision makers and momentum will fade. There is, then, an argument for capitalising on the current enthusiasm and in getting things done as soon as possible. On the other hand, some Member States, in particular their defence ministries, are uncomfortable with the speed of progress and the lack of time they have to develop positions. They are unwilling to bless proposals whose details remain unclear – for example it may be hard to agree proposals dealing with the mechanisms for incentivising cooperative research and technology, when the mechanisms for cooperation later in a project life cycle are undefined. And they remain suspicious of the role in defence of the Commission; although the Commission has taken great care to point out it does not intend to be involved in, for example, the definition of priorities for addressing capability shortfalls, it is clear that the Commission’s involvement has both driven the debate forward and, through the EDAP, shaped its outcome in terms of the likely future patterns of cooperation in capability development – the Member States have not lost control of the process, but for the first time they have been required to share it.

The need to proceed while circumstances continue to allow it must be balanced against both the need to keep all Member States on board – to ensure that they have trust in the process and the will to commit to it – and the need to ensure that the details are thought through and offer the best chances of success. The aim of building more effective European military capability will not be well served if Member States feel they are left behind in the design of the mechanisms to achieve this aim. PESCO, for example, can only be launched once and needs to be got right.

5.6 COHERENCE AND INSTITUTIONAL INTERESTS

The security and defence discussion has advanced rapidly through the initiatives currently on the table, but it is not clear that these initiatives form a coherent package; indeed the Council has noted their standalone nature.¹⁰³ Their direction is broadly the same – they all aim in one way or another to improve the efficiency and effectiveness of capability development in EU Member States – but even very basic decisions about their linkages have not been taken. For example, will CARD operate inside or outside PESCO? What will be the relationship between the EDA and the Commission? These and similar questions need to be addressed before Member States can be expected to sign up with confidence. Clear linkages between all initiatives and proper definitions of the roles of the institutions need to be established if their natural synergies are to deliver maximum value.

Substance is important, but so too is communication

Equally important is coherence with NATO, with which the EU shares a largely common membership. Most Member States participate in NATO defence planning activities through the NDPP and the Partnership for Peace Planning and Review Process; most Allies participate in EU defence planning activities through the CDP. European capability development will strengthen both organisations, provided that NATO's and the EU's defence planning is complementary. Through CARD, the EDA will have the most comprehensive overview of the activities and plans of the Member States, as the NATO planners do for the Allies through the NDPP. Together, these bodies will be best placed to identify synergies, resolve conflicts, recommend actions and track progress. It is in the interests of both organisations that this key institutional link is nurtured. The Member States and

the two organisations, meanwhile, should make efforts to move away from the defensive and counter-productive language of “no duplication” towards more the positive ideas of common goals and mutual support.

5.7 INSPIRATION AND SUBSTANCE

Political will for cooperation derives in part from the popular support of national parliaments and the voting population. While the initiatives currently under discussion are strong on substance, they contain little to persuade the average citizen of the value of an EU defence dimension, or of defence more generally. Even those familiar with the subject and committed to more Europe in defence will find it difficult to be motivated by, for example, the 42 proposals for implementing the Warsaw Summit EU-NATO Declaration, or the Council's conclusions on implementing the EU Global Strategy in the area of security and defence.

Substance is important, but so too is communication. There is a need to develop and disseminate persuasive argu-

ments to demonstrate that the EU can add value in security in defence, and that cooperation can bring more capability for a given amount of money. And in the longer term, building on the work of the EDA, communication through conferences, working meetings and training programmes could be helpful in ensuring that defence planners, procurers and end users think of European cooperation before they think of national solutions.

CONCLUSIONS AND RECOMMENDATIONS

Although they have signed up to many initiatives in the EU and NATO, European states have largely failed to address agreed capability shortfalls and get poor value for money from their defence budgets. The commonly recognised solution, that of collaboration in capability development, has

¹⁰³Council of the European Union, *Council Conclusions*, 18 May 2017, 15.

seen only limited success, in particular in collaborative equipment procurement. Declining defence budgets over the last decade have exacerbated the problem, leaving Europe's defence institutions with a pressing need to catch up if they are to be credible in an acutely degraded security situation.

Nonetheless, the Member States have agreed a new, broader and higher level of ambition. The world, and in particular the US, will be watching closely to see whether the Member States are ready, this time, to provide the military capability to underpin this statement and their wider commitments to transatlantic security.

The initiatives that are currently on the table include for the first time tools to provide financial incentives for research and capability development, tools to allow Member States to make binding commitments to each other, and tools to hold them accountable for these commitments. These, and recent developments in the relationship between the EU and NATO, present the Member States with a real opportunity to give proper meaning to their new level of ambition. The key question is whether they are ready to take it. If they can find the necessary political will and courage, this period will be a turning point for European security and defence; if they cannot, 2017 will add another set of initiatives to European defence scrapheap.

GENERAL RECOMMENDATIONS

There is no cure-all for the generation of political will. However, steps may be taken in the context of the current work on security and defence that may help to nudge the Member States in the right direction:

- Efforts must be made to ensure the effectiveness of an inclusive PESCO. Capabilities to address commonly agreed shortfalls should be delivered by smaller groups of Member States, building where appropriate on existing regional groupings. Existing collaborative projects that

do not contribute towards common goals must not be labelled as PESCO projects to create an illusion of success.

- PESCO participating Member States should commit to meet challenging, but achievable input, throughput and output criteria within agreed timescales. These should include measures of the degree to which agreed capability shortfalls have been addressed.
- Progress should be regularly and robustly reviewed; CARD should be developed over time to meet this need.
- If European security and defence is to become a reality, the Member States must accept a shift from voluntarism towards obligation. PESCO will entail a higher degree of obligation through its treaty basis; Member States must be ready to take action against participants who fail to meet their obligations.
- The Member States must also accept a shift from collective towards individual accountability; CARD must find ways for individual Member States to hold each other to account for the progress made in addressing agreed capability shortfalls.
- The interests of larger and smaller Member States must be balanced, in particular as they concern access to the European Defence Fund and opportunities for their defence industries. This will require the Commission to place more emphasis on sticks to complement its current incentive-based proposals and to be ready to act upon transgressions. A framework should be provided for peer review of the Member States' defence contracting and industry record, ideally in coordination with the CARD process.
- In return, financial support in the procurement phase of projects should be conditional on the Member States also looking for opportunities for cost savings in common solutions for the in-service phase.

- Member States must be comfortable with the pace of developments. Cohesion should not be sacrificed for speed as the details of initiatives are elaborated.
- The current set of initiatives must be brought together into a coherent package, such that their natural synergies – and those with NATO – are realised and the roles of the various institutions are mutually supporting.
- Greater effort must be placed on communicating the benefits of defence cooperation, and defence more generally.

RECOMMENDATIONS FOR THE ESTONIAN PRESIDENCY

The changing and uncertain strategic circumstances present a compelling case for the CSDP, and for its reinforcement by more effective European military capability. The European states must have the means to take responsibility for a wide range of comprehensive security challenges both for their own security and in their attempts to persuade the US that European security remains deserving of its support. In its Presidency of the Council of the EU, Estonia should:

- Use its Presidency to retain a focus on and be an advocate for an EU security and defence dimension, in particular with those Member States who remain sceptical.
- Capitalise on its position as one of only three Member States to spend 2% of GDP on defence to stress the urgent need for European military capability development to underpin the CSDP and contribute to NATO, which will require the Member States to spend more, spend better, or both.
- Commit to the further development of the EU's security and defence dimension and to the elaboration of the initiatives currently under discussion that will support the delivery of more, and better

European military capability. In particular, during the period of the Presidency:

- With regard to the EDAP, work to ensure that the capability projects put forward for the EDF and EDIDP will both contribute to addressing agreed capability shortfalls and offer fair opportunities for participation by large and small Member States, thus helping to establish by precedent appropriate criteria for future EDF-funded projects.
- With regard to PESCO, work to ensure: that the criteria and binding commitments to be drawn up by the Member States safeguard the principle of effectiveness within an inclusive PESCO (see General Recommendations above); that assessment mechanisms are sufficiently robust as to allow Member States to hold each other individually to account; and that the collaborative projects and initiatives identified should address agreed capability shortfalls and not simply re-label existing initiatives that do not meet this goal.
- Continue to be an advocate for a strong NATO and work towards ensuring that the Warsaw Summit Declaration by the EU and NATO is put into full effect.
- Highlight the importance of the EU and the UK preserving a strong relationship in defence and security, and explore mechanisms to achieve this.

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ISSN 2228-0529
ISBN 978-9949-9885-6-3 (PDF)