Policy Paper

Building Capacity for the EU Global Strategy

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**Foreword**

This food-for-thought paper is intended to stimulate policy discussions on a key aspect of the European security and defence agenda – military capability development – during Estonia’s Presidency of the Council of the European Union. The paper is one of the main deliverables of a short study conducted by research fellows at the International Centre for Defence and Security, Tallinn, Estonia. The study itself was based on a review of the literature, and a sizeable number of non-attributable interviews conducted by the ICDS with representatives of the EU Member States, European defence industry associations, 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.

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”.

A more detailed exposition of the background to and arguments made in this paper, as well as a description of the study methodology and recommendations for the Estonian Presidency, may be found in a companion report.¹

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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.
**INTRODUCTION**

A confluence of external and internal factors has accelerated the EU debate on security and defence, bringing into sharper focus the European Council’s 2013 assertion that “defence matters” and fuelling a determination to give effect to the Global Strategy presented by the High Representative for Foreign Affairs and Security Policy in June 2016. A rash of proposals from the Member States and institutions has coalesced into several concrete initiatives at the EU level which, taken together, have the potential to have a positive and transformative impact. This enthusiasm is to be welcomed. A credible collective and multi-dimensional response to the security and defence challenges facing the EU is long overdue.

Enthusiasm alone, however, is not enough. Above all, the EU’s new level of ambition will need to be underpinned by effective military capabilities. If the CSDP is to be credible and if Europe is to make a stronger contribution to transatlantic and global security, military capability development must be at the heart of the Member States’ efforts. But the record in the past years has been poor. Until very recently, European defence budgets have declined. 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 towards collaborative capability development, is a prerequisite for success.

This paper is intended to stimulate policy discussions on this key aspect of the European security and defence agenda. Its recommendations focus on the generation and sustainment of the political will necessary for collaborative military capability development.

**1. THE STATE OF EUROPEAN DEFENCE**

In the pool of military capabilities available to underpin European security and defence policies, 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; but the savings from these reductions have largely not been invested in projects to address agreed capability shortfalls. ‘Criticality’ has thus increased in most capability areas and shortfalls exist in, for example, smart munitions, air-to-air refuelling, Remotely Piloted Aircraft Systems, satellite communications, cyber, and intelligence, surveillance and reconnaissance. Although the EU has more than 5000 personnel deployed on six military and nine civilian missions, the European states are unable to conduct operations of any complexity without substantial support from the US (e.g. Libya), or without accepting increased operational risk (e.g. EUFOR Chad/CAR).

**Above all, the EU’s new level of ambition will need to be underpinned by effective military capabilities**

Despite this, in its November 2016 conclusions on implementing the Global Strategy, the Council of the EU agreed to a higher level of ambition in security and defence, including complex military tasks such as joint crisis management in areas of high security risk, close air support and air surveillance, and maritime security and surveillance.


If Member States are to deliver the necessary “credible, deployable, interoperable, sustainable and multifunctional civilian and military capabilities,” to realise this ambition, they will need to spend more, spend better, or both.5

1.1 WHAT DO MEMBER STATES SPEND ON DEFENCE?

Defence spending is currently rising in most Member States, but this follows a long period of decline. Figures 1 and 2 (page 11) 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 2016.6 In total, the expenditure of the EU28 grew by 2.5% between 2015 and 2016, but shrunk by 9% between 2009 and 2016.

As most Member States are NATO Allies, they have committed to the NATO target of spending a minimum of 2% of their GDP on defence.7 Had the EU27 (i.e. excluding Denmark) 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.8

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 US and European military expenditure has declined since 2009, Chinese and Russian spending has increased dramatically.

1.2 HOW DO MEMBER STATES SPEND THEIR DEFENCE BUDGETS?

In 2014 only 7 of the EU27 reached the benchmark of spending 20% of their defence budgets on procurement and none of them achieved the benchmark of spending 2% of their defence budgets on R&T.9 Spending on R&T, the cornerstone of successful capability development, has declined disproportionately, falling by 32% between 2006 and 2014.10

Meanwhile, fragmentation of both defence demand and defence supply has led to EU states 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.11 The uncoordinated and inefficient use of defence budgets leads to a lack of standardisation, poor interoperability, duplication, diminished competitiveness in Europe’s defence industry, and the wasting of money.

More cooperation has long been recognised as the best solution to Europe’s defence troubles. 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.12

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5. Ibid.
6. Information from the Stockholm International Peace Research Institute, [https://sipri.org/databases/milex](https://sipri.org/databases/milex). SIPRI data is used here a) as it is more recent than EDA data and b) to allow more direct comparison with non-EU states. The term “Military Expenditure” is SIPRI’s.
7. 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.
9. Ibid., 27, 21. The benchmarks are collective and their adoption on a national basis is voluntary; together, the EU27 achieved 17.8% and 1.02%.
The Member States have over the years adopted several initiatives designed to stimulate greater cooperation, most recently Pooling and Sharing (NATO has launched initiatives with similar aims, such as 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. And they have agreed specific, albeit collective, targets for defence cooperation. Still, only 20% by value (around €5 billion) of the Member States’ defence equipment procurement is delivered through European collaborative projects as compared to an agreed benchmark of 35%, and only 8.6% of R&T is carried out collaboratively against a benchmark of 20%.13

1.3 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 such as the European Air Transport Command, Belgian-Netherlands naval cooperation, and the broad land forces cooperation between Germany and the Netherlands. But real steps in eradicating the cost of non-Europe will only be made when cooperation 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 are mostly well known. Large political concerns over sovereignty, national autonomy to act, intellectual property, work share/juste retour, and security of supply often stand in the way. At a more technical level, as projects advance, it becomes harder for the military end user to accept changes that would harmonise military and technical requirements, harder for programmers to adjust spending and timing plans, and harder for the political leadership to insist on the compromises that would be necessary to make cooperation work. 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.

Issues related to defence industry also present obstacles to collaboration. For obvious reasons of domestic policy, states have preferred to procure from national suppliers. 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.14


2. NEW RISKS, NEW OPPORTUNITIES

A number of issues have come together to give new impetus to the drive for more Europe in defence. 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 and, on his first visit to Brussels, declining to commit to the principle of collective defence.

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’s current contribution to EU military operations 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, is one of few states able to field a full spectrum of capabilities, and hosts one of five operation headquarters available to the EU for military operations.

These challenges demand common solutions and the EU has reacted with speed and determination. The debate within the Union is no longer just about the CSDP, but about the much wider subject of ‘security and defence’.

Several key EU initiatives have been generated or revived. These include the possibility of 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, 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.15

There are also existing EU mechanisms – such as Pooling and Sharing, the EDA’s Capability, Armament and Technology programme, the Capability Development Plan – which are designed to promote and provide practical support to all phases of collaborative capability development. Overall, there are no obvious gaps in the toolset available to the Member States – the problem is poor uptake. Rather than 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 on offer.

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15. Post 2020, the Commission proposes to fund collaborative defence research at €500 million per year and to co-fund up to 20% of collaborative development projects. European Union, European Commission, Launching the European Defence Fund, COM(2017) 295, 7, 9.
3. PRINCIPLES AND POLICIES

The current agenda on European security and defence is too broad in scope, too fast moving and too detailed to be meaningfully addressed in a short food-for-thought paper. The speed of developments since the publication of the Global Strategy and the current focus on the details of the disparate set of initiatives currently on the table are themselves, however, good reasons to pause and to take a bird’s eye view. This section considers some of the principles underlying the discussion, drawing policy conclusions where appropriate. It focuses particularly on the generation and sustainment of political will.

3.1 INCLUSIVENESS AND EFFECTIVENESS

Although some Member States had argued that membership of PESCO should be limited, at least in the early stages, in order to ensure its effectiveness, the Council has agreed that PESCO should be open to all Member States ready to make the necessary commitments.16 It is not immediately obvious that 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.17 Here, a regional approach that builds on existing and developing regional groupings (for example, BENELUX, NORDEFCO, the Visegrád Group, Germany-Netherlands) is likely to be valuable, in particular as working in smaller groups and positive experiences of pre-existing cooperation are ingredients for success in collaborative projects. It will be important, however, in taking forward 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.

Second, the TEU requires Member States to fulfil entry criteria to participate in PESCO. Clearly an inclusive PESCO 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. One obvious candidate is a commitment to work towards spending 2% of GDP on defence, reflecting a similar target in NATO. 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. The EDA also has several budget-related benchmarks that might be imported into the more binding PESCO framework;18 at present these benchmarks are assessed on an

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17. Ibid.

18. 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.
aggregate basis, hence this also implies a shift from collective towards individual accountability (see section 3.3 below). Input criteria alone, however, would not provide a complete picture and should be supplemented with binding commitments to meet throughput 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. 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 a move away from voluntarism towards obligation, and a greater focus on individual, rather than collective performance (sections 3.2 and 3.3 below). 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.

3.2 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 Capabilities Development 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.

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 – this is very much in their own interests as the European Defence Fund will be available only to projects that involve European cooperation. In this regard, the quantity and quality of information they will provide to the CARD process on their defence plans must be enhanced as compared to their current provision of data to the EDA’s Collaborative Database. CARD’s “voluntary basis” must not be used as an excuse to avoid providing data, even if this means an additional – though hopefully minimal – bureaucratic overhead. 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.

3.3 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. 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 trial run of CARD.

### 3.4 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 EDAP, 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.19

In practice this means smaller states must be assured of opportunities to access the European Defence Fund 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.

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”.20

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

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transgressions acted upon, but a framework should be provided for peer review of the Commission’s findings amongst Member States. Ideally, this would take place in coordination with the CARD process.

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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. Common procurement would be greatly assisted if administrative costs could be covered by the European Defence Fund. 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 storage, spares arrangements, maintenance, operations, and arrangements for dealing with Original Equipment Manufacturers.

**3.5 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.

**3.6 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. They 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.

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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. Assuming that PESCO goes ahead, for example, will CARD operate inside or outside it? 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.

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 NATO Defence Planning Process and the Partnership for Peace Planning and Review Process; most Allies participate in EU defence planning activities through the Capability Development Plan. European capability development will strengthen both organisations, provided that NATO’s and the EU’s defence planning is complementary. Through CARD, the EDA can play an important role in identifying synergies and following up on their uptake, and in providing a key institutional link with NATO’s planners. 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.

### 3.7 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. 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 arguments to demonstrate that the EU can add value in security and 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 for defence planners, procurers and end users think of European cooperation before they think of national solutions.

### Conclusions

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 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.

There is no automatic solution 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:

- If PESCO is triggered on an inclusive basis, efforts must be made to ensure its effectiveness. 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.
Figures

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

Figure 2. Percentage Change in Member States’ Military Expenditure 2009-2016. Constant (2015) US$. Information from SIPRI.
Figure 3. Military Expenditure of the USA, the EU28, China, and Russia, 2016. Constant (2015) US$. Information from SIPRI.

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