

Progress on European defence to be evaluated by the European Council

SUMMARY

Against the backdrop of the long-term decline in European defence budgets, the deteriorating security context just beyond Europe's borders and the worsening relationship with Russia have been seen as providing a wake-up call to European leaders regarding the necessity to adapt the EU's foreign and security policy to the new challenges and deepen their defence cooperation.

At the major debate on defence scheduled to take place at the June 2015 European Council meeting, the EU's Heads of State or Government are expected to assess the progress achieved so far in the area of security and defence, and task the High Representative/Vice-President of the Commission with the review of the 2003 European Security Strategy. However, expectations of the outcome on security and defence issues have not been raised too high, not least given the other significant points on the agenda of the European Council (fight against terrorism, the Transatlantic Trade and Investment Partnership, euro area economic governance). The most recent Council Conclusions on CSDP, of 18 May 2015, will most probably represent the basis for discussions and for the outcome.

On the other hand, a series of proposals on how to effectively boost European defence cooperation, including from the President of the European Commission, some EU Member States, as well as the defence industry and various think-tanks, might still raise the level of ambition of the European Council decisions.



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Background

At its meeting on [25-26 June 2015](#), the European Council is to assess the progress achieved in the area of security and defence since December 2013, when the EU Heads of State and Government held their first dedicated debate in years on the state of defence in Europe, and give further guidance. The European Council will also task the High Representative/Vice-President of the Commission (HR/VP) to prepare the review of the 2003 [European Security Strategy](#) (ESS).¹ This should follow an inclusive process, on the basis of an assessment of 'the [changes in the global environment](#) and the challenges and opportunities arising for the Union.'

At the end of 2013, against the [background](#) of the economic and financial crisis and ensuing decline in European states' defence budgets, the perspective of America's gradual withdrawal from European security and its re-balancing to the Asia-Pacific region, of persistent shortfalls in key European capabilities revealing continued dependence on the United States and of the fragmentation on both demand and supply sides of European defence markets, EU leaders emphatically stated that '[defence matters](#)'. They mandated a series of projects concerning three strands of action – improving the effectiveness, visibility and impact of the Common Security and Defence Policy (CSDP),² enhancing the development of capabilities and strengthening the European Defence Technological and Industrial Base (EDTIB). All EU institutional actors involved, such as the HR/VP and the European External Action Service (EEAS), the European Defence Agency (EDA) and the Commission, have indeed put forward the strategies and action plans within the proposed timeline as requested. Moreover, the security environment in the EU's Eastern and Southern Neighbourhood is deteriorating rapidly, and extremism is on the rise, with direct impact on the security of European citizens. The growing number of fragile states around the world, the rise of increasingly revisionist powers, and security threats evolving from climate change all represent threats. These developments have prompted recognition of the [necessity](#) for the EU to adapt its foreign and security policy to the new challenges – including through a new European security strategy – backed by the necessary capabilities to act as a security provider, to cooperate with partners and to ensure its strategic autonomy.

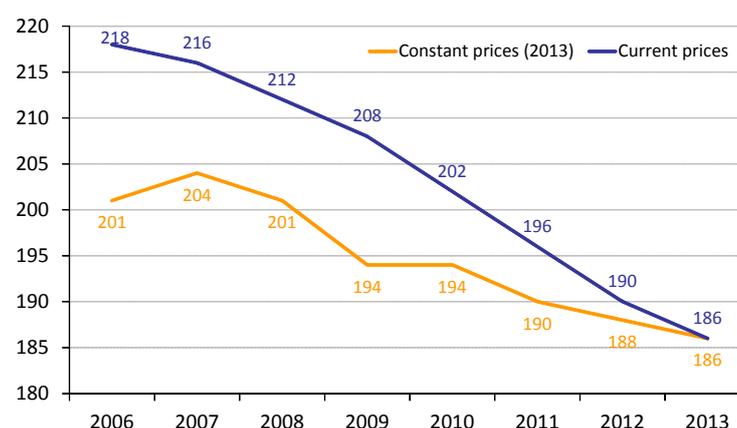
Nevertheless, concrete progress has been [assessed](#) as slow, although some interesting proposals have been presented (e.g. preparatory action on defence research). Some experts have pointed to the lack of political will among Member States to commit to the development of European defence capabilities, as well as to the moderate level of [ambition](#) seen in the initiatives taken in the aftermath of the December 2013 European Council.³ Others have [underlined](#) the gap between EU governments' rhetoric and the actual deliveries, deploring above all the persistence of the same mind-set, which revolves around the question of sovereignty, impeding further integration of defence cooperation and in reality leads to greater dependency and further loss of capabilities and opportunities. Therefore, [expectations](#) of the June 2015 European Council meeting are rather low. The most recent [Council Conclusions on CSDP](#), of 18 May 2015, are seen as the initial basis for the discussion and the outcome. However, a series of proposals on how to effectively boost European defence cooperation, including from the President of the European Commission, a number of Member States, as well as the defence industry and various think-tanks, could still raise the level of ambition of the guidance the European Council is due to provide in June.

Key challenges for European defence

Declining European defence expenditure

Although Europeans, together, still account for the [world's second largest military spend](#), the global economic and financial crisis and resulting austerity measures have had a serious impact on European defence budgets. In particular, in the EU countries which account for [80%](#) of EU defence spending (UK, France, Germany and Italy) defence spending has experienced [long-term downward trends](#), in real terms. According to EDA data for 2013, the defence expenditure of its 27 participating Member States (all EU states except Denmark) has decreased in real terms by 15% over the period 2006-13.⁴ In 2013, total expenditure on defence in the EU27 amounted to €186 billion, shrinking by 0.9% compared to 2012. In [comparison](#), in 2013 the US had a €600 billion defence budget.

Figure 1 - EDA Member States defence expenditure, €billion



Data source: [Defence Data 2013](#), European Defence Agency, 2015.

EU Member States spent the largest part of their defence budgets on personnel (49.3%), followed by operational and maintenance expenditure (25.1%) and investment (20.1%) – the latter comprising procurement and research and development (R&D, including research and technology – R&T). If defence procurement decreased compared to 2012, the R&D component saw a slight increase in 2013, as well as R&T expenditure. Nevertheless, assessed against the voluntary [collective benchmarks](#) agreed by EDA Member States in 2007 (i.e. **equipment procurement**, including R&D/R&T: 20% of total defence spending; **European collaborative equipment procurement**: 35% of total equipment spending; **defence R&T**: 2% of total defence spending; **European collaborative defence R&T**: 20% of total defence R&T spending), the picture is more complex. According to the new European Defence Agency chief, European investment in R&D [has fallen considerably](#), by 40% since 2006. [R&T expenditure](#) in 2013, amounting to 1.12% of total expenditure, was below the 2% benchmark, and this percentage has been steadily declining. On the other hand, equipment procurement has remained above the 20% benchmark since 2007. Yet, the trends are considered worrying with respect to European collaborative spending on equipment and R&T – for which only partial data are available since 2012. In 2013, Europeans, collectively, spent the smallest amount since 2006 on equipment procurement, equivalent to 15.9% of total defence equipment procurement (below the 35% benchmark), while collaborative R&T amounted to 9.7% of total defence R&T (the agreed benchmark being 20%).

Besides the overall decline in expenditure, defence budgets are reduced [without consultation](#) between Member States, which [increases](#) imbalances, or are [spent inefficiently](#). Declining defence budgets may have serious [consequences](#). A critical point will be reached, below which military forces and equipment will no longer be credible or relevant. Key capabilities will become less available as states choose to invest in cheaper capabilities. It is already [assessed](#) that Europe has lost about 20% of its capabilities since 2008. Insufficient R&D and R&T investment will affect European

defence industries' competitiveness, and widen the technological gap with the US. Eventually, the resulting shrinking European military, industrial and technological base will have a severe impact on Europe's security of supply and strategic autonomy.

Within the **North Atlantic Treaty Organization (NATO) framework**, the US has been reiterating longstanding [appeals](#) to its European allies to increase defence spending, to assume more of the burden, or at least [avoid](#) further defence-budget cuts. Most recently, US [Secretary of Defense, Ashton Carter](#) called for more and better European investment in defence, in particular at a time marked by new security challenges. US defence expenditure (above 3.5% of GDP in defence spending, according to [NATO estimates](#)⁵) [represents](#) 73% of the defence spending of the entire Alliance. NATO Secretary-General, Jens Stoltenberg has also [pointed](#) to the steady decline in defence expenditure of European NATO members over the past 25 years, and warned that if the trend is not reversed, including through more efficient spending, the capacity of Allies to show resilience and defend their core values would be seriously degraded.

At the 2014 NATO Summit in Wales, European NATO members pledged to [stop](#) the cuts in defence spending and to strive to achieve the 2% of GDP target within a decade, with 20% of defence expenditure to be used for major equipment purchases and R&D, and to improve efficiency in spending. [Some EU Member States](#) – in particular central and eastern European Allies, including Poland, [Romania](#) and the Baltic States, prompted by the situation in Ukraine and Russian assertiveness – have [announced](#) increases in defence spending over the coming years. Nevertheless, the smaller size of these states' economies means that growing defence expenditures, as a percentage of GDP, cannot compensate for the stagnation in defence spending of the larger economies. In [2014](#), among European NATO members, only Greece, Estonia and the [UK](#) met the 2% target.⁶ However, there are serious [concerns](#) that the UK might miss this target in coming years, with large [cuts](#) becoming unavoidable.⁷

Put in perspective, [defence expenditure](#) has been growing in every [region](#) in the world except Europe and North America.⁸ China, Russia and Saudi Arabia were the [world's highest military spenders](#) in 2014 after the US, with increases of 9.7, 8.1 and 17% respectively. In this context, according to [IHS Jane's](#), by 2019, NATO 'will fail to account for the majority of worldwide defence expenditure for the first time in its history', given that it accounted for almost two thirds of global spending in 2010.

Capabilities shortfalls

The shortfalls in key European strategic capabilities, in particular strategic air- and sea-lift, air-to-air refuelling, intelligence, surveillance, target acquisition and reconnaissance (ISTAR) and the dependence on US assistance have been manifest for years. The need for improved capabilities, as well as for strategic autonomy, formed the rationale for launching the EU's CSDP and later on for the creation of the European Defence Agency which aimed inter alia to support EU Member States in the development of capabilities. Despite the launch of some joint projects and initiatives, the pressure from reduced budgets, the US pivot to Asia and increased demands for the EU to act as a [security provider](#), progress in developing capabilities in a coordinated and cooperative way between EU Member States has been assessed as rather limited.⁹ At the same time, Member States either [maintain](#) an excess of certain military capabilities or duplicate existing equipment. The weak coordination of European [defence procurement](#), slow progress in developing joint capabilities and uncoordinated cuts in capabilities are also seen as significant obstacles to the interoperability of militaries, to achieving efficiency, to the ability of Europeans to project power and, in the long run, even to carry out international [crisis-management](#) missions. As for European military forces,

uncoordinated structural reforms and budget pressure, in the view of some experts, could lead to [shrinking armies](#), with only a few states able to maintain 'the full spectrum of capabilities' but with consequences on their forces' sustainability, while smaller states might have to give up entire capabilities. Already, some experts [assess](#) that European NATO members' armed forces are only partially capable of large-scale conventional operations and rapid response.

As the EDA enters its second decade of existence, the two main dividing lines said to be at the core of Member States' reluctance to increase their cooperation on the development of capabilities persist: the Atlanticist versus Europeanist approaches, and the sovereignty versus pooled defence resources. In the first case, some Member States are unwilling to accept the EU as the framework for developing defence capabilities, while in the second case, sovereignty-related concerns (*see below*) prevent Member States from engaging more substantially in 'pooling and sharing' projects. According to some authors, EDA – now institutionalised by the Lisbon Treaty – has been used by Member States mainly as a platform for information sharing and visibility for their initiatives but has been viewed less as a motor for capability development.¹⁰ Although smaller and medium-sized EU states have welcomed increased defence cooperation and have been at the forefront of some EDA-supported projects, larger Member States have been more reluctant to take the lead.¹¹

Similar difficulties [confront](#) the other main multilateral framework for defence cooperation among European states, namely NATO, with its Smart Defence initiative (SD), which has not profoundly shaped capability development and procurement. A series of bilateral/'minilateral' initiatives outside the EU framework aimed at enhancing defence cooperation with various scopes and degrees of integration (e.g. the bilateral Anglo-French Lancaster House Treaties), while [cautiously welcomed](#) by some analysts, are nevertheless considered by others as [insufficient](#) for developing the large-scale capability projects needed in order to prevent a future 'Europe without defence'.

Fragmentation of the European defence market

The development of capabilities cannot be considered separately from the defence industry providing the required military equipment. The EU has the world's second most developed [defence industry](#), after the US. According to [SIPRI](#), 30 European companies were included in the top 100 arms-producing and military services companies in 2013. Alongside US companies, the UK's BAE Systems, the European EADS (renamed Airbus Group in 2014), Italy's Finmeccanica and France's Thales were in the Top 10.¹² Despite these companies' relative success, the **European arms industry is still very much fragmented** and associated with national procurement priorities and markets. In reality, the European defence industry has [failed to consolidate](#) further since the 1990s, on the [model](#) of the US defence industry, with the exception of the air and missile domains. Currently, the national defence technological and industrial bases (DTIBs) of EU Member States differ considerably from many points of view (structure, regulation, state ownership etc.), including using different standards and certification. Moreover, the European industrial capacity in defence is concentrated in six countries (also the [Loi Framework Agreement](#) countries: UK, France, Italy, Germany, Spain and Sweden), making up more than 85% of European defence industrial production, and several other countries have some limited defence industrial capacities. Although industry itself has favoured further consolidation, to bring about economies of scale and increased competitiveness, governments have generally been reluctant to allow cross-border mergers (for example the failed [EADS–BAE](#) merger), for various reasons (protectionism,

maintaining control over national industrial assets in a sensitive sector, etc.).¹³ In the context of fragmented demand (*see below*), which, due to budget pressure has also been diminishing, defence companies have either chosen to develop their activities intended for the civilian markets to the detriment of military production or have turned to [exports](#), becoming increasingly dependent on international export markets (with increased competition and technology transfer demands from third countries).

At EU level, two Directives on Defence Procurement (2009/81/EC) and Transfers of Defence-related Products (2009/43/EC) entered into force in 2009 with the objective of strengthening EDITB and increasing cooperation between Member States. They created the conditions to increase competition in defence procurement while ensuring information confidentiality and security of supply (SoS); deal with exceptions invoked under Article 346 TFEU (i.e. exempting defence from internal market rules, for national security reasons) and offsets, and facilitate transfers of defence goods between Member States.

On the other side, the fragmentation of demand is also a problem, as Member States often make recourse to Article 346 TFEU and turn to their national industries for procurement, to preserve their national independence and ensure security of supply for their armed forces. Besides Member States invoking Article 346 TFEU, the Commission also believes market distortions arise from the practice of offsets (i.e. contractual arrangements whereby suppliers make compensatory commitments to the buyer), among which the *principle of juste retour* underlies many collaborative programmes (work allocated to national firms should equal the state's financial contribution), although the debate on offsets has been more complex, with some Member States viewing them as an important instrument for developing their national defence industries. Moreover, the fragmentation of demand has been characterised by the duplication of defence production sites in Europe, while the economic and financial crisis [has led](#) not only to reduced defence budgets for military equipment procurement and R&D, but also to a re-nationalisation of defence procurement. In addition, armaments cooperation in Europe, although a preoccupation since the 1950s,¹⁴ has advanced very slowly, and at present [no new large](#) collaborative European armaments programmes are under way.

In conclusion, consolidation of demand through 'pooling and sharing' initiatives, and of supply through industry measures, is seen as a means to increase efficiency in spending and avoid duplication. Nevertheless, Member States are not fully taking advantage of this potential for cooperation, due to various concerns: loss of strategic autonomy, the sensitivity of the defence sector, and reluctance to give up a strategic industrial base, seen as a matter of national prestige. In the long run, the risk is the [disappearance](#) of key industrial capacities and technological skills necessary for both European and national DTIBs, with serious implications in terms of security of supply and maintaining autonomy of action for Europeans. Ultimately, armaments collaboration, capability development and a strong EDTIB are all interlinked; 'further and deeper' European defence cooperation, starting with R&T and R&D, identifying priorities, addressing capability gaps and developing future capabilities, reducing fragmentation of supply and demand, are [seen](#) as prerequisites for a sustainable EDTIB. This would be able to ensure security of supply for European armed forces, and 'increase Europe's strategic autonomy and ability to act with partners'.

The overall underlying challenge: sovereignty

[Sovereignty](#) concerns are among the main obstacles to increased defence cooperation, as most Member States want to maintain decision-making autonomy when it comes to their security and defence policy. Besides the issue of trust among partners, including fear of free-riding by others, Member States also worry about procuring equipment from companies in other states and are reluctant to share sensitive information on their military technologies with their allies. [Specialisation](#) – with Member States each developing specific capabilities, to be used in common – although believed to lead to economies of scale, is endorsed only reluctantly by Member States concerned about becoming more dependent on their partners. Nevertheless, the preference for acting nationally has already resulted in capability gaps becoming critical, and has increased dependence on other Member States and the US.

Progress in implementing the security and defence 'roadmap'

The December 2013 European Council [mandated](#) a series of actions to deepen defence cooperation, in support of a 'credible and effective CSDP' and in 'full complementarity with NATO'. The actions follow three axes: increasing the effectiveness, visibility and impact of CSDP; enhancing the development of capabilities; and strengthening Europe's defence industry. The European Council also mandated the HR/VP, in cooperation with the Commission, to 'assess the impact of changes in the global environment'. Ahead of the stock-taking by the European Council in June 2015, most of the points on the defence 'roadmap' have been addressed by the EU institutions through various initiatives, although more efforts are needed on some outstanding issues. Moreover, at the level of EU Defence Ministers, there has been [agreement](#) on the need to launch the process that should lead to the revision of the European Security Strategy in 2015-16. Nevertheless, in practical terms, progress has been modest, and the EU Heads of State or Government are expected in June to reiterate their clear commitment to strengthening European defence and define concrete tasks for the way forward, possibly raising the level of ambition.¹⁵

The Council Conclusions of [18 November 2014](#) and of [18 May 2015](#) on CSDP, together with the requested reports from the [HR/VP \(also Head of EDA\)](#) and the [Commissioner for Internal Market and Industry](#), give an overview of the implementation of the actions mandated in 2013 and some indications concerning the direction of future efforts.

Adopted strategic and policy documents

- The [EU Maritime Security Strategy and Action Plan](#) at the end of 2014;
- The [EU Cyber-Defence Policy Framework](#) (a first progress report is due in June 2015);
- A [Policy Framework for systematic and long-term cooperation](#);
- The Progress Catalogue 2014 (identifying critical military capability shortfalls) and the revised Capability Development Plan (supporting capability development);
- A Joint [Action Plan](#) (Commission and EEAS) on implementing the EU's Comprehensive Approach to external conflict and crises (a progress report will be presented in 2016);
- A [Joint Communication](#) on Capacity building in support of security and development – Enabling partners to prevent and manage crises (or the 'train and equip' initiative to increase support to partner countries and regional organisations, including training, advice, as well as equipment, to strengthen their capacity to manage crises);
- A new [military Rapid Response Concept](#) (although no agreement has been reached yet on the use of the EU Battlegroups).

European Commission efforts

The Commission's recent [report](#) highlights several strands of efforts concerning the implementation of the measures included in its 2013 [Communication](#) 'Towards a more competitive and efficient defence and security sector', among which:

- The Commission has started work on the evaluation of the **implementation of the two Defence Directives** (procurement and transfers), and will report by August 2016 and June 2016 respectively to the EP and the Council;
- A **Roadmap for a comprehensive EU-wide Security of Supply regime** will be presented in the first quarter of 2016;
- On encouraging European investment in defence, including R&D, the Commission focuses on two types of activities. It has put forward a proposal for a **Preparatory Action for CSDP-related research** which could be launched in 2017 (following the recommendation of the Group of Personalities set up to this effect and consultations with Member States) with the objective of paving the way for a CSDP-related research programme to be included in the next multiannual financial framework (from 2021). Secondly, it is supporting **dual-use research**, and ensuring synergies between the security research of Horizon 2020 and the EDA research agenda, including through solving issues relating to intellectual property rights, and promoting the development of key enabling technologies (nanotechnology, biotechnology, etc.);
- Efforts to encourage cross-border access of **small and medium-sized enterprises** (SMEs) to defence and security procurement;
- Efforts on **standardisation and certification** include a new mechanism to monitor and develop defence and hybrid standards, as well as support to EDA and Member States towards achieving convergence between military certification system and civil requirements for air traffic insertion; the Commission is also working towards the implementation of the Single European Sky;
- Cooperating with EDA and EEAS on identifying possible options for the next generation of **government satellite communications** and on advancing technological development as regards **space** surveillance, high resolution imagery and navigation.

The European Defence Agency

The EDA has been making [some progress](#) on the four priority projects identified in December 2013 by the European Council: **remotely piloted aircraft systems (RPAS); air-to-air refuelling capacity; satellite communication and cyber defence**. New impetus is expected in June concerning new collaborative projects, which could be developed in the areas of: surveillance, maritime capabilities, force protection, or countering hybrid threats, as suggested by the HR/VP. The EDA [annual report](#) presents the development of the four priority projects in 2014.

Further recommendations from the Council

The [Council Conclusions on CSDP](#) of 18 May 2015 highlighted the Council's commitment to strengthening CSDP and enhancing the EU's ability to act as a security provider, including through the development of capabilities and a strengthened EDTIB, for which it acknowledges the importance of systematic cooperation and coordination based on the necessary means and budgetary resources. The Council also gave further recommendations for enhancing the effectiveness, visibility and impact of CSDP; the development of capabilities; and strengthening the EDTIB, including on further work to:

- Improve the financial aspects of EU missions and operations, their planning,

deployment and conduct;

- Improve EU rapid response capabilities, including the EU Battlegroups;
- Ensure a significant level of defence expenditure and respect the 2007 EDA targets;
- Develop a 'joint framework with actionable proposals to help countering hybrid threats and foster the resilience of the EU and its Member States as well as partners' by end of 2015;
- Reinforce the links between internal and external security;
- Enhance defence cooperation between Member States and strategic planning;
- Assess possible incentives for cooperation, such as fiscal measures/exemptions, pooled procurement or potential European Investment Bank support;¹⁶
- Explore ways of 'linking investments in the European defence industry to the wider growth and investment agenda of Commission's President Juncker'.

Timeline

The next European Council meeting which will assess progress on security and defence issues is set to take place in December 2016, preceded by a dedicated Council meeting in November 2016.

Outlook for the European Council Summit in June 2015

[Expectations](#) for the June 2015 meeting of the European Council are rather low, as the [Council Conclusions on CSDP](#) of 18 May 2015 are considered to be the basis for the discussion and the outcome. For some analysts the most interesting aspects on the agenda are the revision of the European Security Strategy and the preparatory action on defence. Nevertheless, a series of existing proposals on how to boost European defence cooperation effectively (e.g. from the President of the European Commission, some EU Member States, defence industry, think-tanks), might still feed into the guidance to be provided in June by EU leaders.

Deepening European defence cooperation

The Lisbon Treaty's potential for enhanced cooperation

Although several [possibilities](#) for deepening defence cooperation were included in the Lisbon Treaty, Member States have so far not made use of them:

- **Article 44 TEU** allows the Council to 'entrust the implementation of a task to a group of Member States which are willing and have the necessary capability for such a task' – referring to a CSDP mission/operation, or possibly [certain tasks](#) of an operation. [Article 44](#) appears to have some prospects of being used,¹⁷ as the [Council](#) recently agreed to test the identified CSDP modalities in an exercise activity;
- **The Permanent Structured Cooperation (PESCO)** provisions governed by Article 46 TEU and Protocol 10 provide the opportunity to develop 'differentiated integration' in defence among those Member States 'which fulfil the criteria and have made the commitments on military capabilities set out in the Protocol'. Open to all Member States meeting the requirements, PESCO would [establish](#) cooperation in five fields: budgetary (setting objectives on the level of investment in defence); equipment (identifying military needs, pooling and sharing, and specialisation), operational (interoperability and readiness of forces), capabilities (remedying the capability gaps) and industry (participating in major equipment programmes). The European Defence Agency is involved in assessing the fulfilment of the criteria;
- The general provisions on **enhanced cooperation** (Article 20 TEU) allow a group of Member States to cooperate ('as a last resort') by making use of the EU's institutional

framework, on matters of non-exclusive competence of the EU – this option is less flexible than PESCO, as it requires unanimity;

- The established rapid reaction force of the EU [Battlegroups](#), operational since 2007, has yet to be used, as the debate on [options](#) for deploying them continues.

Some Member States have instead shown a [preference](#) for bilateral or 'minilateral' initiatives outside the EU framework. For [some](#) of these states, between cooperation under PESCO and the specific projects focused on addressing capability gaps under the EU's [Pooling and Sharing](#) and NATO's [Smart Defence Initiative](#), there is much scope for more comprehensive and permanent frameworks for defence cooperation 'between a limited number of neighbouring states of equal size and/or with a common vision on defence' at sub-European level. Examples of such initiatives are the [Nordic Defence Cooperation](#) (Denmark, Finland, Iceland, Norway, Sweden); [Benelux Defence Cooperation](#),¹⁸ [Visegrad Group](#) (Czech Republic, Hungary, Poland, Slovakia), [British-Dutch Amphibious Force](#) and the [Baltic Defence Cooperation](#).¹⁹ The France-UK [Lancaster House Treaties](#) (2010) have received particular [attention](#).²⁰ These bilateral/minilateral efforts are [seen](#) both as improving cooperation, and as undermining wider EU-level initiatives. Experts [consider](#) the track record to be mixed. To some extent, these 'variable geometry' arrangements could contribute to European integration in security and defence, as long as they are embedded in the CSDP framework and serve a wider European interest; however, these efforts have largely aimed at preserving national interests and have not managed to attract the interest of other Member States.

Various proposals ahead of the June 2015 European Council

A recent [paper](#) drafted under the leadership of Commission President Juncker calls for the implementation of **PESCO**, as a 'move from cooperation towards integration'. The document argues that the pooling and sharing initiative has not produced major results, therefore a bold step was needed to help the EU adapt to the new security environment. PESCO participant states would thus address capability gaps through a series of first projects and interoperability needs among militaries; they could establish a 'European Semester on Defence' to better align national defence procurement and establish a joint operational headquarters in Brussels, among other possibilities.

A future EU army?

In an interview on 8 March 2015 with the German newspaper *Welt am Sonntag*, European Commission President, Jean-Claude Juncker, expressed [support](#) for the idea of a common European army. Such an army would support Member States in shaping 'a common foreign and security policy, and take up Europe's leadership in the world'. Moreover, it would enable Europeans to 'react credibly to any threat to peace in a country abutting on a Member State of the EU'. Juncker also mentioned the positive effects on increasing cooperation in defence procurement and capability development, as both Europe and NATO would be strengthened. Juncker's comments have generated broad [debate](#), and were met with mixed [reactions](#).

PESCO has been the topic of other [appeals](#) to the European Council to endorse an ambitious initiative, which is already included in the Treaties, it does not require a minimum number of participating states and is built on majority voting. It could be identified with the '[European Union of Defence](#)', advancing the idea of a 'new integrative process' in the field of EU security and defence, based on greater strategic convergence between Member States and a more suitable model of governance evolving from the CSDP, to ensure the EU's autonomy as 'a security provider in its neighbourhood and beyond'. These ideas were echoed recently by the German Defence

Minister, who called for the use of the full potential of the Lisbon Treaty, starting with PESCO, adding that strengthening European defence would contribute to a strengthened NATO.²¹ In addition, the EU Member States forming the Weimar Group (France, Germany and Poland) made a series of [proposals](#) for a stronger and more efficient CSDP, reinforced military capabilities and strengthening the EU's credibility as a security provider. The three Member States encouraged a substantive outcome from the June 2015 European Council meeting, including the elaboration of a new ESS and agreement on the full use of the EU Battlegroups.

Various suggestions on the [revision of the ESS](#) have also included calls for a [European White Paper on Defence](#), to define how Europeans see their security in the medium to long term, what they would want to achieve together and what they would leave to the national sphere, because a strategy and a common strategic culture are also necessary to guide capability development.²² Other ideas advanced have been to [merge](#) the EU Battlegroup concept with the NATO [Framework Nations Concept](#) within the Pooling and Sharing initiative, or build PESCO around existing multinational corps (e.g. the Eurocorps).²³ Finally, [defence industry](#) representatives have also expressed their positions in view of the forthcoming European Council, including on the future [Security of Supply](#) roadmap and the [Preparatory Action](#) on CSDP-related research, and called for a defence industrial strategy, identifying technology gaps and priorities, to be prepared together by Member States and supported by the EU.

The European Parliament

The EP has supported the development of a strong CSDP and defence cooperation among Member States, and in the NATO framework. Three recently adopted resolutions of the European Parliament (21 May 2015) – on the [implementation of the CSDP](#), on [financing the CSDP](#) and on the [impact of developments in European defence markets on the security and defence capabilities in Europe](#) – regretted the slow progress since December 2013 in enhancing the EU's operational, industrial and capability resources to manage crises and ensure its strategic autonomy, and [called](#) for a strong commitment from the June European Council to boost European defence. The EP also called on EU Member States to ensure adequate funding for CSDP missions and operations and create the conditions for a genuine EU defence market, essential for a strong and competitive EDTIB. The EP finally reiterated its plea for a stronger ESS.

Main references

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[More Union in European Defence](#), Blockmans S., Faleg G., CEPS, 2015, 34 p.

[In Defence of Europe: Defence Integration as a Response to Europe's Strategic Moment](#), European Political Strategy Centre, EPSC Strategic Notes, Issue 4, 15 June 2015.

[State of play of the implementation of EDA's pooling and sharing initiatives and its impact on the European defence industry](#), Mölling C., EP study, Policy Department, DG EXPO, 2015.

Endnotes

¹ In 2008, failing to agree on a full review of the 2003 ESS, EU Member States adopted the '[Report on the Implementation of the European Security Strategy: Providing Security in a Changing World](#)', 11 December 2008.

² The CSDP is an intergovernmental policy that covers the EU's missions and operations in third countries, as well as efforts to coordinate and improve Member States' defence capabilities.

³ [La feuille de route du sommet défense 2013: 18 mois après quel bilan? Première esquisse](#) / Gros-Verheyde N., Bruxelles2, 6 May 2015.

- ⁴ Croatia became the 27th EDA Member State in 2013, therefore it is not included in data for the period 2006-12.
- ⁵ Alternatively, [based](#) on US Department of Defense (DoD) calculations, US defence expenditure as a percentage of GDP is estimated at 3.37% in 2014. For the request regarding the DoD budget for FY 2016, see [here](#).
- ⁶ According to IHS Jane's, Turkey [announced](#) in November 2014 that it will raise its defence budget from 1.74% to 2% of GDP, in line with its NATO commitment. Despite a planned large increase in the next two years of around 7% annually in nominal terms, Turkey's defence budget will grow at a lower rate in real terms – at around 0.8%.
- ⁷ By the end of 2015, the UK is set to adopt a [Strategic Security and Defence Review](#), which will be aligned with the general Spending Review starting in 2016/17, expected to lead to spending cuts across government departments. Also the UK Defence Secretary did not commit to the 2% NATO spending target beyond the end of the current financial year, but announced a 1% real increase yearly over the next five years in defence equipment budget.
- ⁸ The US has also been [reducing](#) its military spending since 2010 (more recently at a slower pace). However, the US remains the top military spender globally (36.7% of global expenditure or 34% according to [SIPRI estimates](#)).
- ⁹ EU military capability development and the EDA/ Shepherd A. J. K., in *The European Defence Agency: Arming Europe* / Krampekios N, Oikonomou I. (Eds.), Hoboken: Taylor and Francis, 2015.
- ¹⁰ The EDA and military capability development: making pooling and sharing work/ Chapell L., Petrov P., in *The European Defence Agency: Arming Europe* / Krampekios N, Oikonomou I. (Eds.), Hoboken: Taylor and Francis, 2015.
- ¹¹ *Ibidem*.
- ¹² The SIPRI Top 100 does not cover Chinese companies due to lack of reliable data.
- ¹³ The [announcement](#) of a planned merger in the land sector between the German company Krauss-Maffei Wegmann and French Nexter has been considered a welcome development.
- ¹⁴ Various arrangements and organisations have been created to support European armaments cooperation: the 1976 Independent European Programme Group (IEPG), then, within the remit of the [Western European Union](#), the 1993 Western European Armaments Group and the 1996 Western European Armaments Organisation, finally leaving this role to EDA. Outside the WEU/EU, the [OCCAR](#) and the Lol/Framework Agreement are other important frameworks organising armaments cooperation between European states.
- ¹⁵ Industry's top priorities for European Defence / Jan Pie, [Europe Diplomacy and Defence](#), no 799, 2 June 2015.
- ¹⁶ In March 2014, the Belgian Ministry of Finance granted [VAT exemption](#) on a case-by-case basis to EDA projects.
- ¹⁷ See also the [contribution](#) of the Council's Legal Service on Article 44, of January 2015.
- ¹⁸ The Benelux countries [signed](#) a treaty in 2015 to allow for the joint surveillance of their respective airspaces.
- ¹⁹ Another mechanism is the [Weimar](#) (France, Germany, Poland) or the [Weimar+](#) (with Italy and Spain) cooperation on foreign affairs and defence; in 2014, a [German-Dutch](#) rapid intervention unit was created (Division Schnelle Kräfte) and in March 2015 it was [announced](#) that the Polish and German armies would increase cooperation. Also, recently, the Baltic States [announced](#) possible cooperation in procuring a joint air defence system.
- ²⁰ The agreements provide for the creation of a Combined Joint Expeditionary Force, a joint programme for the deployment of aircraft carriers, and industrial cooperation, including cooperation in R&D. A bilateral users group was created to cooperate on training and operational issues regarding the A400M transport aircraft. In 2014, the UK and France [signed](#) contracts for the feasibility phase for a combat drone (the Future Combat Air System – FCAS).
- ²¹ Ursula von der Leyen calls for European Union of Defence / [Europe Diplomacy and Defence](#), No. 790, 30 April 2015.
- ²² The EDA and military capability development: making pooling and sharing work/ Chapell L., Petrov P., in *The European Defence Agency: Arming Europe* / Krampekios N, Oikonomou I. (Eds.), Hoboken: Taylor and Francis, 2015.
- ²³ Permanent structured cooperation and the multinational corps / Karl von Wogaw, [EDD](#), No. 802, 11 June 2015.

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