



In Defence of Europe

Defence Integration as a Response
to Europe's Strategic Moment

European Political
Strategy Centre

If the threat of war in Europe was unthinkable until recently, it does not require a great deal of imagination to picture one now.

In the east, Russia has fundamentally violated the sovereignty of neighbouring countries and regularly intrudes on EU Member States' airspace and territorial waters. From the south, unrest resulting from failed states and organised crime spreads towards Europe's shores. In the Middle East, terrorism and war threaten Europe's stability, while global cyber attacks are proliferating and major geopolitical shifts across the world are underway. All this is making the European security landscape more complex and volatile than at any time since the end of the Cold War. Military confrontation is no longer a relic of the past but a serious risk for the future.

Against this backdrop, the rest of the world is arming itself to the teeth - China, Russia and Saudi Arabia now rank highest behind the United States on the global military expenditure lists - while defence budgets in Europe continue to shrink.

A Divided Europe Fails

An increasingly unstable neighbourhood, a changing geopolitical environment and shrinking national defence budgets pose massive challenges to Europe's security. Intensified military cooperation is widely accepted as the best solution for Europe's defence - yet the current system fails to deliver.

Jump-Starting a New Era in Defence

Europe needs to move from the current patchwork of bilateral and multilateral military cooperation to gradually increased defence integration. The Permanent Structured Cooperation (PESCO), provided in the Lisbon Treaty, could become a game changer in European security by enabling willing Member States to move forward.

What Stands in the Way of European Defence

The case for "more Europe" in defence is strong. Yet four elements keep it from happening: missing political will, traditional "NATO-first" reflexes, conservative defence industry policies and fragmentation of military cooperation.

Defence Matters - For All 28

Closer integration by some Member States can only be successful against the backdrop of better cooperation and coordination by all, so expectations ahead of this month's European Council are high. The Council must respond to the security imperatives of today and achieve tangible progress in charting a course towards a common Union defence policy for the future.

EPSC Strategic Notes are analytical papers on topics chosen by the President of the European Commission. They are produced by the European Political Strategy Centre (EPSC), the European Commission's in-house think tank. This Strategic Note has been conceived in cooperation with Michel Barnier, Special Adviser on European Defence and Security Policy to President Jean-Claude Juncker.

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Military, economic and strategic considerations all add up to one inevitable conclusion: if we need to do more with less money, gradually increased defence integration is our best - and only - option. President Jean-Claude Juncker made a point of reinforcing Europe in security and defence matters in his campaign for the Commission presidency. In his Political Guidelines presented to the European Parliament in July 2014, he stated that “even the strongest soft powers cannot make do in the long run without at least some integrated defence capacities” and named integrated defence capacities, more synergies in defence procurement and permanent structured cooperation as the way forward. His forceful call for a European army as a long-term project of willing Member States has kindled a necessary debate.

The real question now is where and how to start.

1. European Security at a Tipping Point

Common Threats, Common Answers?

European defence integration is no longer just a political option but a strategic and economic necessity. With violent conflicts at the EU's doorstep, Europe's growing exposure to hybrid warfare, cyber terrorism, “foreign fighters” and the blurring distinction between external and internal threats, the European security landscape is increasingly complex to navigate.

Recent lessons are manifold: the Charlie Hebdo attack in Paris brutally exposed the potential of jihadist groups both to recruit and to strike in Europe. In the wake of the ongoing military conflict in Ukraine, the number of Russian military exercises and naval and airspace incursions from the North Sea to the Baltic and Arctic regions has risen steadily throughout 2014 and 2015. Asked about the state of cybersecurity in Europe, the head of the German domestic intelligence agency has recently described Berlin as the capital of “political espionage”, pointing out that key technologies from major companies are targeted, as well as the country's economic, defence, foreign and arms sectors.¹ He singled out Russia and China as sources of particularly intensive attacks, with some of the intrusions getting “so sophisticated that they can easily be overlooked”.

Europe's new security situation forms a complex picture, but one certainty stands out: the need for Europeans to assume greater responsibility for security in and around their continent will only increase. Since 2003, the EU has engaged in a growing number of civilian and military operations in Europe, Africa, the Middle East and Asia and is currently conducting 16 Common Security and Defence Policy (CSDP) missions. The majority of interventions are civilian, however, and European shortfalls in military operations were clearly highlighted by recent experiences in Mali or the Central African Republic. The full spectrum of the so-called “Petersberg tasks” – a list of possible military operation scenarios, including peacemaking or, more correctly, peace enforcement – has never been applied and the EU Battlegroups, in full operational capacity since 2007, have never been deployed.

Against the background of a worsening security situation in Europe's strategic neighbourhood and amid an emerging international division of labour with regards to military crisis management and peacekeeping, the need for European collective force is not an incidental challenge. This will be our new normal.

As the combined effects of intervention fatigue, force overstretch and defence budget cuts become apparent, we are at the limit of what we can do within current means, structures and ambitions. **No single country is able to stand up to these challenges alone. “More Europe” in defence and security is clearly needed.** In the coming months, the EU needs to break the mould and take concrete steps towards building the common defence capabilities that are urgently required.

The Economics of Defence: Waste and Shortfalls

Collectively, Europe is the world's second largest military spender. But it is far from being the second largest military power – a clear consequence of inefficiency in spending and a lack of interoperability. And while most defence budgets in Europe have been contracting in past years - military expenditure among EU 28 has fallen by 9% since 2005 - countries such as China, Russia and Saudi Arabia have been upgrading their armies on an unprecedented scale (Figure 1).

If we look at our defence capabilities, we see ageing technologies, growing shortfalls and the absence of new programmes. Past operations like Libya in 2011 and Chad in 2008 have uncovered a critical shortage of key enablers, such as air-to-air refuelling and strategic lift. Readiness levels for fighter jets, attack and transport helicopters are reported to stand at below 50% for several Member States.² Stories of troops training without adequate equipment have been also widely publicised in the press, and when new capabilities are added to a country's military line-up, the means to deploy or use them often lack.

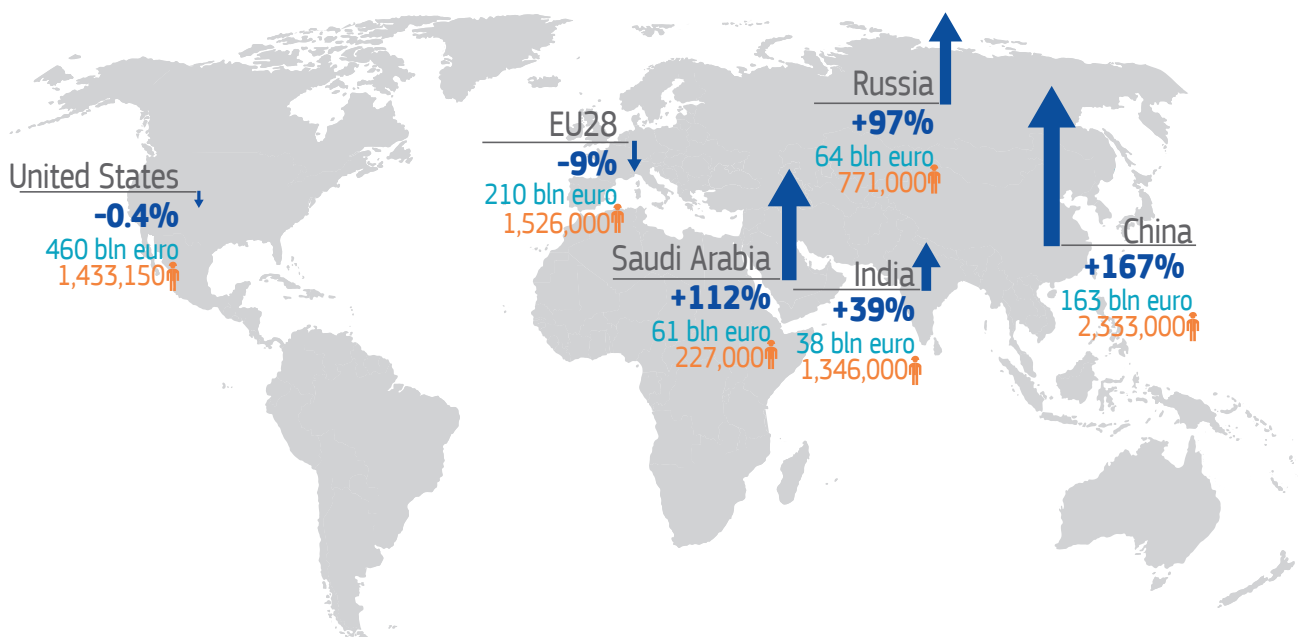
At the same time, Europe continues to pursue costly duplications of military capabilities: **in 2013, 84% of all equipment procurement took place at national level, thereby depriving countries of the cost**

savings that come with scale (Figure 2, p. 4).³ The lack of interoperability between 28 European armies significantly slows down the EU's ability to intervene collectively in expeditionary missions where European interests and values are at stake. At the same time the overall decrease in spending results in insufficient investment in new technologies and prevents renewal of military programmes. Since 2006, European investment in defence R&D and R&T has declined by almost 30%.

Since new capabilities and collaborative programmes take time to develop, Europe should take action now to ensure its defence doesn't become compromised in the near future. **Because of the current economic situation in Europe, increasing spending on defence can only go so far.** To get more "bang for the buck", the EU should tap into the potential which lies in integrating its capabilities. Savings that could be made from integrating European defence are significant: an estimated €600 million could be saved from the sharing of infantry vehicles and €500 million from having a collective system of certification of ammunition.⁴ Another study estimates that the average cost of deploying a European soldier on missions abroad is €310,000 higher than that of a US soldier, meaning that common and fully interoperable European armed forces could lead to potential savings of €20.6 billion per year.⁵ Overall, the lack of coordinated spending means that, **"at a cost of more than half of that of the US, Europeans obtain only a tenth of the capacity"**.⁶

Figure 1: Shift in Global Military Power

■ Change in military spending, 2005-14 ■ Military spending, 2014 ■ Armed forces



Sources: SIPRI Military Expenditure Database, 2014; Military Balance 2015, International Institute for Security Studies

2. What Stands in the Way of European Defence?

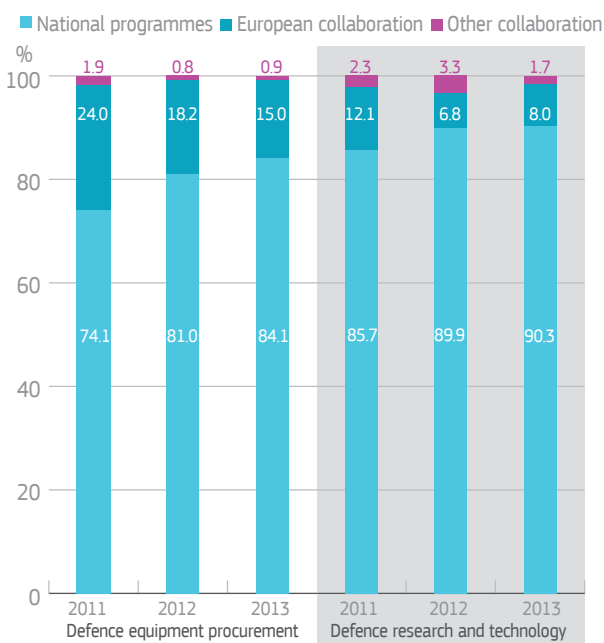
Threats Apart:

Differences in Defence Doctrines

Attempts to move towards common defence have been part of the European project since its inception. **In 1950, French Prime Minister René Pleven proposed a plan for far-reaching defence integration, including the setting up of a European Army and the appointment of a European Minister of Defence.** After two years of negotiations, all six members of the European Coal and Steel Community signed the **“Treaty establishing the European Defence Community”**, envisaging a common European army with 40 divisions of 13.000 soldiers in a common uniform, a common budget, joint military procurement and common institutions. In 1954, however, after ratification by the Benelux countries and Germany, the project encountered a political impasse in France, effectively putting an end to the idea of a common European defence for the next half a century.

Even decades later the idea of a European army, with a joint defence budget and common defence institutions, has not materialised. More Europe in defence, however, clearly corresponds with expectations of European citizens. For more than 20 years, around 7 in 10

Figure 2: European Collaboration Still an Exception to the Rule



Note: Data for 27 EDA Member States
 Source: [Defence Data 2013](#), European Defence Agency.

European citizens have been consistently in favour of a common security and defence policy – more than for common foreign policy or the European monetary union.⁷ Clearly, security in Europe is today high in demand and low in supply, begging the question: “If not now, when?”

President Jean-Claude Juncker has repeatedly appealed for a stronger Europe in security and defence, and his call for a European army has stimulated a healthy debate, even if the answers in the long run are far from clear-cut. Where are we heading? Towards more common development of capabilities and an increased ability to act together as crisis managers in our neighbourhood? Towards standing soldiers with the double EU and national flag? Or towards a deeply integrated model, as initially foreseen by the European Defence Community in the 1950s, based on common armed forces, common armament programmes, a common budget and common institutions?

A thorough understanding of the differing defence reflexes of EU Member States is the necessary starting point. For example, the UK does not share an interest in a closely integrated European defence, whereas Germany and France, together with the Benelux countries, Italy, Spain and more recently Poland are more open to the idea but are held back by widely differing military traditions and historical experiences. Despite a trend towards more parliamentary control, France has prided itself on its executive and expeditionary approach, raising questions of its replicability at the European level beyond cooperation with the UK. By contrast, Germany’s military tradition is deeply rooted in parliamentary oversight, resulting in greater reluctance to deploy soldiers in European operations and especially in high risk engagements. Five of the six non-NATO EU members have adopted a position of neutrality, yet have a long tradition of deploying their armed forces under the flag of the United Nations. For the countries in Europe’s north-east, territorial defence against Russia ranks highest in national security strategies, whereas defence doctrines of the EU’s southern Member States focus more on the increasing security challenges in North Africa and the Middle East.

NATO First: Argument or Alibi?

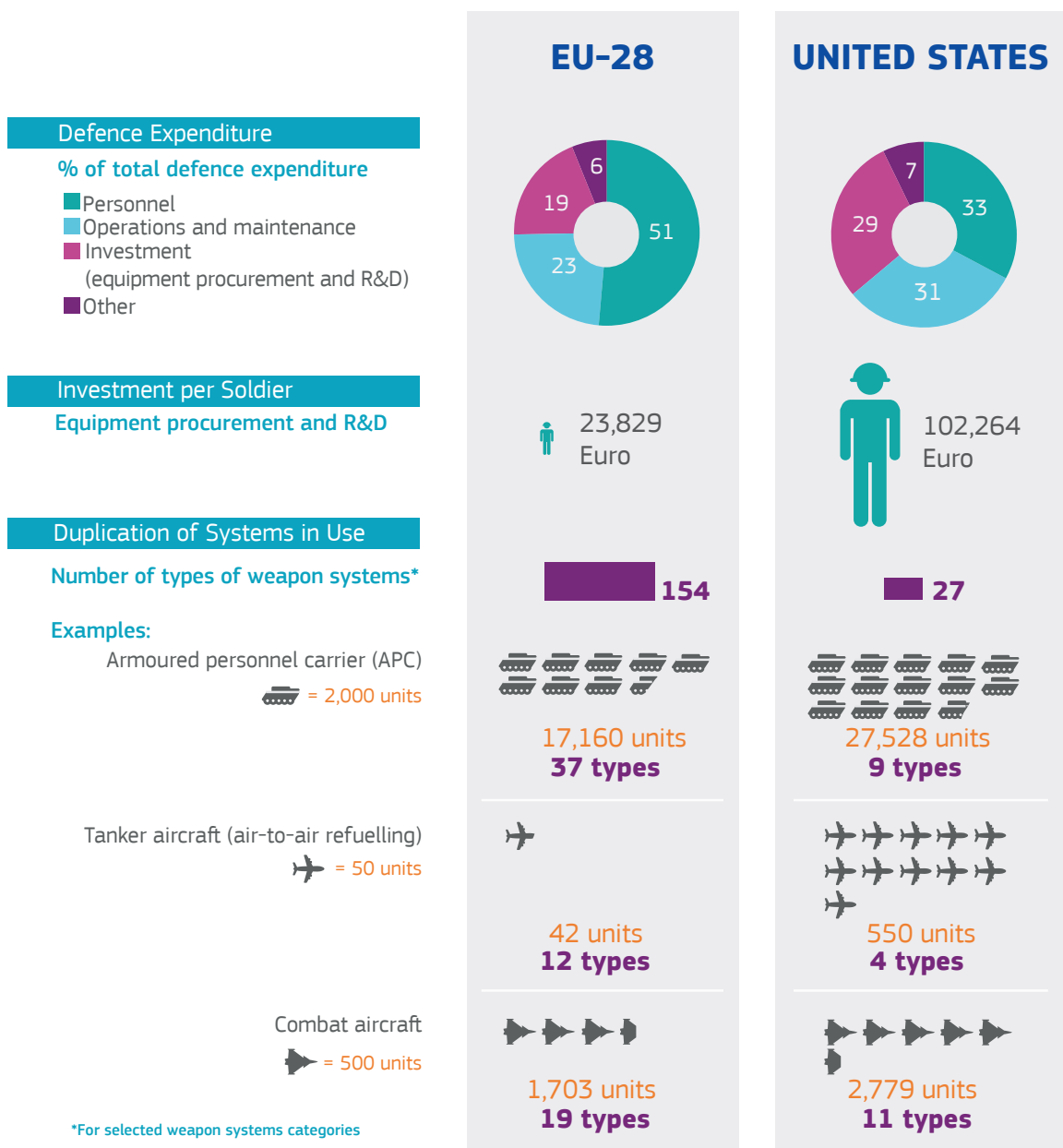
The progress on European defence has also suffered for many years - both for good and bad reasons - under traditional “NATO first” instincts. Throughout the Cold War, European security and territorial defence were synonymous with NATO and its Article 5. **The Alliance remains our ultimate security guarantee, with the participation of 22 EU Member States and a strong transatlantic link.**

EPSC Strategic Notes

Consequently, autonomous European efforts were long resisted in order to maintain a community of strategic and defence-industrial interests, as well as prevent a transatlantic drift. **Times have changed, however, and that logic is no longer relevant. Washington, strategically pivoting to Asia, is now pushing for defence integration in Europe**, seeing it as part of a stronger and more mature transatlantic alliance. The United States expect fair burden-sharing and more responsibility for Europe's security from European partners, because "a stronger European Defence will contribute to a stronger NATO".⁸

At the same time, the **NATO-EU strategic partnership has been deepened**, notably through the so-called "Berlin Plus" arrangements on interoperability and the sharing of command structures. There is also an emerging division of roles where the Common Security and Defence Policy takes on increased responsibility for crisis management. On the capability side, NATO's Smart Defence and the EU's Pooling and Sharing programme both struggle with national conservatism and resistance to profound integration, although there is more commitment to joint efforts within the Alliance.

Figure 3: Lack of Integration in Defence in Numbers



Note: Data for defence expenditure and investment per soldier refers to 26 EDA Member States excluding Denmark and Croatia; number of weapon systems refers to EDA Member States as well as Denmark, Norway and Switzerland; examples of duplication refer to EU-28.

Sources: *EU-US Defence Data 2011*, European Defence Agency; *The Future of European Defence: Tackling the Productivity Challenge*, McKinsey & Company, 2013; *Military Balance 2015*, International Institute for Security Studies; *World Air Forces 2014*, Flightglobal Insight.

The bottom line is that national reflexes still stand strong in defence. **Member States are slow to accept that they need to go beyond a model where defence is a matter of strict national sovereignty.**

Defence Industry: National Fiefdoms Fare Well

The longstanding fragmentation of the European defence market is one of the root causes of inefficiency (Figure 3, p. 5). It is also hampering the development of a competitive and innovative defence industry, in particular for small and medium-sized enterprises. Two EU directives from 2009 - one on defence procurement, the other on intra-EU transfers of defence products - aimed to overcome these difficulties by making defence markets more efficient and opening them up to EU-wide competition. Six years on, these directives must now be applied. All too often, Member States still make active use of offset requirements in defence procurement to shore up national industries and jobs, or circumvent the rules by referring to essential security interests.

Overall, Member States all too reluctantly look beyond national industrial champions. New collaborative armaments projects, joint procurement and open market mechanisms would have an important structuring effect on defence industries and deliver much more defence for the money, for instance in the equipment of land forces where inefficiency and duplication are rife. While there is now budding cooperation in the development of drones, Member States and European defence would also stand to gain significantly from increased cooperation in renewal of naval armament and air force systems, such as surface vessels and combat helicopters.

The big picture is both clear and alarming: with today's limited investment budgets, there are hardly any significant armaments programmes in Europe anymore, and no single European country on its own will be able to sustain the full range of capabilities or the underlying industrial base.

Small Steps No Longer Suffice

In past years, European defence cooperation has gone forward in small and incremental steps when interests and timetables do meet. Cooperation frequently takes the form of common development programmes such as the Eurofighter Typhoon fighter plane, which is a collaborative effort of UK, Germany, Italy and Spain. The Organisation for Joint

Armament Cooperation (OCCAR) is also an example of joint management of several important armament programmes, such as the A400M and Tiger helicopters. Another form of cooperation is that of sharing a particular capability, such as strategic lift provided by the European Air Transport Command, established in 2010 with the participation of 7 Member States. Other initiatives reach even further: the Belgian and Dutch navies have been deeply integrated since 1996, while with the signing of Lancaster House Treaties in 2010, France and UK made a commitment to sharing equipment and capabilities, exchanges between armed forces, providing access to each other's defence markets as well as setting up the Combined Joint Expeditionary Force. Regional clusters such as the Nordic NORDEFECO, Visegrad Group or Benelux were also set up with the aim of fostering greater defence collaboration among Member States on various levels.

In spite of these initiatives, European defence cooperation remains a patchwork of bilateral and multilateral agreements. The mechanism is almost always the same: bottom-up initiatives in variable geometry. The November 2010 Swedish-German "Ghent initiative" was a welcome blueprint to take European defence cooperation further in a concrete and more coordinated manner. All Member States signed up to the European Pooling and Sharing code in 2012, pledging to systematically consider cooperation in national defence planning. Cooperation is generally accepted as necessary, yet European states don't implement it with much conviction. To date, the European Pooling and Sharing plan has remained essentially an empty shell.

It is time for a reckoning: traditional methods of cooperation have reached their limits and proved insufficient. European defence needs a paradigm change in line with the exponential increase in global threats and the volatility of our neighbourhood. The past has shown that **European defence does move ahead if and when there is political will.** The Franco-British Saint-Malo agreement of 1998 laid the ground for a momentous step forward towards the CSDP we have today. **The defence provisions of the Lisbon Treaty were another expression of strong ambition, proposing in effect a roadmap to common defence.** With the entry in force of the Treaty, Poland, Germany and France together submitted an ambitious proposal to set up EU headquarters, reform EU Battlegroups, deepen the partnership with NATO and jointly develop key capabilities at EU level. Yet, these ambitions have remained largely unfulfilled.

3. PESCO: Moving from Cooperation towards Integration

The EU already has the means at its disposal to find a way from the current patchwork of bilateral and multilateral military cooperation to more efficient forms of defence integration. **Article 42(6) of the Treaty on European Union (TEU) provides the possibility for a group of like-minded Member States to take European defence to the next level** - a potential game changer for European defence that so far only exists on paper.

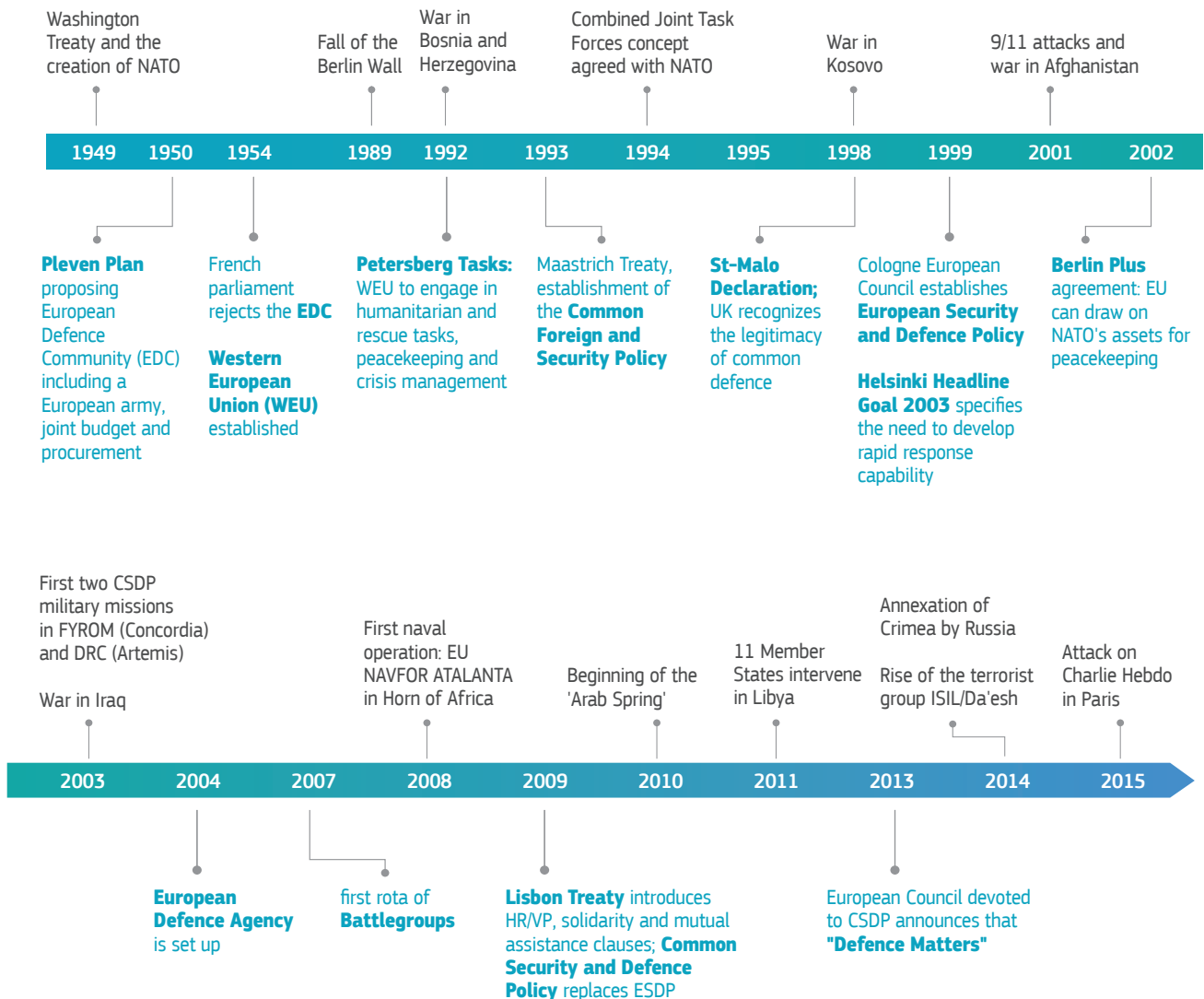
Using the Lisbon Treaty's Potential

Permanent Structured Cooperation, or PESCO, allows a core group of countries to take systematic

steps towards a more coherent security and defence policy without dividing the Union. In line with Article 46 TEU and its Protocol 10, PESCO will be open to all Member States ready to make more binding commitments to one another, in the spirit of European integration. It will set a new centre of gravity on defence within the existing EU framework and become a cornerstone of a more resilient civil/military security architecture for Europe as a whole.

No Member State can or will ever be pushed into PESCO. Participation will always remain voluntary. It will be for the participating Member States themselves to decide on the pace and areas of progress, for example a list of concrete projects to mitigate European defence shortfalls, the depth of military integration, the level of solidarity, the interpretation of the Treaty's criteria for participation, etc. Naturally, this needs to take place in the context of strategic guidance provided by the European Council, as well as the EU's common threat assessment and lessons learnt from past CSDP missions.

Figure 4: The Long Road to European Defence



To gradually address EU capability gaps, first PESCO projects could comprise an integrated European Medical Command or a joint Helicopter Wing that would build on ongoing European Defence Agency (EDA) helicopter initiatives. Other ideas could include sharing of logistics, transport, energy or other support services to generate positive spillover effects.

To put national defence budgets and European taxpayers' money to best use, participating Member States could introduce a "European Semester on Defence", e.g. in a peer review process that would thoroughly screen and better align national defence procurement. Joint military training among PESCO members could be stepped up significantly, training syllabi harmonised, existing cooperation agreements between national military academies intensified or a joint military academy established. To support effective planning, command and control of future CSDP missions, PESCO members could set up a joint operational headquarters in Brussels, a project that has been inconclusively debated for years among the EU's 28 Member States. In a medium-term perspective, PESCO could take on more important operational tasks in order to become a vector of the EU as a global actor. More ambitious projects could for instance include the creation of an air mobile rapid reaction capacity to complement the current Battlegroup concept.

To ensure a top-down approach and **high-level political engagement**, PESCO would be guided by regular meetings of participating Member States' defence ministers. The High Representative and Vice-President of the European Commission (HR/VP) could be asked to play a significant moderating role and to chair PESCO meetings, ensuring that PESCO remains closely linked to EDA initiatives, the European External Action Service (EEAS) and the work of the European Commission on internal security, hybrid threats, markets incentives and defence research. The HR/VP's involvement will be equally important for coherence with the broader CSDP policy and for relations with potential non-participating Member States that could want to join on a project-by-project basis.

PESCO and NATO

Given significant budget restraints and the fact that 22 of the 28 EU Member States are NATO allies, all PESCO efforts towards European defence integration will complement defence cooperation within NATO. Above all, **PESCO can significantly strengthen the European pillar within NATO and ensure that the two main suppliers of collective security in Europe can live up to future demands.**

PESCO will not end today's fragmented military cooperation, but it will introduce a higher level of political ambition and a gradual process of integration that will create a virtuous circle in developing and operating Europe's future defence capabilities.

4. Defence Still Matters - For All 28

Closer integration among some Member States can only be successful against the backdrop of better cooperation and coordination by all. This, too, is an idea whose time has come. At the European Council of December 2013, Heads of State and Government debated defence for the first time in many years. The chosen theme, "Defence Matters", was a timely and even prescient statement.

Expectations are high ahead of this month's European Council. It must respond to the security imperatives of the day and achieve tangible progress in charting a course towards a common Union defence policy. The most important immediate step in terms of preparing for the future lies in **launching a process towards effectively setting up forms of permanent structured cooperation, as foreseen by the Treaty.** But that is not the only issue to be resolved. The tightening security situation requires much more of our collective action. Europe needs to act quickly on a number of fronts, ranging from developing a common strategic vision and enhancing our operational capacities to developing common capabilities and strengthening Europe's industrial base.

4.1. Defending our Values and Interests Together

Experience from previous years shows that the first condition for an effective CSDP is a common strategic outlook and commitment. The EU's flagship capability, the Battlegroups - initially a source of pride and supposedly a vehicle of integration - has become a source of fatigue and of questioning: does it serve a purpose and will it ever be used? The Central African Republic crisis in 2013, and Mali, Libya and Congo before that, were arguably all lost opportunities. **Our incapacity to act together stems first and foremost from lack of Member States' political commitment and a common strategic interest.** There can be no European defence without a common understanding of threats. The EU must therefore define more clearly its strategic interests and its means of action.

A New European Security Strategy

The Treaty calls on the European Council to define the “strategic interests of the Union” (Art. 26 TEU). The European Security Strategy adopted in December 2003 became a landmark document in the development of the EU’s foreign and security policy, but it is now outdated and of little operational relevance in today’s security context. **The European Council should provide a strong mandate for the HR/VP to draft a new and broad European strategy on foreign and security policy.** It must serve to identify and describe EU interests, priorities and objectives, existing and evolving threats, and the EU instruments and means to meet them. It must help shape a common security culture that avoids the ranking of options by European capitals based on historical or geographical proximity, and enable strong and common action in the crises we face from the Donbass to Mosul and from Lampedusa to Paris.

A Joint Framework to Counter Hybrid Threats

Building a stronger and more secure Europe also means **enhancing our resilience and security from within.** The use of hybrid strategies and operations by state and non-state actors, notably in our immediate neighbourhood, might not be new in itself, but it is currently striking Europe with unprecedented intensity. As the distinction between internal and external threats blurs, the EU’s new security strategy must also call on the EU’s and Member States’ internal and external policies in a more effective and comprehensive manner. **The preparation of a joint framework to counter hybrid threats is a priority action to be delivered by the end of 2015.** Building situation awareness and addressing strategic vulnerabilities is always a multiform task, with no predefined boundaries. Issues range from cybersecurity, the protection of strategic assets, investments and critical infrastructure (energy, telecoms, satellites) to media and particular political risks in Member States. A number of these represent challenges for many, if not all Member States. Effective action must span across institutions, and closely involve Member States and partners, and will notably require the screening of EU policies for potential vulnerabilities.

Solidarity and Mutual Assistance

Europe’s strategic review must also serve to answer important questions that have fallen silent. The Treaties’ commitments to solidarity (Art. 222 TFEU) and mutual assistance (Art. 42(7) TEU) stand as strong symbols of what the Union entails, but their operational significance remains unclear. The CSDP is today primarily a peacemaking and crisis management instrument, but

what about the EU’s pledge to mutual assistance and territorial defence? It is a question that is of particular relevance for those Member States that remain outside NATO and its collective defence, but not only for them.

The Treaty commitment, to the “progressive framing of a common defence policy” (Art. 42(2) TEU) is vague and has not been followed up by action. Since the Helsinki European Council in 1999, **the EU vowed to become able to deploy within 60 days and for at least one year, military forces of up to 60.000 persons.** Alongside our rapid response capacities, this has been defined as the EU’s standard military response capability, but the state of preparedness and planning remains an open question. If the EU is taking collective defence and security seriously, such plans should be drawn up on the basis of contingency preparedness and Member States commitments.

4.2. Enhancing our Capacity to Manage Crises

With the rapid development of crises around Europe, the first credibility test of the Common Security and Defence Policy is its operational capacity and effectiveness in crisis management. Looking back, several of the EU’s military operations to date, in the Balkans, Chad and off the coast of Somalia, can be considered silent success stories. At the same time, there have also been resounding failures to mount effective and timely shared EU responses when clearly required, most recently in Mali and in the Central African Republic where the EU even struggled to muster 60 men and a small medical support unit for the 2015 advisory mission. Past failures have brought to the fore many tough questions, with some Member States openly questioning EU solidarity and burden-sharing and the future of the Battlegroup concept. Many of these questions have still been only very partially answered today. It is now time to tackle them head-on.

Operationalising EU Battlegroups

As the EU’s primary military rapid reaction tool, with an important role to play notably for the initial entry phase of larger CSDP operations, **the root causes of the failure to deploy Battlegroups in the past must be addressed.**

A thorough review and renewed political commitment to the concept is now necessary. Not only has the EU seemingly abandoned the ambition to have two standing Battlegroups at any moment, there are also important gaps in the future EU Battlegroups roster that must be addressed. The concept itself should become more flexible: EU Battlegroups should not be a closed

box but an instrument that can be tailored to respond to a specific crisis, and combined with additional land, naval and air elements based on advance planning and commitments by Member States. It is also necessary to create more flexibility in the roster beyond the current 6 month periods foreseen today.

Sharing the Burden

The persistent problems in force generation and, more widely, the issue of burden sharing must also be effectively addressed both for joint operations and deployment of Battlegroups. Beyond a limited coverage of common costs through the Athena mechanism – roughly 10% - costs of EU operations essentially lie where they fall. So in effect, the EU is a Union of 10% solidarity in security and defence! This is even more true for Battlegroup deployment, for which there is no established framework for burden-sharing beyond an uncertain declaration on strategic transport costs running until December 2016.

For the CSDP and EU Battlegroups to serve as a credible “European armies”, **burden sharing and common financing must be guaranteed for a high degree of common costs**, either through a more ambitious review of the Athena financing mechanism or through alternative financing solutions such as the setting up of a joint fund for EU operations.

A European Operational Headquarters

The EU’s operational footprint is only likely to increase as Europe is called upon to respond to more crises in its neighbourhood. Yet, the **EU still lacks crucial capacity to do contingency planning, as well as the appropriate command-and-control framework to plan and run operations**, relying instead on ad hoc or NATO structures.

With 16 ongoing missions and operations, **time has come to establish Operational Headquarters (OHQ) in Brussels to ensure effective planning, command and control of operations, in particular when a joint civil/military response is required**. Based on the current EU Operations Centre, OHQ should be established with the full capacity of planning and running operations. It would cooperate extensively and develop synergies with current situation and command-and-control centres such as Northwood, which has been used for Operation Atalanta.

4.3. Providing Future Capabilities in Common

Faced with budget constraints, **cooperation in military capability development is crucial if**

Member States are to maintain key capabilities and remedy shortfalls, benefit from economies of scale and enhance military effectiveness.

This requires increased collaboration on capabilities development, exploring the full potential of four important cost cutters: (1) collaborative armaments projects, (2) pooling, (3) role specialisation, and (4) reducing redundancies. New collaborative armaments projects will also have an important structuring effect on European defence industries which remain an indispensable element of our strategic autonomy.

A European Semester on Defence Capabilities

The European Capability Development Plan is a first step on the way to facilitate the common development of capabilities, but will only become a success if Member States engage and commit more actively. Going beyond, EU leaders should now agree on a **“European Semester process on defence capabilities”** based on the establishment of benchmarks for collaborative efforts in equipment procurement and research and development, coordination of capabilities plans as well as roadmaps with Member States and potential lead nations on particular capabilities. Innovative financing mechanisms, such as a European investment fund for defence, should also be explored to improve the financing and the synchronisation of defence spending.

Civilian-Military Synergies

The potential for dual-use functions and assets should also be explored, such as in the area of maritime surveillance and border control through the development of **European Coastguard** capacities. Important civilian-military synergies between EU and national levels of action can also be found in the area of space and defence, for instance in the development of the next generation of Governmental Satellite Communications based on both civilian and military user needs.

The Right Incentives for Cooperation

To make a success of such an approach, it is necessary to also provide the right regulatory and financial incentives for increased common efforts in defence. Progress has been achieved on a VAT exemption for ad hoc projects within the European Defence Agency. Yet, this covers only a very small part of the potential for European defence cooperation, and the overall framework still remains significantly less of an incentive than what NATO can offer. **A VAT exemption and other fiscal incentives should be extended to transnational collaborative defence projects**. Giving impetus to new shared defence programmes also means considering new ways of financing. The

European Fund for Strategic Investments and European Investment Bank instruments should be considered further in support of the defence industrial sector, both through SME financing instruments and through increased financing of dual-use R&D. Innovative financing mechanisms such as capability development funds can play a role in the future, and so could the EU budget in the context of dual-use assets falling under its competencies.

4.4. A Defence Industrial Strategy for Europe

Finally, strengthening European defence and strategic autonomy is also about consolidating our defence markets and industry. In addition to a new push for joint armaments projects, **the EU needs a defence industrial strategy that identifies the priorities and means to maintain key industrial and technological capabilities in Europe.**

A Well-Functioning Defence Market

A first condition for Member States and industry to be able to reap advantages of scale is a market that functions and where products and defence technology can circulate effectively. The defence procurement and transfer directives must therefore be effectively applied and their shortcomings addressed in upcoming review processes. In this context, special attention should also be given to security of supply and the integration of innovative SMEs in European defence markets.

Flagging Investments in R&T and Coming Technology Gaps

Decreasing R&T funds and the drying up of large-scale defence industrial projects expose Europe to the risk of industrial exodus and the loss of technological

leadership. The European Defence Agency and Member States should develop multi-annual investment plans to sustain defence technologies critical to Europe based on mapping of critical technologies. Dual use research possibilities within existing EU programmes must be strengthened. The European Commission has recently set up a high level group of politicians, experts and industry leaders to advise on how the EU can support defence research programmes relevant to the CSDP. Although necessarily modest at its inception, the foreseen Preparatory Action can be a forerunner to a specific **defence research programme within the next EU Multiannual Financial Framework** which will be a key future driver of research effort in defence technology and products. It should be complementary to ongoing national efforts, and focus in particular on **key enabling technologies** taking into account the specificities of the security and defence sector.

In Defence of Europe

Threats to European security are real and they are here to stay. A thorough examination of the current state of play leads to a clear conclusion: it is time that European leaders ask themselves anew how best to guarantee the security of their citizens. If Europe is to live up to tomorrow's security challenges, the EU's soft power must be matched by collective hard power and a more efficient use of our €210 billion yearly defence spending.

In times when public coffers are depleted, the prospect of doing more with less while ultimately achieving better security outcomes is within imminent reach. In the last decades, there has not been a more compelling set of security challenges, economic facts and political arguments justifying more "Europe" in defence. At the end of the day, it is in Europe's interest to take action now and not wait until conflict or further security threats force our hand.



Security and Defence Top Priorities for Special Adviser Michel Barnier

In February 2015, the President of the European Commission, Jean-Claude Juncker, appointed Michel Barnier as his Special Adviser on European Defence and Security Policy. Among Mr. Barnier's first tasks is to help prepare the President's contribution to the European Council's work on European defence policy and develop a set of ambitious and forward-looking proposals on European security.

As a long-standing European political leader, Michel Barnier has been engaged in European defence issues for more than two decades. A two-time European Commissioner, he initiated in 2012 the setting-up of the Commission's Defence Task Force and oversaw the preparation of the Communication "A New Deal for European Defence," presented to the European Council in December 2013. In his role as Special Adviser to President Juncker, Mr. Barnier has met with more than 50 high-level experts and senior leaders in defence to help inform his thinking. Before becoming Minister of Foreign Affairs in the French government from 2004 to 2005, Michel Barnier served in the Praesidium of the Convention on the Future of Europe, where he chaired the working group on European Defence that proposed the current Treaty framework on defence, including the permanent structured cooperation (PESCO). In 2006 Michel Barnier presented a report to the European Commission and the European Council proposing the creation of a European Civil Protection Force.

Notes

1. "Top German spy says Berlin under cyber attack from other states", Reuters, 18 November 2014.
2. EU ISS, Defence Budgets in Europe: Downturn or U-turn?, May 2013
3. European Defence Agency, *Defence Data 2013*.
4. European Parliament Research Service, *Cost of Non-Europe Report. European Common Security and Defence Policy*, 2013.
5. Istituto Affari Internazionali and Centre for Studies on Federalism, *The Costs of Non-Europe in the Defence Field*, 2013.
6. Ibid
7. [Eurobarometer](#), *40 Years*. Most recently, 76% of EU citizens were in favour ([Eurobarometer](#) Automne 2014, p.188-190).
8. NATO, Wales Declaration on the Transatlantic Bond, 5 September 2014.