



Making Europe and Europeans safer

by Daniel Fiott and Antonio Missioli

One of the criticisms associated with plans for closer European defence cooperation is that there are no new ideas around. The ‘EU Battlegroups’, ‘Permanent Structured Cooperation’, even the idea for an ‘EU Operational Headquarters’ or a ‘Defence Semester’ are seen as old and sometimes unwieldy initiatives, reminiscent of debates that have hardly made any progress. For their part, labels such as ‘EU Army’ or ‘Permanent Military Headquarters’ have counter-productively hijacked the entire public discussion. Yet perhaps the various policy ideas and treaty provisions that relate to defence need to be looked at in a different light. Perhaps the key is to experiment with combinations of old ideas with a new perspective in mind: out of the old comes the new.

The EU Global Strategy (EUGS) offers that new perspective but the challenge with the EU Security and Defence Implementation Plan (SDIP) is the relatively short timeframe to devise new ideas and incentives for cooperation. By the end of the year, the task is to make Europe and Europeans feel *safer* – Secure, Able, Forward-looking, Engaged and Responsive. For this to work, markers need to be put down now in order to steer longer-term cooperation. Implementing any new operational level of ambition will take time to develop. For instance, a ‘Joint Civil-Military Operations Centre’ could well be established over the next few months, first by combining the Operations Centre and Directorate C (Operations) of the Military Staff Directorate-General into a sort of Military Planning and Conduct Capability, then by interweaving it with the already

existing Civilian Planning and Conduct Capability; but the process of civil-military integration will take more time and still require distinct chains of command.

Incentivising cooperation

How can old ideas produce new outcomes? So far, European defence cooperation has risen or fallen on the promise of (as yet unused) treaty provisions such as Article 42(6) and 46 of the Treaty on European Union (TEU) – known more commonly as Permanent Structured Cooperation (PeSCo). Defence cooperation has remained largely inter-governmental, even though supranational elements such as the 2009 ‘EU Defence Package’ on defence procurement and defence transfers (Directives 2009/43/EC and 2009/81/EC) aim to improve security of supply. However, it might now be worth considering what role financial incentives could play in encouraging the member states to deepen their defence cooperation through existing treaty provisions. Accordingly, the European Commission’s recently announced plan to create a ‘European Defence Fund’ is highly relevant.

Financial contributions towards defence could be made via the European Fund for Strategic Investments (EFSI), which aims to leverage €315 billion worth of investment in the EU over a three-year period. The EFSI makes co-financed investments in high-risk projects possible, but it grants loans with the prudential oversight of the European Investment



Bank (EIB) and the European Commission. The EFSI has been designed to invest in Europe's real economy which, of course, includes the European Defence Technological and Industrial Base (EDTIB).

Any 'European Defence Fund' could provide 'seed' capital or capital investment during the procurement cycle. It could contribute to maintenance costs and investments in critical defence infrastructure. It could also lead to procurement collaboration between member states, which may, in turn, lead (as called for by the EUGS) to a greater synchronisation of defence planning cycles; and it could enhance co-operation between the European Commission and European Defence Agency (EDA) in relation to the identification of key defence capabilities.

No matter how any future European Defence Fund is configured to support the defence sector, there will be a number of obvious policy implications. Co-investment by the Commission and the EIB would raise questions about intellectual property rights and, potentially, about co-owned capabilities – but answering such questions convincingly is part and parcel of the ambitious agenda ahead.

A European Defence Fund may potentially effect defence cooperation in other ways, too. Indeed, use of the EFSI comes with specific conditions that can feed into defence cooperation. For example, many complain that the rules of the Stability and Growth Pact (SGP) stymie investment in defence. Under the EFSI, however, and as made clear by the European Commission (COM(2015) 12 final), it could be possible under certain conditions to give member states some flexibility on SGP rules when co-financed investments under EFSI are made. In certain cases, member states may even deviate from their SGP adjustment path target when making investments – especially if, for example, their GDP growth rate is negative or below its potential. This could grant member states the flexibility to invest in defence without fear of running excessively high deficits.

Structuring cooperation

Putting a European Defence Fund in the game might also encourage the use of other, as yet untapped, initiatives contained in the treaties. For example, PeSCo – an 'old' idea – could be reframed as the legal vehicle through which to ensure that any European Defence Fund is used to its fullest potential. As the treaty protocol on PeSCo makes clear, the aim would be to harmonise military needs, ensure interoperability and encourage major joint European equipment programmes. If Europe is really to support the EDTIB, then an ambitious capability programme is required sooner rather than later, and PeSCo could

become both a vehicle to meet new targets and a catalyst of existing initiatives, with a potential multiplier effect across the board. As such, it could initially be put on the table as a first desirable point of arrival in the implementation process rather than its sole possible point of departure.

Additionally, tying the European Defence Fund with PeSCo in this way could give the European Defence Agency a more active role. PeSCo already foresees the EDA playing a role in the regular assessment of contributions and capabilities for those member states engaged in this more structured form of cooperation. Accordingly, the EDA and its Steering Board could oversee a process by monitoring progress and serving as an interface with the European Commission and the EIB – and, according to the capability programme in question, with specialised procurement agencies. This is indeed where a periodical coordinated review process could find its place and value-added – as less than a 'Defence Semester' but more than a bureaucratic information exercise.

Using any European Defence Fund to support PeSCo would clearly raise questions. Some may claim that it could potentially lead to a 'two-speed' or 'two-tier' Europe on defence. Indeed, the original intention behind Permanent Structured Cooperation was to graft the model of Economic and Monetary Union on to defence – 'cooperation', therefore, is used in the singular rather than the plural. Just like the single currency, PeSCo was initially designed to be a single legal mechanism to eventually establish a sort of European Defence Union. Given that its initiation is dependent on a qualified majority in the Council, there would be questions as to whether agreement could be achieved without a balanced 'package' including the building blocks mentioned above and some trade-offs between the possible participants.

Of course, it should be remembered that Permanent Structured Cooperation is non-exclusionary and voluntary, so any member state could participate as long as the agreed-on criteria and indicative benchmarks are met. For those member states that are eager to trigger PeSCo, however, perhaps one way of securing its establishment would be to use the EFSI to invest in critical defence infrastructure – airfields, seaports, rail-lines, barracks, etc. – in those other member states that, otherwise, may not be instinctively in favour of using Article 46. Needless to say, this approach would also boost the Union's rapid response capacity and, ultimately, benefit NATO.

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