

A battle against decline? EU defence after the European Council

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Back to 'Grosse Politik'? The European Council's Conclusions on CSDP

In its meeting on 13-14 December 2012, the European Council invited EU High Representative for Foreign Affairs and Security Policy/European Commission Vice-President Catherine Ashton (HR/VP) and the European Commission to develop more proposals and actions for enhancing the Common Security and Defence Policy (CSDP) by September 2013. This reflection exercise should provide a number of policy inputs in view of the EU Summit in December 2013, which is scheduled to hold a substantial debate on defence matters in order to address, as Council President Herman Van Rompuy put it, "the need for a longer-term and more systematic cooperation in this area".

Ideas to be discussed in the next few months include: further developing the "comprehensive approach" in CSDP operations and strengthening capabilities and personnel; identifying redundancies, shortfalls and future requirements regarding military capabilities and facilitating intra-European collaboration, more cooperation-oriented national defence planning and synergies between bilateral, sub-regional, European and multilateral initiatives; developing a more integrated, sustainable, innovative and competitive European Defence Technological and Industrial Base (EDTIB) via synergies between civilian and military research and development (R&D); and promoting market efficiency by effectively implementing the Commission's 2009 Directives on public procurement and intra-EU transfers of defence goods and services.

While these proposals can largely be traced back to 2008, the attention paid by EU leaders to defence matters represents an interesting move from their predominant focus on economic and financial governance in the last three years to another key political challenge for the future of European integration. Moreover, by identifying specific areas for further action, it also demonstrates growing concern, both in Brussels and among national capitals, over the operational and industrial sustainability of European defence.

Austerity vs. capabilities: the impact of the financial crisis on European defence

The crisis has had a severe impact on the defence sector in Europe. According to some estimates, cuts to defence budgets – with few exceptions – range from up to 20-30% in smaller EU member states to 10-15% in medium-sized countries, while bigger states are reducing their military expenditure by at least 5%. These trends are not likely to be reversed soon, given the persistence of austerity measures in public finances and the incentives to allocate scarce budgetary resources to more politically-sensitive areas, such as welfare. But, importantly, national budget reductions were not coordinated, putting at risk the preservation of key military capabilities within CSDP and NATO – as shown by the Libya crisis, when European capability gaps had to be filled by the United States.

Against this background, Europe has resorted to international cooperation as a driver of both cost-effectiveness and the specialisation of military capabilities. While some bilateral (e.g. the 2010 Franco-British Lancaster House Treaty) or sub-regional (e.g. the 1989 Franco-German-Polish Weimar Triangle) agreements have been inaugurated or simply re-energised, in December 2011 the EU Foreign Affairs Council 're-discovered' the concept of "pooling and sharing" (P&S) procurement, R&D and force structures by encouraging eleven projects in areas such as air-to-air refuelling and medical support. At the same time, in May 2012 NATO endorsed "Smart Defence", a parallel Transatlantic exercise ranging from acquisition projects to the protection of forces.

Such juxtaposition of cooperation initiatives demands increased policy coordination and deeper trust among every actor involved to increase synergies and interdependence, and prevent duplication and mutual obstruction. As for EU-NATO relations, stronger coordination has been put in place in the last two years, but top-down political oversight in Europe is still needed in order to allow more European responsiveness to U.S.-dominated P&S projects within NATO.

A world-class European defence industry in peril

EDTIB represents a significant asset to Europe in terms of turnover, employment, technological innovation and global competitiveness. However, it is still characterised by fragmentation and disguised protectionism along national lines, as well as overcapacity and duplications. All this prevents it from reaching a productive and financial critical mass, limits spill-overs to civilian sectors and results in delays and cost overruns in procurement programmes.

Decreasing defence budgets led many European companies, including small and medium-sized ones (SMEs), to move to other market sectors or to increase their exports to emerging economies if possible given existing export restrictions. Although this is helping to soften the immediate impacts of the crisis, cuts in defence R&D spending and a lack of major domestic programmes, as well as technology transfers to non-EU importers, are hitting innovation and the competitiveness of EDTIB, with far-reaching socio-economic and strategic consequences.

This gloomy scenario reinforces the arguments in favour of more integration and consolidation in Europe's defence market, on both the supply and demand side. While the recent failure of merger talks between EADS and BAE highlighted the persisting difficulties in matching concrete market pressures and overarching political considerations, the European Commission intensified its efforts in the field of defence industrial restructuring through the promising – though yet-to-be-implemented – 2009 Directives. Moreover, it has also funded a number of dual technology R&D projects through its 7th Framework Programme. On the demand side, the European Defence Agency (EDA) is also committed to favouring integration in military procurement and R&D, but it still lacks proper funding by member states.

Preventing the military decline of Europe through the EU?

A renewed commitment of EU leaders to the CSDP in 2013 has the potential to inject new dynamism into the political debate on European defence, by encouraging an EU-centred coordination mechanism for capability specialisation and industrial integration between national capitals while at the same time granting more streamlined and top-down guidance to a process which has long been complicated and sometimes obstructed by national defence and foreign ministries. In this context, the personal engagement of President Van Rompuy could help to provide more supranational political leadership in an area which has been virtually monopolised by restricted coalitions and mini-multilateral exercises, including the ambitious yet somewhat vague call for a future European army made by some foreign ministers in September 2012.

But a number of uncertainties still lie ahead. These include: the capacity of the HR/VP to coordinate the series of competing institutional actors involved in EU defence (especially the EDA and the Commission), maximising the added value of her "double hat" and exploiting synergies with the possible revision of the 2003 European Security Strategy (ESS) and ongoing negotiations on Horizon 2020; the ability of national leaders to sustain this process by generating consensus at home, especially among military establishments and defence companies; and the evolution of exogenous factors such as the global security outlook and the financial crisis, including their potentially abrupt impacts on the economic sustainability, political legitimacy and strategic credibility of purely national sovereignty on defence matters in Europe.

In the end, despite the growing involvement of the EU institutions in European defence integration, this will largely remain a member state-led process dominated by the bigger national capitals' changing (self-) perceptions and mutual relations. In this view, much will still depend on the attitude *vis-à-vis* the CSDP and EDTIB of the government in London, whose traditional scepticism might be challenged both by fiscal austerity and the USA's "Asian pivot", Berlin's willingness to translate its economic primacy into a proactive driver of more European political integration, including in defence, as well as the readiness of Paris to accept the rather inevitable reshaping – and further Europeanisation – of its global politico-strategic ambitions.

The time has come for EU leaders to get more serious about defence integration in Europe – or they will simply have to live with its continuing, and quite dangerous, military decline.

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