

HOW TO MAINTAIN HARD CAPABILITIES IN TIMES OF BUDGET CUTS?

SWP

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SUMMARY

In times of financial crises and strained public budgets, many countries have decided to cut their defence spending. In order to maintain their hard capabilities despite this process, EU Member States should pool their resources and strive for closer cooperation on military and civilian matters. At this point in time, however, states seek their salvation in bilateral rather than European initiatives, as the Franco-British example shows. Strategic ambivalences and a lack of strategic clarity are the main reason for the CSDP not living up to its objectives. To overcome these obstacles, Member States must agree to substantially deepen their military and civilian collaboration. Most importantly, the EU must enter into a new strategising process to reformulate the scope and reach of cooperation on security and defence matters.

Initiating this development and leading Member States towards a new reform agenda should be a top priority for the 2013 European Council.

This Policy Paper is part of a series entitled "[How can Europeans be taken seriously with lower hard security capacities?](#)" which also includes contributions by Jean-Pierre Darnis (IAI, Rome), Daniel Keohane (Fride, Brussels), Jan Techau (Carnegie Europe, Brussels) and Nick Witney (ECFR, London).

It is a contribution to the project "[Think Global – Act European \(TGAE\). Thinking strategically about the EU’s external action](#)" directed by *Notre Europe – Jacques Delors Institute* and involving 16 European think tanks:

Carnegie Europe, CCEIA, CER, CEPS, demosEUROPA, ECFR, EGMONT, EPC, Real Instituto Elcano, Eliamep, Europeum, FRIDE, IAI, Notre Europe – Jacques Delors Institute, SIEPS, SWP.

Four other series of Policy Papers deal with key challenges on EU neighbourhood, strategic resources, migrations and economic policy. The final report presenting the key recommendations of the think tanks will be published in March 2013, under the direction of Elvire Fabry (*Notre Europe – Jacques Delors Institute, Paris*).

Introduction

At the end of the Cold War, Europe as well as individual Member States were militarily powerful: The UK Armed Forces comprised 320,000 military personnel; France had 550,000 soldiers, and Germany nearly 500,000. Each of these countries spent an average of 3.7% of GDP on defence. A decade later, in 1999, European Union (EU) Member States decided to combine their strength to make the EU a powerful actor, capable of shaping world security policy. At this moment in time, EU Member States seemed capable of winning any war. At the end of 2012, the chances of the EU becoming a global actor have turned sour. The number of armed forces has been halved. Even though the EU-27 has half a million more armed soldiers than the US, only 4% of this personnel can be deployed, compared to 16% of US forces.¹ In 2010, average defence spending in the EU fell to 1.6% of GDP.² Military operations – from Afghanistan to Libya – have revealed major shortfalls in key strategic areas. Year in, year out, the European Defence Agency implores EU Member States to promptly tackle the lack of intelligence surveillance and reconnaissance, to increase the availability of helicopters and to significantly improve the management of strategic and tactical airlift. However, its requests remain unheard, as do Member States pleas to apply the Lisbon Treaty’s Protocol on Permanent Structured Cooperation (PESCO) and to pool and share (P&S) capabilities.

1. Advantages of Permanent Structured Cooperation and Pooling and Sharing

“THE CHANCES OF THE EU BECOMING A GLOBAL ACTOR HAVE TURNED SOUR”

As a first official EU document, the Lisbon Treaty endorses the possibility of proceeding more intensively with capability development. It allows Member States to proceed towards integration in security and defence policies. However, in order to take part in PESCO, Member States should (a) agree on objectives for the level of investment in defence equipment; (b) “bring their defence apparatus into line with each other as far as possible”, by harmonising military needs, pooling, and specialisation; (c) enhance the availability, interoperability, flexibility and deployability of their forces, notably by setting “common objectives regarding the commitment of forces”; (d) address the shortfalls identified by the Capability Development Mechanism (CDM), including multinational approaches; and (e) take part in equipment programmes in the context of the European Defence Agency (EDA).

As it soon became apparent that Member States currently lack the political will to significantly move forward on security and defence policy integration, pooling and sharing were introduced into the EU’s strategic thinking in November 2010, when Germany and Sweden released a “food for thought” paper on intensifying military cooperation. The European Council adopted this concept in December 2010, declaring P&S to be *the* solution for saving money and increasing the military efficiency of their resources. In the light of the current financial constraints and the upcoming December 2013 European Council Summit, the Foreign Affairs Council of November 2012, reiterated the need to strengthen European cooperation in order to fill critical capability gaps. In the conceptual framework of P&S, capabilities are *shared* when one or more countries provide the partners with a capability or equipment or undertake a task for another country. If this provision takes place on a permanent basis, it enables the partners to cut this capability and save on costs. In contrast, *pooling* is providing national capabilities to other countries. Pooling can occur in the development, procurement or

1. Tomas Valasek, “Surviving Austerity: The case for a new approach to EU military collaboration”, Centre for European Reform, April 2011, pp. 11-12.
 2. European Defence Agency, *Defence Data: EDA Participating States in 2010*, p. 4.

subsequent operation of shared equipment. It enables countries to either obtain a higher number of units or to co-acquire a capability not affordable for one state alone.³

2. Reasons for the Limited Success of Permanent Structured Cooperation and Pooling and Sharing

Surprisingly, the cost saving incentives of both mechanisms have hardly been used by the 27 Member States. So far, PESCO has not been applied at all. Member States still shy away from fulfilling the entry criteria listed in the Lisbon Treaty. As defence integration is still not at the top of Member States' political agendas, the prospects for PESCO seem bleak. But also, the comparatively low threshold of P&S has, so far, not gathered momentum. Currently, there are around 100 such projects created by the EU or NATO (where the concept of "Smart Defence" was introduced in May 2012). About 20% of these projects involve bilateral cooperation; in 60% of cases, up to five partners agreed on a common endeavour.

GOVERNMENTS REFUSE TO TAKE ADVANTAGE OF ECONOMIES OF SCALE"

There are four arguments that help to understand why individual Member States are still not willing to overcome the idiosyncrasy of managing, equipping and commanding 27 militaries and subsidising unviable national defence companies in order to profit from P&S. The first reason for the ambiguous performance of P&S is that States have different ideas about which equipment and services can be subject to pooling and sharing. The second explanation is the fear of not being able to deploy shared units, especially if the partner objects to the deployment for political reasons or because he worries about the costs. Indeed, because some collaborative projects have produced too little in the way of savings, appetite for P&S has waned. Thirdly, EU governments seemingly want to retain the right to decide where and when to deploy their forces. They are only ready to subject themselves to integration when the case for such co-operation is overwhelming. Last, but not least, national capitals continue to buy nearly 80% of their national defence equipment from domestic suppliers and refuse to take advantage of economies of scale, especially in terms of salaries, maintenance of equipment and operating different bases for the same type of forces.⁴

3. Franco-British Cooperation: A Positive Way of Surviving the Debt Crisis?

There are, however, some positive examples of intensified defence cooperation among Member States: The Nordic countries have made great progress, as have the Benelux countries. The most prominent example of two countries willing to make use of the overwhelming prospects of cooperation benefits are France and the UK. At their 2010 summit meeting, they committed themselves to extending cooperation between their armed forces and to the joint development of their nuclear weapons technologies. Within the framework of two legally binding treaties, numerous concrete measures to further this intensified cooperation were agreed.⁵ Numerous arguments have been found to explain the success of this bilateral cooperation: undoubtedly, the strategic cultures of both countries are very similar; Paris and London indeed share a similar risk-taking, expeditionary mentality. Furthermore, both countries' militaries are of similar size and quality. More important, however,

3. Christian Mölling, "Pooling and Sharing in the EU and NATO: European Defence Needs Political Commitment rather than Technocratic Solutions", *SWP Comments 2012/C 18*, June 2012, p. 1.

4. Tomas Valasek, "Surviving Austerity. The case for a new approach to EU military collaboration", *Centre for European Reform*, April 2011, pp. 8, 20-21.

5. For details of the Franco-British agreements, see Ronja Kempin, Jocelyn Mawdsley, Stefan Steinicke, "Turning Away from CSDP? Franco-British Bilateralism in Security and Defence Policy", *SWP Comments 2010/C 30*, November 2010, pp. 1-2.

seems to be the fact that both partners are willing to level the playing field for defence companies and have reached a certain level of clarity as to why they cooperate. The attempt to merge EADS and BAE Systems, as well as the French decision to leave the multilateral Talarion drone project and instead take part in a Franco-British programme, illustrate how prepared both countries are to opt for the best value-for-money solutions. Still more important, however, seems to be the fact that British and French positions on global threats and challenges, and the security and defence capabilities required to address them, strategically coincide to a high degree. This conformity is the result of an extensive exchange of the key strategic documents of both countries. Since 2006, representatives from the British Ministry of Defence were consulted in the preparation of the French *Livre blanc* (White Paper) “Defence and National Security” and the Military Planning Law for 2009–2014, which sets out the State’s defence plans and budget. This is again the case for its 2012/2013 review and similarly, French military officials cooperated in the formulation of both the British national security strategy “A Strong Britain in an Age of Uncertainty” and the Strategic Defence and Security Review (SDSR), which was published a few days later.

4. A Need for Strategic Clarity in the EU

“STRATEGIC AMBIVALENCE HAS BECOME A BURDEN – AND EVEN A RISK”

If we examine whether the Franco-British cooperation could be similarly successful at the EU level, we quickly notice that the EU-27 lacks all the ingredients to even start a fruitful cooperation project. Among the 27 EU Member States, there is neither strategic agreement nor a common understanding of the means for cooperation. Quite to the contrary, CSDP has always been characterised by a high degree of strategic ambivalence in terms of security policy issues. This ambivalence allowed all Member States – with the exception of Denmark, which has an opt-out from CSDP – to take part in the joint project despite substantial differences in their national security policies. Therefore, strategic ambivalence in the security and defence policy was initially a definite “strength” which considerably advanced the development of this policy area. In the meantime, however, it has become a burden – and even a risk – for progress in CSDP because early promises on capability development or international security policy could not be fulfilled due to severe and consistent differences in strategic preferences between groups of Member States. Thus, the EU and its Member States will only be able to maintain their hard military capabilities despite declining defence expenditures if they overcome the strategic ambivalences and reach strategic clarity. For this to happen, EU Member States must agree to substantially deepen security and defence policy co-operation within the context of CSDP.⁶ They would need to create a European security and defence strategy, dedicate themselves to greater integration in the areas of military (and civilian) capabilities and commit themselves to expanding the joint financing of CSDP missions and operations. The development of a comprehensive strategic framework for CSDP would require EU partners to reach consensus on the scope of civilian and military forces the EU should be able to collectively provide for crisis management. Member States would also need to reach an agreement on how these forces would work together in specific situations, what sorts of operations they should conduct simultaneously, and which geographic or functional aspects should take priority. The objective of this process would therefore not only be to reformulate the ESS, but rather to achieve real strategic direction in terms of scope and reach comparable to that outlined in security and defence policy documents like France’s *Livre Blanc*. This sort of comprehensive White Paper would address political and military as well as civilian and institutional reforms. These reforms would in turn be geared towards establishing tight and credible links between strategic objectives on the one hand, and the military and civilian capabilities provided by EU Member States on the other. Essential to this process would be better dovetailing in the development of civilian and military capabilities. The process of improving, coupling and integrating Member States’ military and civilian capabilities would be organised within EU

6. For an earlier and detailed version of these three scenarios see Ronja Kempin, Nicolai von Ondarza, Marco Overhaus, “Overcoming Strategic Ambivalence: Options for the Future Development of the Common Security and Defence Policy”, in: Annegret Bendiek, Barbara Lippert, Daniela Schwarzer (eds.), “State of Play in European Integration”, SWP Research Paper RP 12, December 2011, pp. 21–27.

structures, whereby the focus of coordination would be located in Brussels and run in a “top-down” manner. Accordingly, the civilian and military capability objectives of EU Member States would not only be jointly defined within CSDP structures. Moreover, the process would include detailed milestones which would be assessed on an annual basis. This approach could be further developed into a common defence planning process in a step-by-step fashion. Larger capability gaps would be addressed in multinational programmes. A “top-down” process of this sort, with regular evaluations and management by EU structures, would carry a considerably greater degree of political commitment without limiting national sovereignty, particularly on the question of whether and how to actually deploy capacities in operations. The CSDP’s operative component would be strengthened if EU Member States could also agree on joint financing for military operations. To date, the CSDP has followed the principle of “costs lie where they fall” in terms of financing, according to which Member States have to cover the costs of their military forces themselves. Only a very limited level of “shared costs” for military operations – generally around 10% of total costs – is defrayed by all Member States via the so-called Athena mechanism. The one-sided burden on commitment-ready Member States paves the way for freeloaders and in particular limits the actual operational readiness of bodies like the EU Battlegroups.⁷ A substantial expansion of shared financing that is possible without a change to the EU treaties would cause all Member States to fully share the political and financial responsibilities of CSDP operations.

“MINISTER WESTERWELLE WAS LEFT ALONE BY HIS PARTNERS WHEN HE PROPOSED THE CREATION OF A EUROPEAN ARMY”

If Member States could agree on these substantial advances, P&S (and perhaps even PESCO) within the EU might be more promising than NATO’s Smart Defence project, which so far includes neither a civilian component nor a link to the defence industry. The end of 2012 was marked by a positive note for CSDP as the European Defence Agency (EDA) members adopted a P&S code of conduct, and an air-tanker agreement was signed by ten European governments. However, at present, even the most optimistic observers of the EU’s security and defence policy can hardly see the momentum for such an ambitious CSDP-reform agenda. German Foreign Minister Guido

Westerwelle was left alone by his partners when he suggested moving towards the creation of a European Army. But even the success of a second, less demanding reform agenda, at present seems questionable. In order to maintain their hard capabilities, Member States must still be willing to continue and intensify existing initiatives to develop capabilities and strategic priorities within the framework of CSDP, albeit with an increased element of flexibility within EU structures. The “bottom-up” processes of P&S and PESCO would be kept alive, albeit with limited and slow progress. This approach needs to be embedded by Member States into a process of strategic prioritisation of EU foreign, security and defence policy. Following great difficulties in reaching an agreement, even with regard to the very limited Report on the Implementation of the European Security Strategy in 2008, the Union has pursued a step-by-step development of strategies on individual topics. In this manner, for example, the EU set the priorities for dealing with its strategic partners and drafted guidelines for reforming the security sector in non-EU states and for the disarmament, demobilisation and reintegration of combatants in conflict areas. The next item on the agenda would be the formulation of corresponding guidelines for CSDP, particularly in respect to objectives and capability development.

5. Recommendations

Different initiatives – the recommendations of the Future of Europe Group or the European Global Strategy process – recommend starting a new reflection process on the EU’s security strategy. These steps are encouraging. The 2013 European Council should vigorously support a new strategy process and lead Member States in the direction of the second reform agenda discussed above. Without a decisive move in the direction of this minimalistic reform scenario, CSDP, as well as the military capabilities of its Member States, will continue to deteriorate. We would most likely enter into a period of increased bilateral and multilateral security and

7. Gustav Lindstrom, “Enter the EU Battlegroups”, *Chaillot Paper 97*, EUISS, Paris, February 2007.

defence policy cooperation outside the EU framework. Member States like France and Great Britain seem to prefer this sort of development because it enables a faster and potentially more effective action in certain situations. In the short and medium term, this sort of process would not spell the end of CSDP, as the EU will be able to execute further smaller and/or time-limited crisis management operations. In the long term, however, a new political thrust is necessary, if the objectives defined in the EU treaty are not to disappear out of sight. There is a real risk of the CSDP falling apart. Maintaining the status quo will not lead to a successive convergence, but rather to a drifting apart of EU Member States over security and defence policy issues.

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