



EU's Capability Building and Divides within NATO

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Recommendations

- By deepening the cooperation among member states within the defense and security arena the EU aims to strengthen its strategic autonomy.
- Permanent Structured Cooperation (PESCO), the Coordinated Annual Review on Defense (CARD), and the European Defence Fund (EDF) should provide a combined effort and incentives to develop European defense capabilities.
- Although presented as a win-win solution for both the EU and NATO, the aforementioned concepts generate a plethora of controversies among NATO allies. Controversies predominantly derive from the national interests of distinct NATO members as new schemes often exclude industries from NATO non-EU members.
- Central European reservations, regarding the EU's capability building projects, often stem from fears that currently developing initiatives will not equally benefit all EU member states.
- Using PESCO projects, together with the strategic armaments acquisitions policy as a vehicle to foster cooperation with larger countries seems to be a way forward for the Czech Republic.



Context and Background Information: Can European Defense Integration be a win-win for the EU and NATO?

In June 2016, the European Union adopted a new Global Strategy that specifically called for nurturing the ambition for strategic autonomy. In that regard, the promotion and further development of the EU's military capabilities were specifically mentioned among the key issues that should be addressed and promoted. Simultaneously, the very same document on the very same page underlined that the EU will aim to strengthen its partners and that it will continue to deepen the transatlantic bond and partnership with NATO.¹ Considering the official documents and press releases, it can be extrapolated that, at least from an official perspective, the development of local military capabilities was to be governed and perceived by European authorities as an instrument which strengthens and further enhances the Euro-Atlantic partnership.

Following on from its initial Global Strategy prospectus, the European Union began to develop new instruments that were supposed to reinvigorate the sluggish integration process, particularly within the defense and security arena. Hence, new policies and institutions best epitomized by Permanent Structured Cooperation (PESCO), the Coordinated Annual Review on Defense (CARD), and the European Defence Fund (EDF) soon emerged. Amalgamated, these provided a combined effort to develop European defence capabilities which very soon became a key priority and vehicle for the EU to deliver on its Global Strategy promises.²

Perhaps the most essential, PESCO, effectively launched in December 2017, attempts to pool the defense efforts of 25 of the EU's 28 member states. It was not only a follow up on the aforementioned Global Strategy but was also designed to serve as a response to the Trump administration's complaints about the lack of European commitments to its own security and as a response to the Ukrainian crisis. Likewise, PESCO was supposed to accommodate the long-standing American demand for more burden sharing within the alliance itself by developing the European security and capabilities pillar. Nevertheless, instead of welcoming such an initiative, the US almost immediately condemned the effort going as far as to label it a threat to NATO.³ Such a reaction was predominantly a reflection of the numerous complexities that today exist within the Euro-Atlantic security and capabilities procurement arrangements.

Importantly, from the perspective of the EU institutions, the approach towards security in general and joint capabilities development in particular has often been presented as a so called win-win solution for both the EU and NATO.⁴

¹ "Shared Vision, Common Action: A Stronger Europe, A Global Strategy for the European Union's Foreign And Security Policy," June 2016, p. 4, https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf.

² Krasimir Karakachanov, "The links between CARD, PESCO and EDF must be clearly defined," interview in European Defence Matters, <https://www.eda.europa.eu/webzine/issue15/political-view/the-links-between-card-pesco-and-edf-must-be-clearly-defined>.

³ Sven Biscop, "Letting Europe Go Its Own Way, The Case for Strategic Autonomy," Foreign Affairs, July 6, 2018, <https://www.foreignaffairs.com/articles/2018-07-06/letting-europe-go-its-own-way?cid=int-fls&pgtype=hpg>.

⁴ Alessandro Marrone, "Permanent Structured Cooperation: An Institutional Pathway for European Defence," Istituto Affari Internazionali, November 20, 2017, <http://www.iai.it/en/pubblicazioni/permanent-structured-cooperation-institutional-pathway-european-defence>.



Yet, it is worth noting that despite the positive sentiments being circulated in official statements, PESCO, and affiliated security and defense initiatives such as EDF, seem to generate a plethora of controversies among NATO allies. Such controversies indicate that the idiomatic win-win expression might not be the most suitable term for describing the overall efforts.

Arguments for Defense Cooperation: From economic rationale to lacking strategic enablers

Before diving into the peculiarities of the new European security initiatives and their intrinsic controversies, it is worth noting that developing NATO's European defense pillar, enhancing local military capabilities and efficient procurement possibilities, is undeniably beneficial to both the European Union and NATO as such. Both institutions will ineluctably be strengthened and enhanced. There are numerous arguments to be made that bolster such a viewpoint.

Currently, the fragmented European approach causes significant and superfluous duplications, which new defense initiatives hope to considerably diminish, if not to completely eliminate in the long run. Looking at the data from 2016, a comparison of just Europe (EDA⁵ members + Denmark) and the USA shows the number of weapon systems in service to be 178 and 30, respectively. Similarly, there are, for instance, 27 different types of howitzers (152-mm/155-mm) in Europe as opposed to only 2 types of howitzers in the USA.⁶ From such a point of view, striving for better coordination in procuring military equipment and capabilities as aimed for by the EDF, CARD or PESCO, can hardly be seen as an obstacle in further developing European and thus, NATO's defenses.

European countries have often been criticized with regard to how much they spend (or rather how much they do not spend) on their defense.⁷ Certainly, NATO allies should meet their 2% spending objectives.⁸ Nonetheless, simultaneously, Europe should strive to spend and invest collaboratively, hence, lowering the overall costs for individual country procurement. The Munich Security Conference report estimates that joint European procurement can yield 30% savings on equipment investment. Furthermore, collaborative procurement would intrinsically facilitate greater interoperability, joint maintenance, and joint training.⁹ There is yet another point to this argument – even if all European NATO allies spend, as pledged, the required 2% by 2024 they would still be highly dependent on the United States, especially in the deployment of their troops,¹⁰ or

⁵ European Defence Agency.

⁶ Munich Security Report 2017, "Post-Truth, Post-West, Post-Order?," McKinsey & Company, report2017.securityconference.de.

⁷ Holly Ellyatt, "Trump's NATO criticism is 'valid,' Europe isn't spending enough on defense, UK ex-minister says," CNBC, July 11, 2018, <https://www.cnbc.com/2018/07/11/trumps-nato-criticism-is-valid-europe-isnt-spending-enough-on-def.html>.

⁸ Lisa Lambert and Mohammad Zargham, "Stoltenberg confirms NATO commitment to spending 2 percent of GDP on defense: CNN," Reuters, July 12, 2018, <https://www.reuters.com/article/us-nato-summit-stoltenberg-spending/stoltenberg-confirms-nato-commitment-to-spending-2-percent-of-gdp-on-defense-cnn-idUSKBN1K222V>.

⁹ "More European, More Connected and More Capable: Building the European Armed Forces of the Future," McKinsey&Company, Hertie School of Governance, <https://www.securityconference.de/en/publications/european-defence-report/>.

¹⁰ Sven Biscop, "Letting Europe Go Its Own Way, The Case for Strategic Autonomy," Foreign Affairs, July 6, 2018, <https://www.foreignaffairs.com/articles/2018-07-06/letting-europe-go-its-own-way>.



other so called “strategic enablers” (like air-to-air refuelling).¹¹ To put it simply, 2% spending on an individual state-by-state level would, in regard to some capabilities, still not be adequate. In order to effectively procure essential strategic enablers, such as transport aircraft or aerial tankers, Europeans must simply deepen defense cooperation, as merely hiking up the spending itself without further collaboration will not suffice.¹²

Washington D.C. is not correct in saying that the new European defense efforts are a threat to NATO as such – they are not. In fact, should these efforts meet expectations, it can be postulated that NATO would be significantly strengthened. What is perhaps threatened to some extent are US interests, especially US weapon-producing businesses that might find it increasingly difficult to sell their products on the EU market. Debate regarding European efforts to reach strategic autonomy is often rife with misleading statements or accusations. Rightly identifying claims and what interests are in fact being discussed, or perhaps threatened, is the first step that needs to be taken to ensure Europeans succeed with their new collaborative military projects.

Incentivization and National Interests

In order to further incentivize European defense collaboration among individual member states, the European Commission launched the European Defence Fund which should provide €4.1 billion to directly finance competitive and collaborative research projects and thus to boost European defense capabilities.¹³ The EDF will ultimately have two strands (1) Research, and (2) Development & Acquisition. The idea that activities such as acquisition of defense equipment, development of drone technology or satellite communications will be carried out jointly is the key motive behind such a funding scheme.¹⁴

Here in truly lies the current predicament. As European funding into the defense and security arena increases, at times being directly channeled via EU institutions themselves, so does Brussels’ interest to preserve such funding within the EU as such; hence, using it to further develop the EU’s industrial-military complex, rather than supporting such complexes elsewhere. In fact, one of the very explicit goals of schemes such as PESCO (19th binding common commitment) is to make the European defense industry more competitive.¹⁵

The EDF has therefore set out conditions that largely exclude EU’s non-member states from participating. One EU official told AFP that “companies will have to be based in the European Union, have their infrastructure in the European Union and above all, decision-making cannot be controlled by an entity based

¹¹ By 2025 about 40 tanker planes might be lacking. Brooks Tiger. „Europe urged to provide more aerial refuelling capacity.“ *Jane’s*, September 12, 2018, <https://www.janes.com/article/82968/europe-urged-to-provide-more-aerial-refuelling-capacity>.

¹² Jan Joel Andersson et al., “Envisioning European defence Five futures,” European Union Institute for Security Studies, Chaillot Paper No. 137, March, 2016, https://www.iss.europa.eu/sites/default/files/EUISSFiles/Chaillot_Paper_137.pdf

¹³ Martin Banks, “MEPs give green light to new defence fund,” *EUToday*, December 02, 2018, https://eutoday.net/news/security-defence/2018/meps-give-green-light-to-new-defence-fund?fbclid=IwAROM-phEUCSpOQYy7iBL1cmgU6Em7byZugrwiOJCCvpbhU7_t379jNvBmmo.

¹⁴ “A European Defence Fund: €5.5 billion per year to boost Europe’s defence capabilities,” European Commission Press Release, June 7, 2017, http://europa.eu/rapid/press-release_IP-17-1508_en.htm.

¹⁵ “Notification on permanent structured cooperation (PESCO) to the council and to the high representative of the union for foreign affairs and security policy,” <https://www.consilium.europa.eu/media/31511/171113-pesco-notification.pdf>.



outside the European Union.”¹⁶ As a result, the United States has begun to view such a scheme through a highly critical lens, as Europeans are now incentivized to buy their military equipment from EU producers. To a large extent, this contradicts what the Trump administration initially hoped for – that with increased European defense spending, more US military equipment would be purchased.

Most definitely, the EDF or PESCO does not mean that Europeans would stop buying US military products altogether, but it certainly means that the US military-industrial complex will find it increasingly challenging to sell its products to EU countries.¹⁷ The American perception was best demonstrated in February 2018 when the US envoy to NATO Kay Bailey Hutchinson told reporters that, “...we do not want this to be a protectionist vehicle for the EU and we are going to watch carefully...We want the Europeans to have capabilities and strength, but not to fence off American products.”¹⁸

The US and other non-EU military equipment producing countries are right to see that new initiatives will favor companies based on EU soil. However, by fall 2018 it became clear that at least some cooperation with non-EU countries will be possible by inviting them on a case-by-case basis to participate in PESCO projects.¹⁹ If new European initiatives measure up to expectations, a considerable portion of financial resources should become available for strengthening Euro-Atlantic security, which would ineluctably benefit both the EU and NATO as such.²⁰

Central European Dilemma

Interestingly, but yet perhaps not so surprisingly, the skepticism that surrounds new EU defense efforts does not originate solely from non-EU members. In fact, hesitation can be perceived even from within the EU, coming particularly from the Central European countries. These are particularly worried not only about redundant duplication of NATO structures, but are primarily concerned that the development of European defense industries will not equally benefit all EU member states.²¹ As Moritz Weiß, a procurement expert posits “...[the] country [that] provides 30 percent of the financing in a cooperation project... also expects that 30 percent of the contracts associated with the project will go to its own

¹⁶ “UK and US companies shut out of €13 billion European Defence Fund,” TheDefensePost, June 12, 2018, <https://thedefensepost.com/2018/06/12/european-defence-fund-shut-out-uk-us/>.

¹⁷ Sven Biscop, “PESCO: Good News for NATO from the EU,” EGMONT Royal Institute for International Relations, February 14, 2018, <http://www.egmontinstitute.be/pesco-good-news-nato-eu/>.

¹⁸ Jonathan Stearns, “U.S. Sounds Alarm Over EU Push for Deeper Defense Cooperation,” Bloomberg, February 13, 2018, <https://www.bloomberg.com/news/articles/2018-02-13/u-s-sounds-alarm-over-eu-push-for-deeper-defense-cooperation>.

¹⁹ Detailed conditions should be approved by the EU by the end of the year. Jennifer Rankin, “EU ministers approve spy school plan in raft of defence initiatives”, The Guardian, November 19, 2018, <https://www.theguardian.com/world/2018/nov/19/eu-ministers-approve-spy-school-plan-in-raft-of-defence-initiatives>.

²⁰ Tomáš Valášek, “European defense vs. NATO: Not the right fight, Better EU defense integration may be bad news for ‘the alliance’ — but the US is wrong to oppose it,” POLITICO, February 19, 2018, <https://www.politico.eu/article/european-defense-vs-nato-not-the-right-fight/>.

²¹ Mattia Caniglia, “The PESCO Awakens,” BullsEye, April 23, 2018, <http://www.bullseye-magazine.eu/article/the-pesco-awakens/>.



companies, so that the money is not withdrawn from its economy but spent inside the country.”²²

Yet unlike Western Europe, Central Europe lacks big weapons manufacturers,²³ a history of successful regional armaments cooperation and a political culture that drives the defense industry integration forward like France and Germany. Central European qualms stem from fears that their local arms companies will lose out to their larger counterparts in countries such as France, Germany, or Sweden. The very natural drive in which countries protect their domestic arms industries does not help to placate their concerns.

In both cases, the American and the Central European one, the reservations around European schemes such as PESCO, EDF, or CARD oftentimes originate not from the substance of these projects, but from a simple, yet strongly embedded and understandable determination to satisfy national concerns. The incongruence between national and Alliance interests, which easily arises, is what causes the majority of controversies today observed through policy disputes among NATO member states. These two however should not be confused with each other.

Forging Strategic Interdependence: A way forward for Prague

While the “name of the game” on the European level remains strategic autonomy, the rallying call for Czech defense policy should be strategic dependency. Prague should not fail to see the forest for the trees and address the question of how national policy fits into the greater emerging division of labor on the European and transatlantic level.

In the first wave of PESCO projects the Czech Republic failed to get any of its three proposed projects approved though it at least joined two German led projects focused on establishing a European Union Training Mission Competence Centre and a European Medical Command. In the second wave the Czech Republic joined the Estonia-led Integrated Unmanned Ground System project, the French Co-basing project and Italy’s Counter Unmanned Aerial System (C-UAS). More importantly, Prague also joined the so far “exclusive” European Medium Altitude Long Endurance Remotely Piloted Aircraft Systems – MALE RPAS (Eurodrone) project formed by the “big four” countries - Germany, Spain, France, Italy. On top of that, the Czech-led project on Electronic Warfare Capability and the Interoperability Programme for Future Joint Intelligence, Surveillance and Reconnaissance (JISR) Cooperation were approved thanks to German participation.²⁴

Integration of the Czech defense industry in global supply chains via integration with key allies like Germany, France or Poland is the only way to sustainably foster the national defense industrial base and, at the same time, equip the Czech army with modern armaments. In this respect the planned Czech army acquisitions²⁵ are the building blocks on which this deeper industrial cooperation is to be built. The long-term national defense strategy must therefore strategically utilize acquisitions and PESCO projects to reinforce practical military cooperation

²² Janosch Delcker, “Europe faces defense spending challenge, New plans meet old obstacles,” POLITICO, December 14, 2017, <https://www.politico.eu/article/europe-defense-spending-challenge-new-transatlantic-order/>.

²³ Poland being the exception here thanks to state-owned armaments industry.

²⁴ „Permanent Structured Cooperation (PESCO) updated list of PESCO projects - Overview - 19 November 2018“, <https://www.consilium.europa.eu/media/37028/table-pesco-projects.pdf>.

²⁵ E.g. armored personnel carriers, multi-purpose helicopters, 155 mm howitzers.



(like between Czech brigade and German division). The Czech Republic cannot afford to be on the sidelines while the Franco-German military industrial complex and military integration in Europe is in the making.



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