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Netherlands Institute of International Relations

SEPTEMBER 2018

## **PESCO implementation: the next challenge**

After a period in which a multitude of defence initiatives have been taken in the European Union, 2018 is the year where implementation has to get off the ground. In December 2017, the Council launched Permanent Structured Cooperation (PESCO). According to the Treaty, PESCO is meant to bring together all willing member states in the area of defence “whose military capabilities fulfil higher criteria” and which have made “more binding commitments with a view to the most demanding missions”. High expectations have been raised. Therefore, the implementation of PESCO in 2018 and beyond is critical. PESCO has been launched under huge time pressure, including the selection of the first batch of 17 projects. Implementation has started while several governance issues still have to be resolved. After a quick start the real test for PESCO is yet to come.

This Policy Report has two aims. It will look at the implementation process of PESCO in 2018 with regard to the governance of PESCO as well as the projects. Particular attention will be paid to the issues of the sequencing of PESCO commitments and third party participation in projects, both still requiring a Council decision. Secondly, the Policy Report wants to address a more forward-looking question: to what extent can PESCO and its projects contribute to fulfilling the EU’s level of ambition? What types of projects are needed? How will other cooperation formats, such as President Macron’s European Intervention Initiative, relate to PESCO? The Policy Report will conclude with a set of recommendations on these questions.

### **The start of PESCO**

When the European Council welcomed the EU Global Strategy in June 2016 – after a whole year of preparations – very few people expected that the next phase would follow at high speed. By November 2016 the Implementation Plan for Security and Defence had seen the light of day. It defined, amongst other things, a new level of ambition for the EU’s Common Security and Defence Policy (CSDP). At the

same moment, the European Commission published its European Defence Action Plan, proposing to spend large sums of money from the Union budget on defence research & technology and on military capability development. Many commentators labelled the Commission’s defence agenda a ‘breakthrough’, a ‘game changer’ or a ‘new momentum’, as defence spending by the Union had been a taboo in the Berlaymont

building until that moment.<sup>1</sup> Finally, in November 2016 the Council asked the High Representative/Vice President Federica Mogherini to develop the blueprint for a Coordinated Annual Review on Defence (CARD) in order to systematically assess capability improvement by the member states and to create better opportunities for collaboration.

In 2017 further results were produced. The CARD proposal was agreed upon by the EU member states in May and implementation through a trial run began soon after. In June the Commission presented the European Defence Fund and legislation for the European Defence Industrial Investment Plan (EDIDP) for spending € 500 million on the development of military equipment in 2019-2020. By mid-2018 the trilogy process of seeking an agreement between the Council, the European Parliament and the member states had been completed. The implementation of the EDIDP is underway, parallel to its sister process – the Preparatory Action on Defence Research 2017-2019 – which had started earlier on. While the European Defence Agency (work on CARD) and the Commission (on EDF) moved forward, the member states also started to take action on their own. After months of discussions and preparations France, Germany, Italy and Spain sent a letter to the HR/VP in July 2017 on possible commitments for “an inclusive and ambitious” PESCO<sup>2</sup>. The famous

phrase depicted the compromise between the German aim of including the maximum number of EU member states – predominantly defined by political reasons – and the French approach of creating a more ambitious and smaller core group – driven primarily by military aspirations. Several months later 25 EU member states would sign up to PESCO (Denmark, Malta and the UK did not). It is no surprise that the list of criteria reflected the common denominator of almost all EU member states and not the ambitions of the countries which were ready to move ahead ‘faster and further’. The next step was to agree on a list of PESCO projects – the so-called second level consisting of groups of varying composition. Member states proposed over 50 projects which were reduced to 17 and adopted by the Council in PESCO composition in March 2018. Although the proposed projects were staffed by the EU member states, the European Defence Agency (EDA) and the EU Military Staff (EUMS), political motives also played a role in selecting the first batch of projects. The review of the Capability Development Plan had just started, but was only to be completed by June 2018. Therefore, this could not be fully taken into account.

## PESCO in 2018

Both the embedding of PESCO in the EU institutional landscape, sequencing of commitments, third state participation as well as the implementation of projects remain at the agenda in 2018. Preparations have started to launch a second batch of PESCO projects in November 2018 as foreseen in the implementation roadmap of March 2018 (see below). Thus, the implementation and preparations of decision-making on remaining issues are taking place at the same time. This is reflected in this section.

## Governance implementation

The overall governance provisions formed part of the December 2017 Council decision on launching PESCO.<sup>3</sup> The decision defined

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- 1 See e.g.: *EU Unveils “Game Changer” Defence Fund For Post-Brexit Era*, Forces Network, 13-6-2018, [www.forces.network/news/eu-unveils-game-changer-defence-fund-post-brexit-era](http://www.forces.network/news/eu-unveils-game-changer-defence-fund-post-brexit-era); Vincenzo Camporini, Keith Harley, Jean-Pierre Maulny, Dick Zandee, *European Preference, Strategic Autonomy and the European Defence Fund*, Ares Report #22, November 2017; Dick Zandee, *New kid on the block – The European Commission and European defence*, Clingendael Policy Brief, December 2016.
  - 2 *Permanent Structured Cooperation (PESCO) – FR/DE/ES/IT Proposals on the necessary commitments and elements for an inclusive and ambitious PESCO – Supported by BE, CZ, FI and NL*. Cover letter to High Representative of the Union for Foreign Affairs and Security Policy, signed by Florence Parly, Dr. Ursula von der Leyen, Mari Dolores de Cospedal, Roberta Pinotti – Paris, Berlin, Madrid, Rome, 21 July 2017.

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- 3 *Council Decision establishing Permanent Structured Cooperation (PESCO) and determining the list of Participating Member States*, Council of the European Union, 14866-17, Brussels, 8 December 2017.

the tasks of the Council (in PESCO formation), the procedures of proposing, identifying and evaluating PESCO projects as well as supporting arrangements. On 6 March 2018 the Council met for the first time in PESCO decision-making formation – in essence the full Council formation with the three non-PESCO EU member states in a listening mode. A roadmap for the implementation of PESCO was agreed upon on that date. It covered unresolved governance issues and a calendar for a review and assessment of the National Implementation Plans (NIP) which detail how participating member states plan to fulfil the more binding commitments.<sup>4</sup> Governance rules for PESCO projects were agreed upon by the Council in June, in line with the roadmap.

PESCO is a member states'-driven cooperation format. The PESCO Secretariat in Brussels is meant to support the participating member states. It comprises three elements: the European External Action Service (EEAS), including the EUMS, and the EDA. The most important tasks, as defined in the Council decision of December 2017, lie with the EUMS (assessment of operational project proposals and compliance) and the EDA (assessment of capability development project proposals and compliance). The EEAS has an overall coordinating role and will probably act as the editor of the Annual Report on PESCO which the High Representative presents to the Council. The tripartite Secretariat seems to function reasonably well, but it should be noted that also here the real test is yet to come. The Annual Report is of high political importance. Thus, if the assessments delivered by the EUMS and/or the EDA were to contain critical remarks there could be a risk of watering these down for political purposes. To prevent this from happening, the Annual Report should contain the necessary amount of facts and figures on compliance with the PESCO commitments but also with regard to

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<sup>4</sup> *Council Recommendation concerning a roadmap for the implementation of PESCO, Council of the European Union, Press Release, Brussels 6 March 2018.*

the implementation of the projects in terms of what has been achieved, what are the milestones and the deliverables.

### Sequencing of commitments

In the December 2017 Council decision two consecutive initial phases were defined for the fulfilment of the PESCO commitments: 2018-2020 and 2021-2025. At the beginning of each phase more precise objectives have to be defined – known as ‘sequencing’ – but this would be decided upon in the future. The Council’s adoption of a recommendation on the matter has been postponed twice.<sup>5</sup> Apparently, PESCO member states are struggling with defining more precise commitments. This comes as no surprise: the inclusiveness of PESCO’s upper layer of commitments makes it inherently difficult to conduct this work. Predictably, the ‘slow movers’ will put their feet on the brake when the ‘fast movers’ want to accelerate. New compromises are likely, but anything that makes the generally phrased commitments of December 2017 more concrete will be welcome. It is needed to turn the PESCO commitments into real benchmarks. Thus, it will make the assessment of compliance more substantial. What can be done? The commitments are broken down into five categories<sup>6</sup>:

1. The first category covers defence expenditure criteria. The aim should be to define more detailed objectives in line with existing agreements. NATO member states have a commitment to spend 2% of their GDP on defence by 2024. Naturally, non-NATO PESCO participating countries

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<sup>5</sup> The Implementation Roadmap mentions June 2018 for adopting a related Council recommendation. The Council Conclusions of 25 June 2018 state that such a recommendation should be adopted “in principle in July 2018” See: *Council Conclusions on Security and Defence in the context of the EU Global Strategy – Council Conclusions 25 June 2018*, Council of the European Union, 10246/18, Luxembourg, 25 June 2018, para. 2.

<sup>6</sup> *Annex – List of ambitious and more binding commitments undertaken by participating Member States in the five areas set out by Article 2 of Protocol 10*, Council Decision establishing PESCO, 8 December 2018.

cannot be held responsible for applying the 2% spending target, although e.g. Finland makes a clear reference to realising it in its National Implementation Plan for PESCO.<sup>7</sup> This problem could be overcome by specifically making the following reference: ‘applicable to NATO member states’. Non-NATO countries like Finland could continue to report on realising the 2% target as they wish. The other two criteria – 20% of the defence budget to be spent on investment and 2% on research & technology (R&T) – have been agreed in the EDA Ministerial Steering Board of November 2007. The PESCO commitments text repeats the 2007 language, i.e. they are both ‘collective’ benchmarks, meaning that the benchmark applies to the total expenditure of all PESCO members together and not nationally. For R&T this is logical: several European countries only buy military equipment ‘off the shelf’ and, therefore, do not invest in defence R&T themselves. Here, the only option might be that PESCO countries with defence R&T spending apply the benchmark nationally, in addition to the agreed collective benchmark. The Netherlands has already started to apply the 2% R&T benchmark for its national defence budget. The 20% investment benchmark should be applied nationally as it is an agreed NATO target.<sup>8</sup> Two other EDA 2007 benchmarks are not mentioned at all in the PESCO commitments, which is quite astonishing as they directly relate to the aim of increasing collaborative defence capability projects<sup>9</sup>: to spend at least 20% of defence R&T expenditure and 35% of defence investment on European collaborative projects and programmes. The EDF is meant to stimulate such collaborative efforts and

the EDIDP offers an extra 10% financial bonus for PESCO projects on top of the standard 20% for the development of prototypes. The EDF is mentioned in the PESCO commitments list, but the participating member states’ commitment to collaborative spending could be made more explicit by introducing the benchmarks on collaborative defence R&T and investment spending, which were agreed upon in 2007, into the list.

2. The second category deals with generally phrased commitments on harmonising military needs such as through the implementation of CARD and involvement in the EDF. The relationship between CARD and PESCO is unclear. CARD applies to all EU member states and participation is ‘voluntary’ – offering the usual escape route for doing little or nothing. CARD is primarily focussed on reviewing the defence efforts of all EU member states and incentivises opportunities for collaboration. In the PESCO Council decision the same EU countries, except three, have accepted a more far-reaching system of reporting on the fulfilment of commitments and the assessment thereof. After Brexit becomes a reality, only Denmark – which is unlikely to participate in the ‘voluntary’ CARD due to the country’s CSDP opt-out – and Malta will be left out. Thus, it seems logical that in due course CARD will be merged with the PESCO arrangements instead of keeping two systems side-by-side. Lessons learned during the initial implementation of both systems should be taken into account. A specific capability for which commitments could be defined more precisely is cyber defence. Its growing importance should be reflected by committing to e.g. participation in cyber defence-related collaborative projects, in the Cyber Centre of Excellence in Tallinn and in cyber defence training and exercises.
3. The third category concerns operational capabilities for EU-led operations. In terms of participation in military CSDP operations there is little or nothing that can be made more precise. Political circumstances and, in several member

7 *PESCO – National Implementation Plan*, Puolustusministeriö Försvarsministeriet – Ministry of Defence, 4 December, 2017.

8 Again, if not all non-NATO PESCO participating member states could agree, the same solution could be applied as with regard to the 2% GDP target.

9 This aim is mentioned in the first category of the PESCO Commitments Annex.

states, parliamentary involvement in decision-making on participation in crisis management operations, make it almost impossible to specify more detailed commitments. Clearly, regularly updating the databases of available national forces for CSDP operations is required, based on the new level of ambition. However, the EUMS as the guardian of such information will only be able to conduct this work if member states agree on defining military tasks on the basis of the new level of ambition, scenario's, requirements, etc. As EU member states disagree on the translation of the level of ambition into clearly defined military tasks, in particular at the high end of the spectrum, it might be better to conduct this work in the context of a PESCO project representing the willing and able member states. The already existing EUFOR Crisis Response Operation Core (EUFOR CROC) project would be the natural candidate for this work. With regard to EU Battlegroups the problem in the EU is not so much the commitment to contribute to EUBGs as such but to have them on stand-by in the EU Battlegroup roster and, even more importantly, to deploy them in real-life operations. The remaining areas for the further specification of commitments are standardisation and interoperability between EUBGs, the arrangements for making other operational formations in bilateral or subregional formats available to the EU and the common funding of CSDP military operations. For the latter, the High Representative has presented a proposal for a European Peace Facility (EPF) with a financial investment of € 10.5 billion for the period 2021-2027. A link between PESCO and the EPF is worth considering.

4. The fourth category deals with prioritising the European shortfalls in capability development and giving preference to collaborative approaches instead of exclusively national solutions. There is also a reference to increasing Europe's strategic autonomy and to strengthen the European Defence Technological and Industrial Base (EDTIB). Participating member states should at least participate

in one PESCO project, according to the text. For the latter, consideration could be given to increasing the number in particular in view of new projects which will be added to the existing list of 17. At the launch of PESCO, the Capability Development Plan (CDP) still had to be reviewed. In June 2018 the CDP review was approved, including the list of capability development priorities.<sup>10</sup> These should now be included in the PESCO commitments in order to ensure that participating member states prioritise their capability development accordingly. On the other hand, it should be noted that the CDP's 38 capability priorities are very generically phrased. National Implementation Plans and their assessment by the PESCO Secretariat should make clear if national plans are really in line with the CDP priorities. The same applies to the assessment of new proposals, which is already underway for the second batch in view of decision-making in the (PESCO) Council in November 2018.

5. The fifth category commits the PESCO participants to take part in the development of major joint or European equipment programmes in the framework of EDA. OCCAR should be considered as the preferred organisation for the management of collaborative procurement programmes.<sup>11</sup> Again, there is a reference to strengthening the EDTIB and making it more competitive. More precise commitments should focus on bringing already existing major collaborative European programmes for

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10 *New 2018 EU Capability Development Priorities approved*, Latest News – European Defence Agency, Brussels – 28 June, 2018; *2018 EU Capability Development Priorities*, attached to *Capability Development Plan*, Fact Sheet European Defence Agency.

11 OCCAR = Organisation Conjointe de Coopération en matière d'Armement, an international organisation whose core business is the through-life management of cooperative defence equipment programmes such as the Tiger Armed Helicopter and the A400M military transport aircraft. See: [www.occar-int/about-us](http://www.occar-int/about-us).



developing military equipment under the wing of EDA-OCCAR, such as the EuroDRONE MALE project (see below). The EDF should be mentioned as a potential (co-)financing tool for the R&T and development phases. Consequently, member states should report on their participation in collaborative programmes (co-)financed by the EDF.

With regard to the timing of commitments (2018–2020; 2021–2025) it is logical to expect that some benchmarks will be realised later than others. For example, the 2% GDP benchmark applies to 2024 in NATO; therefore, the same will apply to the EU. On the other hand, the proposed more precise commitments in categories 2–4 are realistically within reach in the next few years. For the fifth category it will be very much dependent on the status of major European collaborative programmes.

### Third state participation

Another unresolved topic of a sensitive nature is third state participation in PESCO projects. For some participants, it is highly desirable to open up projects to countries like Norway, the post-Brexit UK or the US – when there is clear added value in having such partners on board. For example, in the PESCO Military Mobility project US participation is desirable as the Americans will have to move large volumes of equipment around for Europe's defence, albeit in the NATO context. Norway is a major contributor to EDA projects and is a partner in European collaborative procurement programmes – e.g. with Germany for the acquisition of new submarines. However, there are potential third state candidates whose participation might raise serious objections in some PESCO capitals. Political sensitivities will have to be taken on board in settling the third state issue.

Firstly, as already defined in the decision on launching PESCO, the Council will determine on each occasion if a third state meets the general conditions for joining a PESCO project. As the Council will also take the decision on these general conditions a double check has already been built in. Secondly, the general conditions should list a set of criteria to be fulfilled by the

third state in order to be eligible for joining a PESCO project. For example, the added value should be specified. What will the third state concerned contribute to the project and how firm is the commitment to the project's aim, objectives, milestones and deliverables? Another element could be the financial or operational contribution of a third state. It also seems logical that third states, contributing to projects, should support the overall PESCO aims (without themselves being held responsible at the commitments' upper level). For participation in PESCO projects which are carried out under the roof of the EDA it might be necessary to have an Administrative Arrangement in place.<sup>12</sup> Project arrangements for third states should be as flexible as possible, but need to be balanced with EU rules which might be applicable to the project governance level. Thirdly, there is a link with the EDF for the involvement of defence technological entities in third states. In the EDIDP context a number of rules have been defined for the participation of defence industries in Europe with a home base in third states. Naturally, PESCO projects using EDF funding will have to follow these rules.

### NATO

The link to NATO remains very important for both political reasons – to show that both organisations are not competing but reinforcing each other – and to ensure consistent capability development. The overall EU-NATO cooperation framework was put in place at the Alliance's Warsaw Summit in 2016 and has been updated regularly since then. What now matters is to look more closely at the tools used on both sides. At the capability development level there is a great deal of misunderstanding about harmonising the NATO Defence Planning Process (NDPP) with the CDP. The two are different by nature. In essence, the NDPP is the Alliance's tool to assess the member states' contributions to the

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<sup>12</sup> Administrative Arrangements (AAs) define the relationship and cooperation rules and procedures between the EU and non-EU entities (either states or organisations). Several AAs have been agreed upon in the past, e.g. with Norway, Serbia, Switzerland, Ukraine and OCCAR.

Figure 1 – 17 PESCO projects

Operational	Capability development	Other
European Medical Command	European Secure Software Defined Radio (ESSOR)	Military Mobility
Network of logistic hubs in Europe and support to Operations	Maritime (semi-) Autonomous Systems for Mine Countermeasures	
European Training Mission Competence Centre	Harbour & Maritime Surveillance and Protection	
European Training Certification Centre for European Armies	Upgrade of Maritime Surveillance	
Energy Operational Function	Strategic Command and Control System for CSDP Missions and Operations	
Deployable Military Disaster Relief Capability Package	Armoured Infantry Fighting Vehicle/ Amphibious Assault Vehicle/Light Armoured Vehicle	
Cyber Threats and Incident Response Information Sharing Platform	Indirect Fire Support (EuroArtillery)	
Cyber Rapid Response Teams and Mutual Assistance in Cyber Security		
EUFOR Crisis Response Operation (EUFOR CROC)		

forces needed to carry out the Alliance’s military level of ambition. The CDP has been designed specifically to analyse what sort of military capabilities the EU needs in a more general sense and where the major shortfalls lie. It ‘informs’ capitals, it does not assess their performances and, above all, it should drive collaborative capability development programmes.

With the introduction of the CARD and PESCO monitoring and assessment tools the EU’s processes come closer to the NDPP. There will be a greater overlap between the two. In the past, the major area of overlap was information on the status and planning of national armed forces. Countries that are members of both the EU and NATO used the same tool for sending relevant information to both organisations. Now, the analysis and assessment of the member states’ performance also asks for close coordination in Brussels between the responsible parts of the organisation in both organisations, in particular the Defence Planning & Policy Division in the NATO International Staff and the CARD/PESCO Secretariats. Member states could also help by inviting EU/EDA to NATO consultations with national planners and vice versa. In fact, several countries have

already announced such an initiative – or have carried it out in the past – but all EU and NATO countries should apply the same approach for the sake of efficiency.

### Projects

The first batch of 17 PESCO projects can be categorised in different ways. The PESCO Factsheet of the EU refers to three areas and puts most projects (9) in the box of operational domains.<sup>13</sup> It is a strange categorisation which does not separate the two major PESCO areas of operational and capability development projects in a consistent way. A more logical classification is two major categories: projects related to operational formations (including training) and projects for capability development (equipment). A third category would contain other projects. See Figure 1.

13 The three categories are: (i) common training and exercises (2 projects); (ii) operational domains – land, air, maritime, cyber (9 projects); (iii) joint and enabling capabilities – bridging operational gaps (6 projects). See: *Permanent Structured Cooperation (PESCO) – Factsheet*, European External Action Service, Brussels, 28/06/2018.

The first batch of 17 PESCO projects is a mixed bag of operational and capability development projects. Checked against the CDP almost all of them are in line with EU capability development priorities. This is mainly due to the extension of the CDP priorities: they have reinforced the focus on high-end capabilities and other focus areas of member states such as for territorial defence and security or cyber defence. The fact that Military Mobility (MM) has become the PESCO flagship is confirming this trend. It serves NATO needs to move forces across Europe for Article 5 exercises and contingencies. But MM can equally be important for the EU, e.g. to move equipment within Europe for CSDP operations taking place outside Europe or to support border protection activities. One could even argue that MM has become a flagship because it serves both organisations. Clearly, both the EU and NATO have to solve the many problems related to MM – clearances, customs procedures, infrastructure, logistics, etc. The challenge will not be to sustain the support of the EU and NATO as organisations, but rather to generate the adequate involvement of all national actors – including Ministries of Transport or Infrastructure and the private sector – to undertake the necessary action. This ‘whole-of-government’ approach is already reflected at the EU level<sup>14</sup>, but still needs to be adopted in many capitals. In fact, a ‘whole-of-society’ approach is needed as private companies have to be involved as well.<sup>15</sup> Other PESCO projects have progressed in a slower manner, but one should be aware that capability development projects in particular do not move at the speed of light. Nevertheless, being PESCO projects, ‘moving to higher gears’ should be the rule – not ‘business as usual’. In most cases it is not clear at all what is happening and concerns about project progress seem to be justified. The Annual

Report on PESCO has to be used to point to the member states’ responsibilities in this respect.

## PESCO’s next phase

### Capability-driven projects

Hopefully, later this year the Council decide upon the arrangements for third state contributions and adopt a second batch of PESCO projects. Two prerequisites are key to improve project selection: (i) the proposed projects have to be in line with the CDP priorities and should address the most critical European shortfalls; (ii) at least one or two of them have to be of a real strategic nature in terms of impact, both for European capability improvement and for strengthening the EDTIB. The first precondition begs for a thorough scrutiny process by the PESCO secretariat for proposed projects. With CARD in place and PESCO tools available, the EUMS and the EDA should be able to make a fair judgment on each proposal if it fulfils the capability-driven approach. In case the answer is positive, this assessment should be attached to the list of approved projects in order to show publicly which European shortfalls will be addressed. Naturally, the same assessment has to take place with regard to non-PESCO projects which might be eligible for EDF financing.

With regard to new flagships in the second batch the French-German-Italian-Spanish EuroDRONE MALE<sup>16</sup> seems to be an ideal candidate. The project addresses a key European shortfall and has the governmental support of four important European countries. Defence industries are already committed to entering the next phase of development and procurement after a model was unveiled at the Berlin Airshow in April 2018.<sup>17</sup> By bringing the project into PESCO, it should be opened up to other countries and the industrial cooperation could also be multiplied. In line with the new level of ambition, resulting from the EU Global

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14 The European Commission has proposed to spend € 6.5 billion in the period 2021–2027 on transport investment for enhancing strategic infrastructures to make them fit for military mobility. See: *EU Budget for the Future: Connecting Europe Facility*, European Commission, 02/05/2018.

15 For example privatised railroad companies, private owners of key infrastructure and so forth.

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16 MALE: Medium-Altitude Long-Endurance.

17 *Airbus, Dassault Aviation and Leonardo reaffirm their total commitment in the first fully European MALE programme*, Airbus, 26. April 2018.



Strategy, high-end capabilities should also be included in PESCO. The Franco-German Main Ground Combat System project, aimed at the long-term replacement of tanks and self-propelled artillery with systems based on new technologies, would fall into that category. In order to standardise European land weapons systems, widening the number of participants by bringing the project under the PESCO roof would be most welcome. In due course it could also open up a supply market to the Franco-German led company KNDS.<sup>18</sup> Looking at the naval sector, the next generation non-nuclear submarines could be a candidate. Germany and Norway have already agreed to procure the same submarine. Detailed operational requirements are still to be defined and the whole process of research and development has yet to start. There is time for other European countries to join, such as Poland and the Netherlands, by turning this bilateral effort into a PESCO project, including in the defence industrial area.<sup>19</sup> Both the future Main Ground Combat System and the conventionally driven submarines would also be showcases for how already planned projects in smaller defence clusters could be opened up to wider participation with strong commitments – thus fulfilling PESCO's objectives. In a general sense, multinational defence clusters could become the drivers of proposing PESCO projects, building on already ongoing cooperation formats and the synchronised defence planning of cluster partners.

### Operational projects

There is no shortage of already existing or planned operational cooperation formats in Europe. In fact, one becomes lost in the alphabet soup of acronyms: CJEF,

CROC, E2I, JEF, FNC.....and so on.<sup>20</sup> The name of the game should not be to create additional formations, but rather to bring order into disorder.<sup>21</sup> All recent initiatives are focussing on intervention-type operations. The new level of ambition for the EU implies a reinforced focus on “high-end warfare”.<sup>22</sup> The question is if and how PESCO could contribute to realise this objective. Clearly, there are serious hurdles to be taken. Firstly, several existing formations or initiatives (CJEF, E2I, JEF) include the UK, a non-EU country as of the spring of 2019. The CJEF, the JEF and E2I have deliberately been set up outside the EU (or NATO) institutional framework to pool countries willing and able to intervene in crises, if needed with high-end capabilities. Bringing such cooperation formats into PESCO requires at least solid third state participation arrangements, which are unlikely to satisfy the demands of London being the lead nation in the JEF and a major contributor to the CJEF and E2I. Secondly, Germany has developed the FNC in particular for NATO's core Article 5 task in view of the need to reinforce heavy land forces for follow-on operations to the enhanced Forward Presence and NATO Response Force capabilities. Thus, the link with the EU and CSDP requirements is rather weak.

The question is really how the already existing PESCO CROC project – also with Germany as the lead nation – can be linked

18 KNDS = Kraus Maffei Wegmann (KMW) + Nexter Defence Systems. KNDS is the holding company of the German KMW and the French Nexter, established at the end of 2015. KNDS is the defence industrial leg of the Franco-German governmental Main Ground Combat System project.

19 *Germany, Norway formally start submarine cooperation*, Naval Today, 23 August 2017.

20 CJTF: Combined Joint Expeditionary Force, Franco-British; CROC: Crisis Response Operation (Core), a PESCO project with Germany as the lead nation and France, Italy, Spain and Cyprus as participants; E2I: European Intervention Initiative, France as the lead nation with Belgium, Denmark, Estonia, Germany, the Netherlands, Portugal, Spain and the UK as participants; JEF: Joint Expeditionary Force, the UK as the lead nation with Denmark, Estonia, Finland, Latvia, Lithuania, the Netherlands, Norway and Sweden as participants; FNC: Framework Nation Concept, Germany as the lead nation with 19 other European countries as participants.

21 See: Dick Zandee, *Developing European defence capabilities – Bringing order into disorder*, Clingendael Report, October 2017. Margriet Drent, Eric Wilms, Dick Zandee, *Making sense of European defence*, Clingendael Report, December 2017.

22 Fact Sheet on ‘New 2018 EU Capability Development Priorities approved’, p. 3.

to the formations and initiatives outside the EU. The aim of CROC is to establish a closely coordinated catalogue of capabilities designed to shorten the planning time of military EU operations.<sup>23</sup> Four of the five CROC participating member states are also participants in E2I. It seems quite logical to connect the two initiatives as there seems to be an overlap in terms of threat analysis and finding ways to improve reaction and planning time in crisis circumstances. A formal link would be difficult (because of the UK participation in E2I), but perhaps there is scope at the level of specific E2I projects, assuming that third country participation can be agreed upon by the Council. Informal relations could be used, in particular as most probably the same staff officers in capitals are involved in both projects. Issues like threat analysis, scenario's, doctrine and planning are likely candidates for such interaction.

On the operational side of enablers one could think of creating a European Air Reconnaissance Fleet (EARF), in the short term by bringing together nations operating (or acquiring within the next few years) remotely piloted air systems in the MALE category, such as France, Germany, Italy and the Netherlands. In the second half of the 2020s all EARF participants should operate the same platform (EuroDRONE MALE) which will also create optimal conditions for combining in-life maintenance and support, thus maximising cost-effectiveness. The experience of the successful European Air Transport Command (EATC) should be used to create the EARF.

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23 Niklas Helwig, *New Tasks for EU-NATO Cooperation – An Inclusive EU Defence Policy Requires Close Collaboration with NATO*, SWP Comment 4, January 2018. The website of the German Ministry of Defence has little or no information on CROC and it is dated 17 December 2017. It only mentions three objectives: common analysis of potential threats; improvement of equipment and personnel planning; shortening reaction time and planning in crises. See: [www.bmvg.de/de/aktuelles/einstieg-in-die-verteidigungsunion--20748](http://www.bmvg.de/de/aktuelles/einstieg-in-die-verteidigungsunion--20748).

Another interesting question is the following: should PESCO operational projects also contribute to NATO's level of ambition? The Military Mobility project clearly does. Most capability development projects will equally be for the benefit of the Alliance, as most PESCO participating member states are also NATO countries and have only one set of forces. Operational capabilities across the whole spectrum, from capacity-building (training, assistance) to high-end military operations, are all on the NATO list of required military forces. As the EU is primarily focussed on crisis management operations, the overlapping area consists mainly of forces to be deployed rapidly and over an extensive distance. That would imply that member states – rather than the institutions which will end up in political-bureaucratic competition and strife – will take a fresh look at how capabilities for the NRF, EU Battlegroups and other formations can be optimally aligned and rationalised. If EU-NATO cooperation will progress further, dual-hatted EU-NATO crisis reaction forces could perhaps become a reality.

### Keep the momentum

Many EU (and NATO) defence initiatives have experienced a short life-cycle. Just five years ago security and defence discussions were focussed on 'pooling & sharing' and 'smart defence'. There was limited follow-up and the new cooperation formats disappeared from the radar screen soon after their launch. Decisions at a high political level were not properly implemented at the working level – in other words there was too limited 'buy-in' by the defence planners and procurement staff in capitals. Defence budget cuts in the years 2010-2014 made it even more difficult as very few new multinational programmes were launched. Instead, international defence cooperation was primarily focussed on operational formations.

Today, the situation is quite different. Defence budgets across Europe are increasing, new large multinational programmes are on the horizon and, last but not least, almost all EU member states have signed up to PESCO commitments and projects. Nevertheless, keeping up the current momentum is still a challenge

requiring at least two critical steps to be taken. Firstly, practice in other areas such as the Eurozone, counter-terrorism and migration has shown that sustained political attention at the highest level is needed in order to make progress. Nationally, it implies that Ministers of Foreign Affairs and Defence have to bring in other ministries into their efforts to take the security and defence agenda forward in a whole-of-government approach instead of operating in their own closed-off stove-pipes. In this respect, in some countries the secrecy culture of Defence Ministries and armed forces is a liability, which has to be dealt with. More transparency will facilitate efforts to buy-in other national security stakeholders such as Ministries of Justice and Home Affairs, Economic Affairs and Infrastructure. There is still a long and winding road to go in many capitals. Clearly, this also requires strong leadership and support from the central level of government, i.e. the President and/or the Prime Minister. Due to the changed security environment, the attention paid to security and defence matters at the highest national level has increased considerably in recent years. Keeping the momentum for PESCO first and foremost asks for strong national political leadership.

Secondly, a great deal of effort is still needed to involve defence and procurement planners within the Ministries of Defence. PESCO has been realised because Ministers of Foreign Affairs and Defence plus their security and defence policy directorates have made huge efforts – with the assistance of the Brussels institutions – after the launch of the EUGS. Now it is time to embed PESCO in the national planning and procurement apparatus, which often has little or no knowledge and experience of the EU and where NATO reflexes dominate the international aspect of their work. Changing culture always takes time, but for PESCO and its projects to succeed, shifting to higher gears will be absolutely necessary in order to realise the ‘automatic’ involvement of expert staff instead of the existing ‘ad hoc’ and often ‘forced’ involvement. In that sense, the communication departments of the Ministries of Foreign Affairs and Defence should also play a more proactive role in promoting PESCO and European defence

cooperation in the broader sense. Clearly, parliamentary support also remains a key factor – requiring both information sharing and regular debates on the matter, also in multi-country formats. A less stove-piped approach in parliaments could assist to realise the whole-of-government approach, for example by organising combined meetings of the Defence Committee and the Transport and Infrastructure Committee.

Thirdly, at the EU level PESCO implementation will falter unless the agenda of the European Council regularly addresses security and defence issues. In the last few years EU Heads of State and Government have almost every half year discussed European defence matters. The European Commission under President Juncker’s leadership has made an excellent collective effort – involving several Commissioners – to put defence high on the list of priorities. The European Parliament has been active and now even has a decisive vote in defence when money from the Union budget is (planned to be) used. Keeping the PESCO momentum at the EU level requires the institutional leadership, together with the national highest political level, to remain involved through assessing progress, taking additional steps if needed and following up EU-level decisions consistently at the national level.

## Conclusions and recommendations

### General

1. The first year of PESCO implementation is showing how difficult it is to turn politically agreed decisions, taken in a very short timeframe, into practice. Generally speaking, it is too early to tell if PESCO implementation is successful. A proper assessment can only be made after several years, in particular with regard to capability development projects which are multi-annual by nature.
2. Permanent Structured Cooperation has been launched on the basis of the Franco-German compromise of ‘ambition and inclusiveness’. The consequence

of this diplomatic compromise is a continued debate among the 25 participating member states when it comes to the further refinement of the details related to PESCO governance, the sequencing of commitments and to implementation in general. The first year of implementation already shows the challenge related to a simultaneous ambitious and inclusive PESCO.

3. The tripartite nature of the PESCO Secretariat (European External Action Service, including the EU Military Staff, and the European Defence Agency) seems complicated but has functioned reasonably well so far. The next step is the Annual Report for which the EUMS (operational commitments and projects) and the EDA (capability development commitments and projects) will provide the building blocks in terms of compliance by member states. It is essential that the EEAS, editing the Annual Report, and the High Representative, presenting it to the Council, ensure that the Report contains the real facts and figures on compliance and does not conceal them for political-diplomatic reasons.

#### **Governance – sequencing**

4. The commitments on defence expenditure should be brought into line with the benchmarks, as agreed by the EDA Ministerial Steering Board in 2007. In particular, the benchmarks on European collaborative spending (R&T and equipment investment) should be added to the list of PESCO commitments. The NATO 2% GDP target should be included for PESCO participating member states that are also members of the Alliance. Non-NATO PESCO countries could apply the target as they deem necessary (assuming that full subscription for some of the non-NATO PESCO participating member states will not be acceptable).
5. In the near term the Coordinated Annual Review of Defence (CARD) and the PESCO compliance assessment should continue to exist in parallel as they serve different purposes. However, after

Brexit has become a reality in the spring of 2019 and assuming that Denmark will not participate in CARD due to its defence opt-out, there is only one EU member state left within CARD but outside PESCO: Malta. Thus, merging CARD and PESCO in the medium to longer term seems to be the next logical step, which will also help to reduce the administrative-bureaucratic burden of member states and the PESCO Secretariat.

6. The Treaty's reference to "more binding commitments with a view to the most demanding missions" requires a translation of the new level of ambition for CSDP, including at the high end of the spectrum, into defined military tasks. On the other hand, it is unlikely that all EU member states will agree on detailing military tasks for high-end operations. The solution will have to be found at the project level of PESCO countries willing and able to plan and conduct high-end operations. The existing Crisis Response Operation Core (CROC) project is the logical candidate for conducting this work.
7. The number of projects in which PESCO countries are committed to participating should be increased, at least to two and perhaps more if the amount of projects increases further in the future. When proposing projects PESCO participating member states have to indicate the relationship to CDP priorities. Also in the National Implementation Plans and their assessment by the PESCO Secretariat the link between projects and the CDP priorities has to be made clear. Naturally, the assessment of project proposals requires the same scrutiny – in the short term for the second batch to be agreed upon in November 2018.

#### **Governance – third state participation**

8. A double check on third state participation in PESCO projects already exists as candidates have to comply with the general conditions – still to be defined and agreed by the Council – and a specific Council decision is required

for each concrete case. The general conditions should clearly spell out what information should be provided by a third state, in particular the added value it will bring to a PESCO project. It is logical that third states subscribe to the overall aims of PESCO and that an Administrative Arrangement with EDA might have to be agreed before joining projects carried out under the Agency's roof.

### Relationship with NATO

9. The NATO Defence Planning System (NDPP) and the EU's Capability Development Plan (CDP) are tools with different purposes. The NDPP assesses the contributions of the Alliance's member states to the collective NATO military requirements while the CDP drives collaborative capability improvement projects and programmes. However, with the CARD and PESCO compliance assessment new elements have been brought into the EU processes which will overlap with the NDPP. Secretariats in both organisations should further increase their informal cooperation to ensure the consistency of their assessment in overlapping areas. Member states could invite EUMS/EDA representatives to their NATO consultations and, vice-versa, for their EU consultations invite NATO representatives.

### Projects

10. The first batch of 17 PESCO projects has been launched under time pressure. With the reviewed CDP in place the proposed second batch of projects have to be checked thoroughly against the CDP priorities. In presenting the proposed projects to the Council it should be made clear how they relate to the CDP priorities, in other words how they contribute to solving European capability shortfalls. Military Mobility (MM) remains a PESCO flagship as a key enabler for moving forces across Europe. The most important factor for the success of the MM project is to apply a whole-of-government/society approach in the participating member states as the involvement of many non-defence

actors is key to solving the problems around MM.

### Pesco's next phase

11. Every future PESCO project proposal has to be capability-driven by indicating to which CDP priority it is related. In the second batch at least one project should be of a strategic nature, both in terms of addressing key European capability shortfalls as well as with regard to strengthening the European Defence Technological and Industrial Base (EDTIB).

12. In that context, the French-German-Italian-Spanish EuroDRONE MALE initiative should become a PESCO project. Other PESCO countries should be allowed to join the project, assuming that they provide concrete contributions. In the land sector the same could apply to the Franco-German Main Ground Combat System project. Concerning naval systems the German-Norwegian programme for the next generation non-nuclear submarines could be considered as another potential candidate, although it can only be proposed once third state participation arrangements have been agreed. In all cases of bringing existing bilateral or multinational programmes into the PESCO basket of projects, the industrial cooperation format will also have to be opened to defence companies located in the countries joining the new PESCO project.

13. There is no need to create new rapid reaction or intervention-type multinational combat formations. Rather, existing formats and initiatives should be harmonised as far as possible. The CROC project in PESCO and President Macron's European Intervention Initiative (E2I) have several overlapping aspects. A formal link is difficult because of UK participation in E2I. By using informal contacts the two projects should be synchronised to the maximum extent and, if at all possible, under third state participation arrangements, and they could perhaps be merged.




14. On the operational side of enablers a European Air Reconnaissance Fleet (EARF) could be created to pool & share the capacities of several European countries operating Remotely Piloted Air Vehicles in the Medium-Altitude Long-Endurance (MALE) class. Common acquisition of the EuroDRONE MALE in the second half of the 2020s is highly desirable for reasons of standardisation and cost-effectiveness.
  
15. To keep the momentum in PESCO three critical steps have to be taken. Firstly, PESCO and in particular relevant PESCO projects need broader support in capitals, outside the Ministries of Foreign Affairs and Defence. A whole-of-government approach is required and is key for certain PESCO projects such as Military Mobility. Strong political leadership at the highest level (Presidents, Prime Ministers) is essential for such a government-wide approach. Secondly, within the Defence Ministries awareness campaigns should be started to embed PESCO and European defence cooperation in general into the defence and procurement planning apparatus of experts. Clearly, parliamentary support also remains a key factor. Thirdly, at the EU level the European Council should continue its existing habit of regularly addressing European defence cooperation, assessing progress and taking additional steps if needed.



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**Disclaimer:** This Policy Report has been commissioned by the Netherlands Ministries of Foreign Affairs and Defence within the PROGRESS framework agreement, lot 4, 2018. Responsibility for the contents and for the opinions expressed rests solely with the authors; publication does not constitute an endorsement by the Netherlands Ministries of Foreign Affairs and Defence.