



SECURITY POLICY BRIEF

What's in the CARDS?

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The Foreign Affairs Council on 19 November 2018 agreed to launch the CARD (Coordinated Annual Review on Defence) as a standing activity aimed at offering a better overview at EU level of defence spending, national investment and defence research efforts. Ministers of Defence tasked the European Defence Agency (EDA) to launch the first full CARD cycle in autumn 2019. How did we get here and, more importantly, what does the CARD have in store?

INTRODUCTION

The EU Global Strategy (EUGS) envisaged that “an annual coordinated review process at EU level to discuss Member States’ military spending plans could instil greater coherence in defence planning and capability development”. The November 2016 Council Conclusions on the implementation of the EUGS responded to the call for an annual coordinated review process and invited the High Representative and Head of the EDA, to present proposals on the scope, method and content of such a review. In May 2017, the Council endorsed the modalities to establish the *Coordinated Annual Review on Defence* (CARD) starting with a *Trial Run* involving all Member States as of autumn 2017. The CARD Trial Run was to prove the relevance of the concept and

test the agreed methodology in view of paving the way for the first full CARD cycle to be launched in autumn 2019.

APROVEN CONCEPT

During the first phase of the CARD Trial Run, the EDA in its role of CARD Secretariat collected data related to individual Member States’ defence expenditure and capability development efforts, making use of all available information sources, such as the *Defence Data Analysis* work strand, the *Collaborative Database* (CODABA), Member States’ replies to the *EU Military Capability Questionnaire*, and other relevant information shared by Member States through various channels, including open sources.

In a second phase, the information gathered for each Member State was integrated in a dedicated *CARD Initial Information* document structured in accordance with the three blocks identified in the Council conclusions: aggregated defence plans, contributions to the implementation of the Priority Actions from the 2014 EU Capability Development Plan (CDP) and the development of European cooperation. Data related to Member States’ operational commitments collected by the EU Military Staff (EUMS) were also included.

This document served as a basis for the *Bilateral Dialogues* in capitals, conducted between October

2017 and May 2018, during which the CARD team met with relevant national authorities to validate the initial information collected and to review opportunities for cooperative capability development tailored to the needs and objectives of each individual Member State.

After the bilateral dialogue each Member State received its *CARD Consolidated Information Document*, a compilation of validated and completed national data, as well as any additional information exchanged, that was to be used by the EDA in the analysis phase of the process.

The *CARD Trial Run Aggregated Analysis* presented the European defence expenditure and capability development landscapes, as well as Member States' participation in CSDP - and other multinational operations and missions, with a view to promoting greater coherence between national defence plans and capability development efforts, and identifying opportunities to strengthen Member States' defence capabilities through cooperation. It provided an opportunity to review Member States' collective defence efforts and to delve into separate areas such as cooperative development or - procurement, joint training, and common approaches to critical enablers. Building on individual Member States' strengths, the intention was to project a potential way forward for the EU in terms of cooperative capability development in the defence domain.

The *CARD Trial Run Report*, reflected the main findings and conclusions from the Aggregated Analysis, including dedicated contributions from the EU Military Committee (EUMC), as well as recommendations and preliminary lessons identified. The European capability landscape which emerged from the report offers a view of what Member States collectively achieve,

including future trends at the European level. This view is enhanced through the coherence with NATO defence planning activities, as virtually all Member States invited the EDA and the EUMS to attend the review meetings of the NATO Defence Planning Process (NDPP) or the Partnership for Peace Planning and Review Process (PARP), after having made their replies to the NATO Defence Planning Capability Survey questionnaires available to both EU institutions.

RELEVANT FINDINGS

The CARD Trial Run confirmed a positive trend in the overall defence spending of the 27 participating Member States over the 2015-2019 period, although in real terms defence expenditure in 2017 still remained below the 2005 level.

Investment in general, and procurement expenditure in particular, are increasing across Member States, but at a very different pace and scale. The 20% collective investment benchmark was reached in 2016 and defence investment will likely continue to increase further, representing some €47 billion in 2017. However, 81% of the total EU defence investment is covered by only 12 Member States.

Investment in defence research and development has decreased from 23.5% of total investment in 2015 to 21% in 2017 and is estimated to decrease further over time. Additionally, only eight Member States account for 95% of European defence R&T expenditure. The decrease in funding, the concentration of activity in a small group of Member states and the fact that the collective benchmark, aiming at 2% of total defence spending being invested in defence Research & Technology (R&T), has never been reached, raises concerns regarding the long-term

European technological innovative capacity.

Over the 2015-2020 period, one quarter of Member States allocated more than 50% of their defence investment to the Priority Actions from the 2014 EU Capability Development Plan (CDP), while the vast majority of investments supporting these priorities were allocated to national projects.

The EUMC's contribution to the CARD Trial Run established that the EU does not have available all of the required military capabilities necessary for the implementation of the EU CSDP military Level of Ambition (LoA) derived from the EUGS. These deficiencies are reflected in two sets of *High Impact Capability Goals* (HICG), addressing major shortfalls in the short-term and medium term, which are covered to the largest possible extent by the EU Capability Development Priorities approved in June 2018. The level of Member States' deployed forces in CSDP and non-CSDP operations and missions remained rather constant over the last three to four years, with an average level of 48,000 troops, although there is a disparity between Member States in terms of type of operations, engagement framework and overall operational effort. While defence expenditure related to operational activities remained stable, representing some 3.5% of Member States' total defence budget, there is room for further enhanced cooperation between Member States.

Data shared by 12 Member States shows a steady increase in relative terms in the collaborative dimension of capability development from 24% in 2015 to nearly 31% in 2017, while the collaborative part of European Defence R&T expenditure remained around 11%, showing a 6% decrease in absolute terms.

The top collaborative areas retaining Member States' interest were Short Range Air Defence (SHORAD), armoured vehicles including main battle tanks, light and medium helicopters, medical support, cyber defence, satellite communications, tactical unmanned aerial systems, maritime mine countermeasures and maritime security. All of these are covered under the 2018 EU Capability Development Priorities.

MEANINGFUL RECOMMENDATIONS AND LESSONS IDENTIFIED

In view of achieving greater coherence in Member States' defence spending and stimulating European innovation in defence technology, the CARD Trial Run Report recommends that Member States include in their multi-year defence plans voluntary national objectives regarding the annual growth rates of their defence budget in general and R&T expenditure in particular. It also proposes concrete measures aimed at rebalancing defence expenditure in favour of investment programmes and enhancing Member states' participation in collaborative projects.

Recommendations focusing on the European capability development landscape propose that participating Member States aim for greater coherence between their national capability development plans, including on timelines, engage more in cooperative activities, and consider channelling investments on medical capabilities into ensuring a European capability in support of CSDP operations.

The report also invites Member States to enhance their participation in European collaborative projects, notably making best use of the recently established EU defence initiatives such as Permanent Structured Cooperation (PESCO), the Preparatory Action on Defence Research (PADR), the European

Defence Industrial Development Programme (EDIDP) and soon the European Defence Fund (EDF).

Preliminary lessons identified highlighted the mutual benefits of the CARD bilateral dialogues which proved to be a valuable format allowing Member States, the EDA and the EUMS to engage in discussions on collective defence expenditure, operational commitments, the implementation of EU Capability Development Priorities and potential collaborative opportunities.

Although CARD made use of all information available to the EDA in view of limiting to the greatest extent possible additional requests for information to Member States, thereby reducing the administrative burden on them, the challenging timelines of the CARD Trial Run clearly put all contributing parties under additional pressure. Opportunities have been identified to further streamline data collection, especially with regard to forward looking financial data and collaborative expenditure.

Furthermore, it is acknowledged that the coherence of output between the CARD as well as the Capability Development Plan, and respective NATO processes, such as NDPP has been and shall continue to be ensured where requirements overlap, while recognising the different nature of the two organisations and their respective responsibilities.

DOTS CONNECTED

Now that the CARD has been confirmed as a standing activity aimed at offering a better overview at EU level of defence spending, national investment and defence research efforts, its vocation to ensure the overall coherence between the longstanding and well-established CDP and more recent EU security

and defence initiatives such as PESCO, EDIDP and EDF, remains to be better understood and exploited within the wider EU capability development environment. It is indeed of critical importance to ensure a coherent approach and adequate sequencing from priority setting to output, to ensure that the different steps of the overall approach reinforce each other.

Many technical elements have been put in place over the past ten years through the EDA: a coordinated approach to identifying capability priorities, a mechanism for encouraging the pooling and sharing of capabilities, and ways of contributing to cooperative research and technology projects on specific capability elements and of preparing EU capability programs, as well as an Overarching Strategic Research Agenda (OSRA). What has been lacking, however, is a high level coordination format with a specific forward-looking capability-oriented mandate, giving the central role to Member States, who finance and implement this political guidance through their national processes. The CARD, conceived as a monitoring mechanism driven by Member States, can very effectively fill that gap.

Considering that the CDP supports Member States in deciding where to focus their common efforts on, the CARD provides them with an overview of where they stand and acts as a pathfinder in the identification of collaborative opportunities. PESCO in turn provides options for Member States to join their efforts in taking advantage of these opportunities, to collaboratively develop or procure defence assets. And the EDF can provide the funds to support the implementation of collaborative defence projects, with a bonus if in PESCO.

The CARD will be built-up incrementally over

time and will play a crucial role in providing a comprehensive picture of Member States' defence plans and capabilities, the state of play regarding collaboration, as well as progress towards EU capability development priorities. It will help identify Member States' needs through a structured review process which can lead to cooperative projects.

This is the point where the CARD connects to PESCO. Under PESCO a lot has been done in a very short time, but it is important to recognize that PESCO is much more than merely an umbrella for collaborative projects. When used to its full potential it can be an instrument for common planning and capability development, combining increased defence investment and optimal use of existing capabilities, all in a structured, collaborative and more efficient manner.

The EDF, which is to provide major EU-funding to defence projects for the first time, is not yet in its full cycle. While the research window is already in its test phase with the PADR, the capability window will do the same with the start of the EDIDP.

Closing the loop, the one single element which is indispensable for coherent capability development at European level is common priority setting through the CDP, which constitutes a key reference for capability development and the common thread running through the CARD, PESCO and EDF.

A WIDER PERSPECTIVE FOR 2019 AND BEYOND

In confirming CARD as a standing activity, the November Council Conclusions already provided some guidance in this regard, stating that CARD was to provide *"a detailed assessment of the European capability landscape, also taking into*

account the short-, mid- and long-term trends of capability development." Furthermore, at the EDA Steering Board early December, R&T Directors considered preliminary proposals on how to further develop R&T aspects within the CARD. Later that month, the methodology, timelines and deliverables of the CARD Trial Run were extensively discussed with all relevant stakeholders during a lessons identified workshop in Vienna, under the auspices of the Austrian Presidency of the Council. Come February, National Armament Directors are expected to discuss ways of including an industrial dimension in the CARD and in March, a second workshop with Member States, this time under the auspices of the Romanian Presidency of the Council, will address the full spectrum of potential adjustments, in view of presenting the methodology for the first full CARD cycle to Capability Directors in June.

Without pre-empting the final outcome of this extensive consultation process, it is a fair assumption that the first full CARD cycle to be launched shortly after summer, will be somewhat different from the Trial Run, as new elements will be introduced and some aspects will be further developed.

First, using the 2018 EU Capability Development Priorities as a reference, rather than the 2014 CDP Priorities, and taking into account the short-, mid- and long-term trends of capability development, will in itself introduce a new perspective. The 2018 CDP Revision indeed produced priorities which are wider in scope and include high end capabilities. As a result, the CARD will for the very first time offer Member States a tool to access the entire EU capability landscape, allowing them to take it into consideration in their national planning over time. This will be even more relevant as the first full CARD cycle should deliver its

aggregated analysis in June 2020 and its report to Ministers of Defence in November 2020, after the finalisation of the Strategic Context Cases addressing the implementation of the 2018 EU Capability Development Priorities.

Second, although R&T was taken on board in the CARD Trial run, it delivered only limited results due to the fact that the OSRA process was not mature enough and did not yet allow collaborative opportunities to be identified. In the future, provided that Member States are willing to share information on defence related R&T activities sometimes considered sensitive, the relevant CARD building blocks could be completed with R&T related expenditure, including in collaborative activities, R&T plans and programmes and R&T projects contributing to the implementation of the 2018 EU Capability Development Priorities. This would allow the CARD to also foster greater coherence of European defence R&T efforts and to propose opportunities for collaborative R&T projects tailored to individual Member States' objectives.

Third, as part of developing a more streamlined data collection process, the CARD could integrate the EDA's Defence Data Analysis work strand and possibly benefit from information shared through the National Implementation Plans in the context of PESCO. In this context there could be an interest in considering an extended use of CODABA, which already includes the functionality to cross-feed separate workspaces for dedicated cooperative frameworks with varying access rights and sharing rules. Moreover, it would allow Member States to share and update CARD related information at the time of their choosing, in accordance with relevant national budgetary, planning and implementation cycles.

Finally, future CARD cycles are also expected to progressively integrate the defence industrial dimension, notably focusing on *Key Strategic Activities* and including information on projects conducted in the context of the PADR, EDIDP and EDF, that contribute to structuring the European Defence Technological and Industrial Base.

ESSENTIALS TO PRESERVE

CARD provides a unique framework that offers the possibility to deepen the bilateral dialogue between Member states, the EDA and the EUMS, in view of providing a realistic EU capability development landscape and developing tailor-made innovative solutions for cooperation throughout the entire lifecycle of capabilities. With future cycles, the value of CARD will increase, as accumulating information and trends will facilitate a more mature analysis and enable increasingly insightful recommendations.

Key in this perspective will be to durably preserve some essential characteristics of the CARD that have contributed to the success of the Trial Run: notably the voluntary basis on which information is exchanged and its bilateral, and therefore confidential, nature. CARD is not an assessment of individual Member States, nor a comparison between them. Through regular review cycles, the CARD's ambition should remain to capture the evolution of Member States' *collective* efforts over time, to promote increased coherence of their national defence plans and to foster more European cooperation in Defence, *permanent* and *structured* to all extents possible.

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