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SECURITY POLICY BRIEF

Building European Defence: An Architect and a Bank

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If a set of investors plan a grand apartment building in which they can each afford just one apartment, they need an architect to design a building that is both affordable and that meets all their needs, to negotiate with the constructor, and to ensure follow-up. When building capabilities for European defence, the sole possible architect is the European Defence Agency (EDA). Those who have to reach consensus and invest are the EU Member States. And there is even a European Investment Bank (EIB) to assist them.

Member States should cooperate more, and the most effective way for them to do so is through the EDA. To that end, Member States must be given incentives, while the EDA (with the European External Action Service or EEAS) has been tasked with the development of a policy framework. The end result must be systematic and long-term cooperation. This is what stands out from the December 2013 European Council conclusions on military capabilities. The crisis in Ukraine will hopefully

lend a sense of urgency to the implementation of these decisions and see an acceleration of defence cooperation, for continued inefficiency is now even less acceptable than before. Some Member States have even announced that they will increase their defence budgets. At the very least the crisis ought to produce a stabilization of European defence spending – any further defence budget cuts will raise some eyebrows among the general public.

The most cost-effective way to use European defence budgets remains cooperation. Systematic and long-term or – dare one say it – permanent and structured cooperation, requires a holistic approach to capabilities, encompassing: new capabilities, with a focus on the strategic shortfalls, as well as the restructuring of existing capabilities; research and development (R&D); and defence planning.

NEW CAPABILITIES

The first step towards systematic common development of new capabilities is to ensure that no opportunities for cooperation are overlooked.

The immediate areas of focus have of course been identified by the European Council itself, which welcomed multinational programmes in four areas: drones, air-to-air refuelling, satellite communication, and cyber. And it should not be forgotten that in December 2011 the Foreign Affairs Council prioritized eight more areas, including smart munitions and ISTAR. If programmes leading to new European platforms are to be launched in these 12 areas, in order to really reduce our dependence on the US, more contributions are urgently needed from more Member States. The stakes are high, and the potential is great. If Airbus became a global leader, so the Remotely Piloted Aircraft System initiative (RPAS) can produce a global player.

The institutions have a role to play in stressing the importance of participation to the Member States which have so far remained reticent, but the capitals that have already assumed a leading role need to play an even stronger part in bringing these states to the table through targeted bilateral diplomacy. It is harder to dismiss an invitation to take part in a programme when it comes from a fellow Head of State or Government rather than a European official.

On a more permanent basis, the EDA can offer a dissemination mechanism and a discussion platform to Member States, or clusters of Member States, whenever they seek partners for any specific plans and intentions related to existing or future capabilities. Furthermore, the Agency need not just passively wait for Member States to approach it, but can proactively invite Member States that are known to be considering certain projects. Passage via the EDA whenever a multinational project is being considered could even be made compulsory, allowing the Agency to formulate (non-binding) recommendations. In addition, the EDA can offer Member States a systematic analysis of draft white books, defence reviews etc. in

function of commonly identified shortfalls, priorities and redundancies, and of other Member States' known plans and intentions.

WHY THROUGH THE EDA?

However, it's not just a matter of identifying opportunities for cooperation. Member States must also be convinced to make use of them. This is where the EDA must position itself as the indispensable architect who can design tailor-made cooperation for every project. Why should a Defence Policy Director, Service Chief, National Armaments Director, Chief of Defence, or indeed a Minister of Defence favour multinational programmes via the EDA? Because it can offer incentives that they cannot reasonably ignore.

This is the argument for the architect:

Cost arguments come to mind first. Cooperation can drastically reduce not only the cost of development and acquisition, but also the life-cycle cost of any programme. The starting point is a common configuration for equipment (instead of "gold-plating" it by introducing superfluous national specifications), followed by common updates throughout its life-cycle. In addition, once the platforms have been delivered, permanent common logistics and maintenance can be set up (through pooling and/or specialization between the countries participating in the programme). If the participating Member States so decide, even the use of the capability can be commonly managed (as in European Air Transport Command or EATC, which the European Council put forward as a model).

The key is that the EDA is the coordinator of the programme throughout its life-cycle, from chairing a common configuration board of Member States, to acting as a single point of contact with the private contractor, driving cooperation on logistics and maintenance, to managing the updates decided upon by the Member States. Members of the F16

Multinational Fighter Programme will recognise this, for this is exactly what it has successfully achieved – which demonstrates that it is possible.

Exempting any projects thus launched from VAT (an exemption from which NATO already benefits) seems but logical.

Funding arguments are crucial as well. Through the EDA the Member States participating in a programme could tap into further European resources. The European Council consecrated the role of the Commission in European defence. This should not remain limited to R&D. The possibility of Commission participation in dual-use programmes at the same level as the Member States ought to be assessed, including in any multinational structures set up during its life-cycle. If e.g. ten Member States joined up to build a drone or a satellite, why shouldn't the Commission participate as if it were an eleventh Member State? It certainly needs this capacity, for FRONTEX, ECHO and many more programmes. With the EDA acting as the leading organization, Member States need not fear for their prerogatives, so why not pool and share with the Commission?

Payment schedules are at times even more crucial. One of the obstacles to multinational cooperation is the reality that potential participating states rarely have budget available at the same time. Through the EDA, the European Investment Bank (EIB) could allow Member States to have an account into which they could make down payments for a specific project as soon as they have been authorized by their political authorities. Thus Ministries of Defence could avoid falling victim to subsequent budget cuts or having to return allocated budgets to the Treasury if they had not been spent within the fiscal year. Member States could also borrow funds, in order not to miss the opportunity to join in a project while waiting for national funds to become available.

In addition they could choose to spread the payment schedule over a longer period (even over the entire life-cycle of a project) if that were the only way in which they could participate. The latter comes close to leasing – but why not?

Operational arguments are naturally of the essence. The more the EDA can assume a central coordinating role in common capability development, the more it will be able to guarantee: interoperability between programmes and countries; the acquisition of nothing but state of the art equipment; and continuous updates to keep it at that level.

Finally, the *offsets argument* comes into play as well. The EDA could negotiate a general policy on technology transfer with the Commission, and coordinate a specific return of technology among Member States for each programme.

RESTRUCTURING OF CAPABILITIES

Cooperation to make better use of existing capabilities and to create new capabilities goes hand in hand with a restructuring of national forces. The acquisition of new capabilities will demand doing away with existing duplications at all levels. The EDA can offer its services as an honest broker, assessing the effectiveness and efficiency of pooling and sharing schemes, applying best practices from successful models such as EATC. Furthermore, the possibility of using the EU's structural funds to compensate for base closures that result from the choice for multinational cooperation can be explored through the EDA.

R&D

Just as in capability development, in defence R&D the EDA can position itself as the self-evident point of entry for any multinational initiative. Again, Member States will only be convinced if they see clear benefits. Through the Agency, the critical mass can be achieved that Member States individually, with mostly

very low R&D budgets, cannot generate. At the same time by acting as coordinator the EDA can ensure that all participants' centres of excellence receive their due.

In addition, the EDA can act as a multiplier: each Euro invested by a Member State can be complemented with more Euros from the Commission, either under Horizon 2020 for dual-use aspects, or under the future Preparatory Action for defence per se. The EDA can act as the focal point through which Member States can provide input and draw upon funds under the latter.

AN EDA YEARBOOK

As a further stimulus to cooperation, the EDA can publish an open source "balance" of European defence, permanently updated and publicly available online, focusing on multinational initiatives.

DEFENCE PLANNING AND STRATEGY

If the short-term priorities are clear, longer term capability needs are not. There is as yet no reflection on Europe's capability needs in 20 to 30 years' time, in NATO (because the NATO Defence Planning Process does not really look beyond each four-year cycle) or the EU (because the Capability Development Plan or CDP does not really go into detail). Yet if capabilities are desired by then, the time to start thinking about them is now, in view of the many years that always elapse between the conception of a new capability and its coming into service.

To that end, the EU could proactively invite all Member States to a discussion about long-term capability needs, in order to define requirements and start programmes collectively from the very start. Because of its newly consecrated role in defence, the Commission should be part of this debate as well. The updated CDP can frame and in turn be alimented by such a discussion. More than a one-off event, this could lead to a permanent and structured dialogue about defence planning as a whole between Member

States willing to participate. Almost like a "permanent capability conference" such dialogue alone can ensure that eventually all shortfalls are addressed and no new redundancies arise.

Ideally however such a capabilities discussion ought to be framed in a strategic view of Europe's level of ambition as a security provider. Elements of this exist. The Headline Goal remains in force, but its ambition of deploying at corps strength is mostly ignored. The EU Military Staff applies five illustrative scenarios to generate detailed capability requirements, but these are in need of an update. As Europe's broader neighbourhood has become increasingly volatile, and as the US strategic focus shifts toward Asia, this strategic debate is more urgent than ever. The basic question is deceptively simple: in addition to our Article 5 obligations, which demand a strong conventional deterrence, which security and defence responsibilities does Europe (i.e. the European Allies and Partners or the EU Member States) want to be able to assume outside its territory, if necessary without US assistance?

The strategic chapter of the High Representative's preparatory report for the December 2013 European Council offers the clearest ever indication of what the level of ambition could be: Europe needs strategic autonomy; in its broad neighbourhood; in order to protect interests; by projecting power; with partners but alone if necessary. Furthermore, the Maritime Security Strategy highlights the fact that Europeans have a vital stake in global maritime security. The next High Representative would do well to take this as a starting point when taking up the European Council's tasking to assess the implications of the changing geopolitical environment (in layman's terms: to produce a strategy).

Clear and quantifiable long-term capability

needs can then be derived from this strategy by the EU Military Committee, to guide future cooperation via the EDA. The aim is not to create an “EUDPP” alongside the NATO Defence Planning Process (NDPP), but to insert the collective European level of ambition into the NDPP priorities, which can then steer both national and common European defence efforts.

CONCLUSION

There are architects who have achieved international fame despite the fact that hardly any of their projects ever left the drawing board, but they are few and far between. The EDA must ensure therefore that its designs are implemented. That in turn requires that those who have commissioned the architect must be on board and invest: the Member States. That first indispensable step has yet to be taken. It is a risky expression perhaps, but this really is “*l’heure de l’Europe*”. On both sides of the Atlantic pragmatists have come to realize that the Common Security and Defence Policy (CSDP), through the EDA and the Commission, with the EIB, offers the best chance of creating more

European capabilities through European cooperation. But if that chance is lost, patience with European structures, and in the US, with European capitals, will quickly run out. We may find ourselves not just without a CSDP, but without the US as well. The assignment is clear: capabilities now, capabilities in the future, and a common idea on when to use them.

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