



**Hermes Institute of
International Affairs,
Security & Geoeconomy**

OCCASIONAL PAPER 1/2020

**Permanent Structured Cooperation (PESCO) –
The Success Story of European defense integration?**

By

Sofia Maria Satanakis, M.E.S.

APRIL 2020

“HERMES” Institute of International Affairs, Security & Geoeconomy

www.hermesresearch.eu

Email: info@hermesresearch.eu

PROVIDING KNOWLEDGE TO THOSE WHO SHAPE THE FUTURE

“HERMES” I.I.A.S.GE

“HERMES” Institute of International Affairs, Security & Geoeconomy (“HERMES” I.I.A.S.GE) is an independent, non – governmental, non – profit organization, consisting of scholars dedicated in the research and analysis of international affairs in regional and global level. The Institute aims at providing objective, scientific, and reliable research analysis through a variety of studies contributing effectively and constructively in the public dialogue and the evolution of scientific knowledge.

Copyright © 2020

“HERMES” Institute for Foreign Affairs, Security & Geoeconomy

All rights reserved

“HERMES” Institute of International Affairs, Security & Geoeconomy offers a forum for researchers to express their views freely, thoroughly and well-documented. The views expressed in this occasional paper are those of the author and do not necessarily represent those of the “HERMES” Institute. Occasional Papers aim to contribute constructively in public debate in a wide range of international politics, defense, security and geoeconomy topics.



Sofia-Maria Satanakis, M.E.S., successfully finished the bachelor program "*Balkan, Slavic and Oriental Studies*" at the University of Macedonia in Thessaloniki, Greece (2010) and graduated from the postgradual university program of "*European Studies*" at the University of Vienna (2012). In the years 2012 and 2013 she completed internships at the Consular Section of the Greek Embassy in Vienna as well as at the Austrian Embassy in Athens.

Her research covers the topic of European integration, focusing mainly on EU foreign, security and defense policy. She also focus on the Western Balkans, Greece and Turkey as well as their bilateral relations. Since 2013, Sofia-Maria has been working at the Austrian Institute for European and Security Policy (AIES) as a research fellow. In 2017, she joined the Cologne Forum for International Relations and Security Policy (KFIBS e.V.) by becoming part of the research group 'Europe/EU'. She is also co-organizing conferences within the framework of the series of events on "German-Austrian Debates on the Future of the EU" of the AIES and the KFIBS e. V. Since 2018 she is also an Associate Researcher at the European Council on Foreign Relations (ECFR).

Introduction

More than twenty years ago, the Common Security and Defense Policy (CSDP) was launched as an integral part of the EU's Common Foreign and Security Policy (CFSP). For a long time, the CSDP was one of the most neglected policy areas of European integration. This, however, has been reversed in recent years and the European Council Summit in December 2013, focusing mainly on security and defense related issues, marked the turning point. Since then, CSDP has been back on the agenda and has become one of the EU's political priorities. This change is closely linked to an unfolding security crisis in Europe's geopolitical neighborhood, including the Syrian crisis (2011), the annexation of the Crimean Peninsula by Russia (2014), the migration crisis (2015), and the failed coup attempt in Turkey (2016). Additionally, this overall trend was strongly influenced by other external factors, such as the generally hostile attitude of US President Donald Trump and internal factors like Brexit.

Important milestones of European Defense

Despite its official title, the CSDP is not a supranational policy area, but still based on intergovernmental cooperation between the EU member states. The Franco-British Summit in Saint Malo and the signing of the St. Malo Declaration back in 1998 are considered to be the starting point of common European Defense. The political and economic success of the European integration project, up to then, made a so-called "spillover-effect" to the field of security and defense inevitable, and at that time, the United Kingdom was still interested in a strong pro-European signal. The main idea behind the Declaration was to equip the European Union with the capacity for autonomous action, backed up by credible military forces, in order to respond more efficiently to international crises; which also implied a reduction of dependence from NATO (Rutten 2001, p. 8).

Much has been achieved since this breakthrough:

- In 2003, the European Council adopted the European Security Strategy (ESS) entitled "*A secure Europe in a better world*" (Council of the EU, 2003). With this Strategy, the EU agreed for the first time on a common threat analysis and clear objectives for the promotion of EU security interests based on European core values like democracy, the rule of law and human rights.

- In 2004, the European Defense Agency (EDA) was established, in order to promote the development of defense capabilities and military cooperation among the EU member states. The Agency is also committed to strengthening the European defense industry.
- In 2007, the Treaty of Lisbon was signed, which proved to be a cornerstone in the development of CSDP. It entered into force in 2009, gave the EU full legal personality and created the necessary conditions for the possible establishment of a Security and Defense Union through a series of defense-related clauses (provided that the necessary political will exists as well).
- 2016 proved to be a pivotal year for European defense cooperation with the (former) High Representative of the Union (HR), Federica Mogherini, presenting - mere days after the Brexit referendum - the Global Strategy for the EU's Foreign and Security Policy (EUGS), which defined the strategic priorities of the Union as a global actor and triggered a new momentum for European defense¹.

Adding to that, a total of 35 EU missions and operations in 21 different countries and regions have so far been carried out in the framework of the CSDP. Eleven civilian and six military missions with more than 5.000 personnel are currently in operation worldwide (European External Action Service, 2019).

Permanent Structured Cooperation – a closer look

The possibility for the establishment of a Permanent Structured Cooperation (PESCO) among EU member states was created in 2007 through the Lisbon Treaty. At that point in time, it was widely acknowledged that the principle of unanimity in the EU's Common Security and Defense Policy repeatedly impeded or even prevented ambitious projects. Therefore, the main idea behind PESCO was to use it as a driver for deeper defense integration between those EU member states that are able and willing to do so. It was conceived as a binding, long-term cooperation in the field of capabilities and operations, and broadly corresponds to the priorities laid out in the Capability Development Plan (CDP). Although each member state can decide voluntarily whether it wants to be part of it, the essential difference between PESCO and other forms of defense

¹The EUGS entitled "Shared Vision, Common Action: A Stronger Europe - A Global Strategy for the European Union's Foreign and Security Policy," replaced the outdated European Security Strategy from 2003.

cooperation is the legally binding nature of its commitments. Each participating member state is therefore required to submit a yearly National Implementation Plan (NIP), in order to allow for the effective assessment of the fulfillment of its commitments. In addition, each participating state pledges to regularly increase its defense budget, as well as the expenditures regarding military research. Unfortunately, as a consequence of various international crises², PESCO was inactive for many years, yet was enthusiastically rediscovered in 2017 (due to that fact, it is occasionally referred to as the ‘Sleeping Beauty’ of the Lisbon Treaty).

Until now, 25 EU member states have decided to take part in PESCO – with the exception of Denmark and Malta – and in March 2018 the Council adopted an initial list of 17 collaborative projects to be developed. Later during the year, further 17 projects were added to the list and in November 2019, another 13 brought the current number of PESCO projects to 47 (which cover various domains, such as Training, Air and Maritime Systems, Cyber and Land Information Systems)³.

When taking a closer look, one of the first projects, the Crisis Response Operation Core (CROC), plays a particularly important role and can be seen as the central PESCO project because it could serve as a guiding structure for others: In the framework of CROC, the participating states can harmonize equipment and doctrine, in order to achieve a maximum level of synergies (Biscop, 2019). So far, research shows that especially France, Germany, Italy, Greece and Spain are great supporters of deepening European defense integration through the PESCO framework (Maulny and Di Bernadini, 2019). As for Brexit, without the United Kingdom, European defense cooperation undoubtedly lacks credibility, but with it the potential for further (political and military) integration through PESCO would be limited.

Furthermore, PESCO is closely connected to the Coordinated Annual Review on Defense (CARD) and the European Defense Fund (EDF); together they form a comprehensive defense package. CARD’s mechanisms are systematically monitoring national defense budgets (on a voluntary basis), in order to create opportunities for new joint initiatives, whereas the EDF, which was proposed by the European Commission, operates at two levels: defense research and capabilities development. It offers financial

² The financial crisis (2008), the Arab Spring (2011), the Russian intervention in Ukraine (2014) etc.

³ A detailed overview of all PESCO projects is available under: <https://www.consilium.europa.eu/media/41333/pesco-projects-12-nov-2019.pdf>.

incentives to the member states to further promote and optimize defense cooperation through co-financing from the EU budget. In other words, the Fund will coordinate, supplement and amplify national investments in defense. The Commission even proposed to allocate 13 billion euro to the Fund for the next Multiannual Financial Framework (MFF) 2021 - 2027. PESCO's linkage to the EDF complements the 'stick' of the NIPs with the 'carrot' of extra funding; 20% can be drawn from the EDF for projects, with a financial bonus of an extra 10% for PESCO projects. PESCO, CARD and the EDF are therefore three closely connected and mutually reinforcing instruments, aimed at improving European defense capabilities.



Picture 1: Coherence of EU defense initiatives

(Photo Source: <https://www.eda.europa.eu/what-we-do/our-current-priorities/ensuring-coherence-among-eu-defence-tools>)

Key Challenges

Despite the originally high expectations, only time will tell if PESCO will indeed bear the expected fruit. When evaluating PESCO, there is an obvious gap between ambitions and reality (the same goes for most EU initiatives), and the surprisingly large number of participating states goes beyond the initial idea of a leading 'core group of the willing' and could hence slow down progress. Moreover, even though both France and Germany have ambitious goals for structured cooperation, they follow traditionally different paths: Paris relies on depth and hard power, Berlin on breadth and soft power.

The overall disagreement on the direction and further development of CSDP should herein not be underestimated. Member states' foreign policy orientation, their level of ambition in international security policy, as well as their willingness to use military force differs considerably. When it comes to security and defense related issues, the EU member states are known to be divided in two camps: the *Europeanists* (pro EU) like France and the *Atlanticists* (NATO-oriented) like the Visegrad countries.

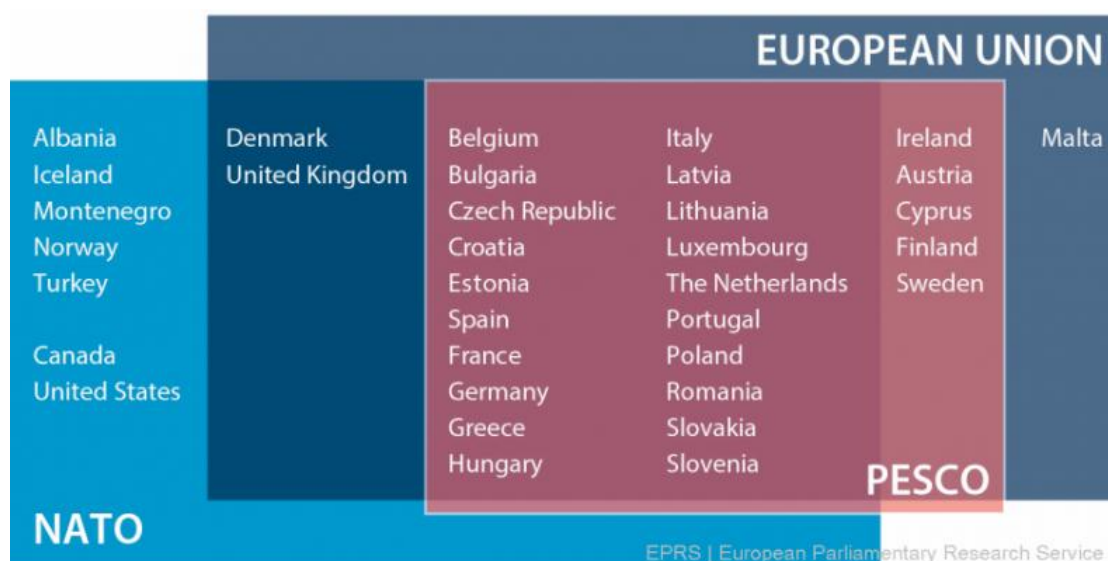
Regardless of the originally strong rhetoric, the operational side of PESCO has so far not received much attention. Especially the first list of projects was met by a certain degree of skepticism, since they were mostly viewed as low-profile (with the exception of e.g. the European Medical Command and CROC). While defense expenditure is once again on the rise across the Union, although unevenly, capability shortfalls for EU operations remain substantial and as it currently stands, the contribution of PESCO projects to meeting the actual needs of European Armed Forces on the ground will be limited. Most projects deal with non-high-end capabilities and lack the potential to address the full range of scenarios the EU has set itself to deliver. Moreover, since PESCO (so far) has no sanctions for failing to meet the set targets, it will be difficult to hold its participants to account.

PESCO surely has the potential to become a meaningful framework for European defense procurement, but only if member states show willingness to go beyond the political and industrial hurdles to jointly deliver the capabilities they need. Additionally, where member states have already worked together over several decades (as is the case with the Belgian-Dutch naval cooperation 'BeNeSam'), mutual dependence is generally acceptable because trust is high. Therefore, it could be a challenge to establish high levels of trust between states that have little or no history of close capability cooperation. The divergence of security threats to the east and west of Europe may also lead EU-states to view their capability priorities differently, with eastern states prioritizing territorial defence. Besides, with the focus in coming years shifting away from the launch of new initiatives to implementation of what has been put in place so far, we could expect projects to merge or even disappear altogether, depending on the level of member state commitment and synergies developed with other projects.

The exact conditions for third countries to participate in PESCO projects are still under discussion and remain a source of friction in the transatlantic ties; U.S. officials have

even referred to it as a “poison pill” (Brattberg and Valaasek, 2019). In general, a third country would have to submit a request to the lead country in one of the 47 projects and would need unanimous approval from all member states involved. Several EU capitals voiced concerns that extending participation to non-EU countries would leave the door open for China or Turkey to get involved in sensitive European security projects, and although member states have been working on a compromise to allow third countries to join the PESCO framework, they were so far unable to resolve the deadlock.

It is important to mention that the generated momentum can be largely attributed to the increased involvement of the Commission in EU defense policy. With the EDF, through which it is aiming to boost the EU’s defense industrial base, it managed to change the way the Union gets involved in defense. But even though the Commission has gradually extended its reach, it remains restricted in its influence. There have been concerns regarding the transfer of powers to the Commission (which is less accountable to voters than the national Governments) because this could decrease transparency around defense policy, particularly with regard to defense planning. To counter that, the European Parliament could become more involved. The Commission’s new DG for Defense Industry and Space is tasked with building an open and competitive European defense market. To see changes implemented, the Commission must prove in the long run that it can help the EU to develop into a more capable defense actor.



(Photo source: <https://www.europarl.europa.eu/>)

EU - NATO Relations

Since 1949 the North Atlantic Treaty has been the main framework for European security. Despite occasional tensions between European NATO-members and US President Donald J. Trump, EU-NATO cooperation has been deepened on an institutional level, which has an overall stabilizing effect on the transatlantic relationship. Under the Trump administration, the U.S. have even increased their contributions to the Alliance, which shows that European members have not lost their importance to the U.S. Although the latter perceive a common European defense as a threat to NATO, there are strong arguments supporting that an enhanced EU defense would be to the Alliance's advantage. Already at the Summit in Wales (2014), NATO emphasized the importance of a more effective and integrated European defense, as this would also strengthen the functioning of the Transatlantic Alliance and thus increase the security of the Allies. This notion was again highlighted at the NATO Summit in Brussels (2018). Nevertheless, the U.S. expressed concerns early on with regards to the new EU defense initiatives, stressing that they could duplicate NATO efforts and harm transatlantic interoperability. They also emphasized that capabilities developed under PESCO should be available to NATO, and non-EU countries should be involved in it. The overall critical reaction from the U.S. appears to be mostly driven by the administrations' strong focus on trade and concerns that PESCO could ultimately hinder American defense exports to Europe- even though the EU will not become self-sufficient in its defense industrial needs in the foreseeable future.

Ambitions for European Defense in 2020

2020 is already proving to be a crucial year for both the EU and NATO because of the Covid-19 Crisis, which – apart from its disruptive social and political consequences - is expected to have a negative impact on the countries' defense budgets and (planned) expenditures. In the United States, the upcoming presidential elections will illustrate whether the 'Trump Effect' is just a temporary phenomenon or a deep transformative trend in U.S. politics. Nevertheless, close cooperation with NATO and the strategic relationship with the US remain a priority for the EU and constitute an important factor for its security.

The re-emergence of PESCO was a step in the right direction and has raised defense cooperation among the participating member states to a new level. A review to assess its progress is planned for this year, after which the Council could choose to

enhance PESCO commitments. With a view to ensuring better coherence of EU defense initiatives and focusing on more substantiated projects, the next call for PESCO projects would take place in 2021. Although it is too soon to evaluate the overall effectiveness of PESCO, CARD and the EDF, they do significantly extend the scope for action in the field of defense and could be potential game changers. Long-term success, however, will only be assured if member states support the ‘top-down’ initiatives, while also delivering on their own ‘bottom-up’ commitments to deeper levels of cooperation. The antagonism between exclusiveness and inclusiveness must therefore be resolved, and strict rules should be established to also allow countries outside the EU to take part in projects.

According to the HR of the Union, Josep Borrell, the lack of extensive cooperation between EU member states in the field of security and defense is extremely costly (Joseph Borrell Fontelles, 2019). Brussels should therefore aim to give more credibility to the goal of strategic autonomy, by adopting concrete measures and action plans to better pool capacities and capabilities – not just in the political and economic field but also in the field of military and technology (a ‘*Europe first*’ narrative). Europe needs a common strategic culture, must continue to focus on making defense spending more effective and cooperate more closely in the field of defense, in order to avoid duplications and be taken seriously as a security actor.

Conclusion

The EU is currently facing an increasingly complex and unpredictable security environment, which includes a crumbling multilateral order, hybrid and terrorist threats, instability in the Middle East and North Africa, a fast-growing China, a troubling Turkey and a confident Russia. The Union must therefore adapt to this new global political reality and find ways to better protect what has been politically built in Europe over the last 63 years, without relying solely on U.S. protection. Consequently, one of the Unions core tasks in the coming years should manifest itself in the construction of a European Security and Defense Union as a strong European pillar of NATO. Regarding Brexit, the exact impact (on CSDP) remains difficult to predict - it will depend on the state of diplomatic relations and the mutual willingness to cooperate as closely as possible.

Even though NATO remains the most important instrument of European security, deeper European defense integration is being pursued in parallel, through PESCO, CARD

and the EDF. Nowadays more than ever, there is broad agreement that Europeans need to deepen their efforts to defend themselves and clarify the EU's mutual defense responsibilities in order to escape the danger of geopolitical irrelevance.

References List

Biscop, S. (2019). *Putting the Core at the Centre – The Crisis Response Operation Core (CROC) and the Future of PESCO*. [pdf] Brussels: Royal Institute for International Relations. Available at: <http://www.egmontinstitute.be/content/uploads/2019/11/SPB119.pdf?type=pdf> [Accessed 02 Apr. 20].

Brattberg, E. and Valasek, T. (2019). *EU Defense Cooperation: Progress amid Transatlantic Concerns*. [pdf] p. 16. Available at: https://carnegieendowment.org/files/WP_Brattberg_Valasek_EU_Def_Coop_v3.pdf [Accessed 07 Apr. 20].

Council of the EU, (2003). *European Security Strategy – A Secure Europe in a Better World*. [pdf] Brussels: Council of the EU. Available at: <https://www.consilium.europa.eu/media/30823/qc7809568enc.pdf> [Accessed 02 Apr. 20].

European External Action Service, (2019). *Military and Civilian Missions and Operations*. [online] Available at: https://eeas.europa.eu/headquarters/headquarters-homepage/430/military-and-civilian-missions-and-operations_en [Accessed 02 Apr. 20].

European Parliament, (2019). *Commitments Made at the Hearing of Josep Borell Fontelles*. [pdf] Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/639311/EXPO_BRI\(2019\)639311_en.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/639311/EXPO_BRI(2019)639311_en.pdf) [Accessed 07 Apr. 20].

Maulny, J.P. and Di Bernadini, L. (2019). *Moving PESCO Forward – What are the Next Steps?*. [pdf] Paris: ARES Group. Available at: <https://www.iris-france.org/wp-content/uploads/2019/05/ARES-39.pdf> [Accessed 02 Apr. 20].

Rutten, M. (2001). *From St. Malo to Niece– European Defence: Core Documents*. [pdf] Paris: Institute for Security Studies of Western European Union. p. 8. Available at: <https://www.iss.europa.eu/sites/default/files/EUISSFiles/cp047e.pdf> [Accessed 02 Apr. 20].