**Differentiated Integration in Defence: A Plea for PESCO**

by Sven Biscop*

**Abstract:** In defence, differentiated integration outside the EU framework is prevalent. Permanent Structured Cooperation (PESCO) would allow a group of Member States to deepen cooperation within the treaty. However, if PESCO is activated only to launch initiatives that could also have been taken without it, the opportunity will be wasted. To bring real added value, PESCO must be sufficiently ambitious and make the step from cooperation to effective integration in defence. PESCO must therefore go beyond procurement projects and aim at creating permanent multinational frameworks, within which all participating Member States can anchor their capabilities. The European Defence Fund proposed by the European Commission could function as a strong incentive to that end, if Member States’ contributions to it could be matched by the Commission’s own contribution. Ultimately, PESCO implies a change of mind-set, from national defence planning and interests to common targets.

**Keywords:** EU integration | CSDP | Defence industry | PESCO

**Introduction**

In defence, differentiated integration is a fact of life – outside the framework of the Treaty on European Union (TEU). Literally all Member States are engaged in various clusters of cooperation. The Lisbon Treaty opened the possibility of differentiated integration within the treaty framework by introducing Permanent Structured Cooperation (PESCO). Until now, however, Member States have chosen not to make use of these provisions.

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But PESCO is back on the agenda. In 2010, when it was first discussed, the Belgian Presidency discovered that its many ideas on how to activate PESCO hit a wall of Member States doubting whether it should be activated at all.\(^1\) Ever since, PESCO has been seen as toxic – until today. It seems that the combination of three powerful agents, Putin, Brexit, and Trump, has started the decontamination process. The European Council, meeting on 15 December 2016, concluded that “the High Representative will present proposals in the coming months as regards [...] elements and options for an inclusive Permanent Structured Cooperation based on a modular approach and outlining possible projects.”\(^2\)

PESCO would allow for the creation of a smaller group (which can mean any number below twenty-eight), of Member States “whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions,” and who would cooperate “within the Union framework” (Art. 42.6 TEU).\(^3\) The Protocol on PESCO annexed to the Treaty\(^4\) lists five broad commitments participating Member States have to make:

1. to agree on the level of investment in defence equipment;
2. to “bring their defence apparatus into line with each other as far as possible,” by harmonizing military needs, pooling, and specialization;
3. to enhance their forces’ availability, interoperability, flexibility and deployability, notably by setting “common objectives regarding the commitment of forces;”
4. to address the commonly identified capability shortfalls, including through multinational approaches;
5. to take part in equipment projects in the context of the European Defence Agency (EDA).

The Treaty also assigns to the EDA the task of assessing whether these binding commitments are met.

How could this work in practice?

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4. Protocol No. 10, Ibid.
1. Putting PESCO into practice

In order to make PESCO more palatable, “modular” and “projects” have become keywords, as in the European Council conclusions. That PESCO will be modular goes without saying. Not every Member State that joins PESCO will be expected to contribute to every capability area encompassed by PESCO, nor therefore to every project launched in the context of PESCO. But PESCO must be about a lot more than projects to develop or procure equipment. Member States can already sign up for projects in different constellations today – that is why the EDA exists. Calling this PESCO will not make any difference.

The real added value of PESCO lies in the second criterion that the Treaty defines: bringing the defence apparatus of Member States into line. Up until now, the opposite has been happening. The defence planning of States is strictly national, in splendid isolation, and without much regard for either the EU or NATO. Possibilities for cooperation are only explored afterwards, by which time many opportunities are precluded by the national choices already made. This would work – if every State had a defence budget and troop numbers large enough to maintain full spectrum forces alone, but this has not been the case for decades.

PESCO can turn this around. Participating Member States should plan together, as if for one force, and then decide what contribution each individual State will make. The aim is to arrive at a single coherent full-spectrum force package that delivers a significant share of the NATO and EU capability requirements. This would make PESCO the core of European defence, and at the same time the European pillar of NATO and the armed branch of the EU. Which exact force package the participants aim at would be the subject of a permanent dialogue, like a permanent capability conference or a “capability generating community,”5 which revises and upgrades the target as the means and the NATO and EU requirements evolve. A permanent dialogue would generate a living chapeau to guide all activities taking place through PESCO.

Under this chapeau equipment projects can then be launched, notably to acquire the strategic enablers on which the force will have to rely. But

PESCO has to go further than that: once acquired, strategic enablers should not be divided up among the States that took part in their development, but operated as a permanent multinational capacity. To that end, we should not just replicate the European Air Transport Command (EATC) model, as called for by the Council, but improve upon it. EATC is a single body to manage separate transport fleets; the next logical step would be a single fleet with nationally manned and owned aircraft but integrated maintenance, logistics and training. A European medical command, which Germany always puts forwards as an example of what PESCO could achieve, would be another valuable project. But it cannot be the flagship of PESCO, for it would confirm all the prejudices about German and European unwillingness to engage in “serious” military operations. More to the point therefore would be European fleets of drones, satellites, patrol aircraft, and coast guard vessels. And, in the longer term, of the next generation of fighter aircraft and frigates.

In all of these areas, those participating in PESCO should commit to the development of a single platform, and they should do so fast, if we want new capabilities to enter our arsenals in the 2030s (given how long development takes). In this way PESCO can help to end the wastage of multiple European programmes that compete with each other – and cannot compete with the US. At the same time, assembled in a “PESCO fleet” rather than scattered among nations, more capabilities would be readily available (and even if one contributing State does not want to be part of a specific operation, one can organize around that if the fleet is large enough, as EATC has already proved).

But PESCO should not end even there. As the reference to fighter aircraft and frigates already indicates, it is not only strategic enablers that can be pooled. In addition, participating States can build permanent multinational formations with dedicated multinational headquarters: army corps, air wings, and naval squadrons. To these every participant would have to contribute national manoeuvre units in the areas of his choice, such as mechanized battalions, fighter aircraft, or frigates. All the support functions however can be ensured by a combination of pooling (permanent multinational units) and specialization (a division of labour among participating countries). Obviously, no participant should be allowed to contribute to the support units only: risk-sharing is vital to make this scheme work. Anchoring the “head” – everybody’s manoeuvre units – in large multinational frameworks would

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Belgian-Dutch naval cooperation is an existing example, at a smaller scale, of how this works in practice: both countries contribute frigates and minehunters sailing under their own flag with their own crew, but there is only one headquarters and one operational school (pooling), while the Netherlands is in charge of training, logistics and maintenance for the frigates and Belgium for the minehunters (specialization).
allow for a major reduction of the “tail,” which each nation now provides separately. These synergies and economies of scale would make national defence spending less fragmented, and release funds for investment in more capability and for actual operations.

The multinational formations established through PESCO should indeed become the framework of choice to mount European operations, in all frameworks: the CSDP, NATO (including the multinational forces deployed in the Baltics, for example), the UN, and coalitions of the willing. From the corps, wing or squadron, tailor-made forces could be generated in a modular way for any specific operation. Participating Member States would thus end up doing defence planning, capability development, and operations in the same framework. Common experience in all three dimensions would gradually produce more and more alignment in their ways of operating, in their thinking, and ultimately in their strategic cultures, in contrast to today, when nations sometimes deploy headquarters but rarely, if ever, actual combat units through the many existing multinational formations. Consequently the degree of integration of the latter for the most part remains minimal.

PESCO can be used in a constructive manner however to streamline the various other clusters and frameworks to which the participating Member States also belong. If (the majority of) their participants are in PESCO, existing clusters of cooperation could be brought under its chapeau. This would create opportunities for widening and deepening existing formats while ensuring their relevance for the overall level of ambition. If PESCO is activated, it will also have an impact on the participating Member States’ cooperation with those who have chosen not to join (yet). A nation can engage in military cooperation (i.e. render its forces interoperable) with different sets of nations in different frameworks. But once it integrates its forces with one set of nations in PESCO (i.e. goes for permanent and far-reaching pooling and specialization), it cannot integrate them again with another set of nations in another framework. If PESCO is launched, that will therefore be the predominant focus for the participating States, but of course the PESCO force package as a whole can still cooperate and be made interoperable with other States and other frameworks.

Through PESCO, smaller Member States would gain relevance. By anchoring more or less their entire armed forces in various multinational formations, they would be able to devote a larger share of their defence expenditure to maintaining and deploying their remaining manoeuvre units, and would thus have a greater say in multinational decision-making. Larger Member States would have to offer the core of the large multinational structures, without necessarily having to include all of their own forces from the start. In return, they would be able to establish the critical mass needed to acquire the strategic enablers and to maintain the full spectrum forces that their aspirations still call for but which alone they can no longer afford. At the same time, PESCO would not mean the end of sovereignty. Because the manoeuvre units within the multinational formation would remain national, one participant could still flexibly deploy an infantry battalion, for example, without all others having to follow suit, as long as everybody’s staff in the support units do their job. In fact, by pooling all too limited national military sovereignty, PESCO would revive sovereignty, i.e. the capacity for action, at a higher level.\(^8\)

All these advantages of military integration have been pointed out by many people for many years though. What could convince Member States to – finally – do it now?

2. Incentives to act and criteria to take part

Real integration will eventually demand a legally binding international agreement between the participating States that codifies who contributes which capabilities to the planned force package, in order to guarantee that each will continue to finance his agreed contribution over time, as a safeguard against national budget cuts. That agreement will also have to define the procedures for deployment on actual operations. The starting point of cooperation is trust, but integration requires guarantees. PESCO has the advantage that it offers a ready-made legal framework, within the TEU – the legal base could not be more solid.

Moreover, contrary to when it was first debated, PESCO now also comes with a ready-made incentive to join: the European Defence Fund proposed by the European Commission,\(^9\) or at least it will if the Commission is itself prepared...

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\(^8\) Hence the title of Jo Coelmont’s latest publication on the issue (“Permanent Sovereign Cooperation to Underpin the EU Global Strategy”, cit.).

\(^9\) European Commission, European Defence Action Plan (COM/2016/950), 30 November
to put up half of the 5 billion euros per year that it envisages. Combining the first, fourth and fifth of the criteria in the Treaty, i.e. an agreed level of investment, in projects to address the priority shortfalls, through the EDA, PESCO could be configured to entail an obligation to contribute to the defence fund. The reward would be that every Euro from the Member States would be matched by a Euro from the Commission, and that the fund would be used for capability projects decided upon through PESCO. The first set of participating States would thus have to assemble 2.5 billion euros, divided according to GDP; that target could be raised when additional Member States join later.

This “capability window,” as the Commission calls it, is one of two dimensions of the European Defence Fund. The other will be the “research window,” for which the Commission plans to provide 500 million euros per year in the next budgetary period (post-2020). This will function far more upstream, without a direct link to PESCO, but it is important that the EU’s overall capability guides expenditure, so that research leads smoothly to development projects that can take place in the context of PESCO at a later stage. Still under discussion is whether the European Investment Bank could play a role in defence, which could further increase the available funds. Furthermore, by discounting all investment, including in defence, when assessing Member States’ annual budgetary balance, the Commission would greatly encourage investment and wealth creation.

On the capabilities side, the European Defence Fund is the most concrete outcome since the December 2013 European Council debated defence – if it materializes as planned. It could then be a very powerful incentive to activate PESCO, and to use PESCO to generate more capabilities rather than just to pool what is there already. The Fund would be impervious to national budgetary evolutions, and would guarantee that investment sets the right priorities: those that concern the common level of ambition. For the participating Member States therefore, contributing to the Fund would be the most important criterion, because it is more operational and more feasible than the NATO target of spending 2 percent of GDP on defence, which has become a fetish that obstructs rather than advances European defence – and which most nations will never reach.

The assessment by the EDA prescribed by the Treaty could then focus not on the overall defence expenditure of the participants in PESCO, but on the degree and the pace at which they are meeting the capability targets that they have taken upon themselves, and on the extent to which all opportunities for pooling and specialization are being exploited and nations are adapting their defence planning to each other. The November 2016 Foreign Affairs Council invited the High Representative to present proposals in the spring of 2017 for a “coordinated annual review on defence,” on a voluntary basis, with exactly this focus. This review could be made compulsory for those participating in PESCO. The rolling process of defining the “NDPP/EU” and the annual assessment can be undertaken by the EU Military Staff and the EDA, though some reinforcement will likely be necessary.

Clearly, all the necessary instruments are at hand – are the Member States ready to use them now?

3. Differentiation

Because contributing to the European Defence Fund is a feasible criterion, it guarantees the inclusiveness of PESCO, a prerequisite that many Member States have stressed. Inclusiveness should be understood correctly. It cannot mean that everybody should just be allowed to join – that would render the instrument useless. Rather, it means that everybody willing to make the effort to meet the entry criteria can automatically join, and that those criteria have to be real (entailing a real effort to do more than today) yet realistic (proportionate to GDP).

Not everybody will join from the start, but PESCO can be organized in a way that maximally involves all Member States. Full transparency will prevent any suspicion from arising, and may yet convince those who chose to stay out of the utility of the framework. Thus, even though within PESCO only the participating Member States have a vote, all Member States could be invited to take part in all meetings. Furthermore, the Member States that remain outside PESCO could have the right to join in any individual procurement project on a case-by-case basis, by contributing to its funding.

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One should not forget that in defence, we are already de facto living in a two-speed Europe: there is France and the UK, with near full spectrum forces and a high operational tempo, and then there are the others. Rather than increase differentiation, PESCO would decrease it, by integrating more Member States in a single full spectrum force package.

**Conclusion**

Thus far Member States have only written papers and given speeches about PESCO. Academics can do that – it does not take a ministry of foreign affairs or defence. Those who really want to activate PESCO now urgently have to come forward, before the window of opportunity closes again.

If we do PESCO, we have to do it right. Using PESCO as no more than an umbrella under which to undertake various procurement projects means to waste PESCO, for Member States can do that already, via the EDA. Once set on this path, it will be very difficult to change course. We have already foreclosed the optimal use of the Mutual Defence Clause (Art. 42.7 TEU) in this way, by activating it (after the 13 November 2015 terrorist attacks in Paris) and then not doing anything that could not have been done without it.

Doing it right requires first and foremost the right mind-set. Participating Member States must be willing to exploit all opportunities for pooling and specialization to the maximum and to adapt their national defence planning to the commonly agreed capability targets, without any taboos. That also means doing away with any existing or envisaged national capability that turns out to be redundant. It also implies that purely national defence industrial interests must give way to multinational priorities – which will generate multinational economic opportunities. Only a very few of the many existing bi- and multinational cooperation initiatives have already reached this stage. And of course, those targets must be sufficiently ambitious. There is no point in launching PESCO if there is no ambition to achieve strategic autonomy.

I had the opportunity to be closely involved in the first debate on PESCO, in 2010, and I am fortunate to be involved again today. I do not think there will be a third opportunity to write about why we need PESCO: we do it now or we never will. But I do hope that I will be able to write in the future about the success of PESCO.

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References


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2017 is set to be a crucial year for the European Union (EU) and its Member States. Multiple crises, key electoral appointments and the celebrations of the 60th anniversary of the signing of the Treaties of Rome are among the most important events in the EU agenda. Against this backdrop, the Istituto Affari Internazionali (IAI) and the Italian Ministry of Foreign Affairs and International Cooperation (MAECI), in cooperation with the Centro Studi sul Federalismo (CSF) and in the framework of IAI’s strategic partnership with the Compagnia di San Paolo, have launched a new research project: EU60: Re-founding Europe. The Responsibility to Propose. The initiative seeks to re-launch the EU’s integration process, and will involve researchers from leading European think tanks who will contribute policy papers analysing specific political or institutional dimensions of the EU.