

EU60: RE-FOUNDING EUROPE

**THE RESPONSIBILITY
TO PROPOSE**



**PESCO: AN
ACE IN THE
HAND FOR
EUROPEAN
DEFENCE**

**ALESSANDRO MARRONE,
NICOLETTA PIROZZI
AND PAOLA SARTORI**

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PESCO: AN ACE IN THE HAND FOR EUROPEAN DEFENCE

by Alessandro Marrone, Nicoletta Pirozzi and Paola Sartori*

Abstract: The gap between the quest for security of European citizens and resources allocated to defence, as well as the need to build a more balanced transatlantic relation with the US are strong arguments in favour of an enhanced integration in the field of defence among EU member states. This is all the more important in view of the impending Brexit as well as the Trump administration's approach to Europe's security, to relations with Russia and the crises in North Africa and Middle East. At the same time, the defence landscape within the EU remains extremely diverse and it is becoming increasingly difficult to reach internal consensus to launch timely and effective interventions outside EU borders, especially high-end military operations. The Permanent Structured Cooperation (PESCO) is a ready-made tool for differentiation enshrined in the Treaties and its implementation would be a game changer leading to deeper integration in the defence field. PESCO is an ace in the hand of EU member states for acquiring and using the military capabilities necessary for a coordinated defence policy, linked to EU institutions and CSDP. If it is not *permanent* among a core of member states, or if it is not *structured* through a coherent set of joint capability development projects, or if it does not deliver operational and political *cooperation*, then it is not PESCO. Only by meeting these requirements will PESCO serve the purpose of establishing a functioning European defence mechanism via differentiated integration.

Keywords: EU integration | CSDP | Defence industry | PESCO

* Alessandro Marrone is Senior Fellow in the Security and Defence Programme of the Istituto Affari Internazionali (IAI). Nicoletta Pirozzi is Senior Fellow in the European Affairs area and Institutional Relations Coordinator at IAI and Adjunct Professor at the "Roma Tre" University in Rome. Paola Sartori is Junior Researcher in the Security and Defence programme at IAI.

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1. PESCO's political rationale

Why should EU member states and institutions launch the Permanent Structured Cooperation (PESCO) in the defence domain now?

First and foremost, because it would help the EU to respond more effectively to the quest for security of European citizens. Considering the gap between this need and the resources allocated to defence, PESCO is the most comprehensive and structural way for EU member states to do together what they are unable to do alone at the national level, including in key sectors such as cyber security, counter-terrorism, intelligence and rapid response capabilities.

Secondly, the recent convergence of threat perceptions and operational commitments among France, Germany, Italy and Spain, with a double focus on counter-terrorism and neighbourhood's stabilization, can lay the groundwork for a permanent and structured European cooperation. Such a convergence builds on some major steps made by the EU in 2016, namely: (1) the EU Global Strategy (EUGS) for Foreign and Security Policy,¹ and its implementation plan;² (2) the EU-NATO declaration on strategic partnership, and the proposals to implement it;³ (3) the conclusions of the Foreign Affairs Council on PESCO and EUGS implementation;⁴ and (4) the European Defence Action Plan (EDAP) presented by the European Commission.⁵

Third, a meaningful PESCO would enable member states to build a more balanced transatlantic relation with the US by developing a functioning European core within NATO and by ensuring the EU's strategic autonomy in protecting Europeans' security and promoting their interests. This is all the more important in view of the impending Brexit as well as the Trump administration's approach to Europe's security, to relations with Russia and

¹ European External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy*, 28 June 2016, <http://europa.eu/globalstrategy/en/node/339>.

² European External Action Service (EEAS), *EU Global Strategy Implementation Plan on Security and Defence* (14392/16), 14 November 2016, <http://europa.eu/!yG86DK>.

³ Joint declaration by the President of the European Council, the President of the European Commission, and the Secretary General of the North Atlantic Treaty Organization, Brussels, 8 July 2016, http://www.nato.int/cps/en/natohq/official_texts_133163.htm.

⁴ Council of the European Union, *Council Conclusions on Implementing the EU Global Strategy in the Area of Security and Defence*, 3498th Council Meeting Foreign Affairs, 14 November 2016, <http://europa.eu/!NQ34FH>.

⁵ European Commission, *European Defence Action Plan* (COM/2016/950), 30 November 2016, <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=COM:2016:950:FIN>.

the crises in North Africa and Middle East.

The 60th Anniversary of the Rome Treaties is an opportunity to set the ground for PESCO by building on the momentum generated by the aforementioned internal and external factors.

PESCO is a ready-made tool for differentiation enshrined in the Treaties (Article 42.6 of the Treaty on European Union (TEU) and related Protocol). Implementation of PESCO would be a game changer leading to deeper integration in the defence field. It is also qualitatively different from – and much more than – the NATO Framework Nation Concept or the cooperative activities within the European Defence Agency (EDA) context. Compared with these latter, PESCO brings together a group 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, within the EU's legal framework and in synergy with EU institutions. Therefore, PESCO has the potential to become a good example of differentiated integration, whereby able and willing member states move forward while keeping the process open and transparent to others who may wish to join in the future. This is a much-needed step forward, given that the defence landscape within the EU remains extremely diverse and it is becoming increasingly difficult to reach internal consensus to launch timely and effective interventions outside EU borders, especially high-end military operations.

Without the political rationale outlined above, PESCO risks becoming yet another tool created but not used, as with the EU Battle Groups, or a provision deprived of any political significance at EU level, as with the mutual defence clause.

2. PESCO in practice: what and how?

PESCO should not be used merely as an umbrella for a loosely coordinated range of cooperative projects among different groups of member states. This said, a certain degree of flexibility should be ensured through a modular approach, to allow participating member states not to contribute to every single project implemented within PESCO. At the same time, as strong internal cohesion is needed, the bulk of participating member states should join the vast majority of PESCO activities, so as to create a stable and reliable centre of gravity able to make this endeavour effective and efficient. To this end, the organizing principle should be that each participating member state joins all PESCO projects with the exception of those where it has no

capabilities to share or develop together.

In order to ensure sufficient cohesion, the PESCO governance should be linked with EU institutions. First, the High Representative/Vice President (HR/VP) should have a chairing role, in order to align PESCO's level of ambition with the EUGS and ensure coordination with the Common Security and Defence Policy (CSDP). Second, EDA should support PESCO by performing the necessary preparatory work, as well as developing case studies and scenario analysis. Third, developments within PESCO should be reported to the Coordinated Annual Review on Defence (CARD) meetings. These are planned to involve all EU member states and should envisage the participation of the HR/VP and a member of the European Commission at appropriate level in order to ensure an appropriate link with EDAP. The HR/VP should report twice a year to the European Parliament about developments within PESCO, in order to apply the aforementioned transparency and openness principles.

PESCO should be output-oriented, and the Defence Ministers of participating member states should regularly discuss capability development and military operations at a strategic level, chaired by the HR/VP and supported by EDA. Regular discussions would ensure coordination among different modules of PESCO, building on the fact that the bulk of participating member states join in the vast majority of PESCO activities. PESCO should prioritize the development of new capabilities and the ability to keep the existing ones operational, in order to address European military shortfalls. This should be done also on the basis of the Capability Development Plan (CDP) regularly reviewed by EDA. To this end, the CDP should become more detailed, output-oriented and linked to national defence planning. The EDA Collaborative Database (CODABA) should also serve for a bottom-up analysis of PESCO member states capabilities aimed at developing cooperation proposals, provided that member states validate and share information via CODABA itself.

Possible capability development projects to be jointly launched in the PESCO framework include, but are not limited to: a logistic and support hub; medical command; advanced training; remotely piloted aircraft systems capability; combat search and rescue; military capacity to counter nuclear, biological, chemical and radiological threats; strategic surveillance of EU borders; and shared access to satellite imagery. Existing pooling and sharing efforts such as the European Air Transport Command and Air-to-Air Refuelling initiative should be further developed within PESCO, but priority should be given to the cooperative development of the new capabilities that are needed.

Moreover, participating member states should constitute the vanguard to establish a fully fledged EU operational headquarters, by providing the necessary political mandate and the bulk of resources and personnel. In this way, the EU headquarters will be able to both run current and future CSDP missions and operations, including executive military interventions, and become the operational arm of PESCO. In turn, the EU Military Committee (EUMC) and the EU Military Staff (EUMS) should be involved in PESCO activities to provide the necessary military linkage with CSDP and all EU member states.

Capabilities developed and/or pooled via PESCO should be made available for operations to be performed by PESCO member states. To this end, a "security of disposal" clause should be introduced to prevent single participating member states from vetoing the use of PESCO assets and capabilities, provided that a decision to intervene has been adopted by the EU Council. Such a "security of disposal" clause requires a convergence of defence policies with specific reference to the EU's neighbouring regions where European armed forces are likely to be deployed in the future. This means that PESCO member states should make a steady effort to define common strategic priorities for actions with respect to: the crises in the Mediterranean and Middle East region, from Libya to Syria; the crisis in Ukraine and relations with Russia; the stabilization of sub-Saharan Africa; and the fight against radical Islamic terrorism.

Close coordination and cooperation between PESCO and NATO should be developed in the following sectors:

- capability development, by ensuring maximum coherence between the NATO Defence Planning Process and the EDA Capability Development Plan, improving contacts and ensuring a smooth information/documents exchange, as well as reinvigorating the EU-NATO capability group;
- military-to-military contacts, by establishing a constant and structured working cooperation between NATO International Military Staff, Allied Command Operations and Allied Command Transformation on the one side, and the EUMC, EUMS, EDA, and the future EU operational headquarters on the other;
- increased coordination of PESCO member states within NATO, aimed at both improving their contribution to the Alliance, and streamlining the Alliance decision-making by establishing a functioning PESCO core within NATO.

A PESCO so constituted would be demanding for member states able and willing to join it, both in political and military terms. Therefore, its establishment should be supported by a range of incentives, including but not limited to those already provided by EDAP. Namely:

- European Defence Fund: support for technological innovation aimed at developing participating member states capabilities via the Preparatory Action for defence to be financed by the European Commission in 2017-2019 and by the European Defence Research Programme (research window), envisaged by EDAP for the next EU budget (the European Defence Fund would also finance projects other than those prioritized via PESCO).
- Use of the EDAP “capability window”, so that member states investments in PESCO capability development projects are counted as “one-offs” under the Stability and Growth Pact.
- Access to European Investment Bank funds for PESCO capability development projects.
- VAT exemption for PESCO capability developments projects, including but not limited to those performed within EDA framework.
- Specific agreements on security of supply and intra-community transfer of equipment among participating member states, in order to: rapidly achieve the full implementation of 2009 directives; reach a liberalization of the European defence market by moving from *ex ante* authorization to *ex post* export control of intra-PESCO transfers, and relying on the mutual recognition of PESCO member states authorizations; make the voluntary Framework Agreement for security of supply legally binding.

3. A roadmap for PESCO

PESCO should be inclusive towards all the member states able and willing to respect the “higher criteria” established by the Lisbon Treaty provisions and Protocol. Such criteria should be detailed as follow:

1. *Input criteria*. A national-based roadmap with a time horizon of 2022, through yearly incremental milestones, to achieve the 20 percent of defence spending on procurement and the 35 percent of this expenditure on cooperative programmes. To ensure respect of such input criteria, a common methodology to account for the national defence spending should be proposed by EDA and agreed by participating member states, and CARD meetings should also serve to report member states fulfilment of the yearly milestones.
2. *Output criteria*. Usability, deployability and sustainability criteria related to the EU Generic Military Task List and NATO benchmarks, coupled with track record in deployed operations within EU, NATO and UN umbrella.

The fulfilment of both input and output criteria by participating member states should be assessed by an accountability mechanism supported by EDA.

PESCO thus constituted will only work if a core group of countries, most likely France, Germany, Italy and Spain and other like-minded countries, agree on its main features, and engage other able and willing member states to join.

An ambitious roadmap would imply first the inclusion of a dedicated paragraph in the declaration at 27 for the 60th Anniversary of the Treaties of Rome, which should endorse the differentiated integration concept in the defence field and set the ground for a PESCO that is fully compliant with the Lisbon Treaty. Second, after the French elections and before the summer (May-June) the Foreign Affairs Council should pass a decision to launch PESCO, to be activated within three months.

In order to support such a roadmap, those member states willing and able to join PESCO should present a joint declaration to call for their Ministries of Defence and Ministries of Foreign Affairs, as well as for EU institutions – namely HR/VP and European External Action Service, EDA and EUMC/EUMS – to establish a permanent, high-level working group to propose the principles and details of PESCO implementation.

In conclusion, PESCO is an ace in the hand of EU member states for acquiring and using the military capabilities necessary for a coordinated defence policy, linked to EU institutions and CSDP. It is not by chance that the Lisbon Treaty describes PESCO as based on “binding commitments” for the “most demanding missions”. If it is not *permanent* among a core of member states, or if it is not *structured* through a coherent set of joint capability development projects, or if it does not deliver operational and political *cooperation*, then it is not PESCO. Only by meeting these requirements will PESCO serve the purpose of establishing a functioning European defence mechanism via differentiated integration.

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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.



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Istituto Affari Internazionali | Via Angelo Brunetti, 9 - 00186 Roma
T +39 06 3224360 | F + 39 06 3224363 | iai@iai.it | www.iai.it