

## **EUROPEAN LEAGUE FOR ECONOMIC COOPERATION**

**Conference – International Economic and Social Commission – Brussels – 30/11/2017**

### **European Security and Defence – La Sécurité et la Défense Européenne**

Prior to the year-end ELEC Central Council in Brussels, the International Economic and Social Commission organised a conference on “European Security and Defence”. It gathered 35 ELEC members to debate on the future of security and defence in Europe in the context of recent initiatives towards an integrated European Defence. “More has been done in the last ten months than in the last 10 years<sup>1</sup>”.

#### **Program**

1. Presentation of a report from a joint ELEC–ARRI working party: “Proposals for a European Defence and Security Common Policy” by three persons who contributed to the report:

- Mr. Philippe Jurgensen, President of the French Section of ELEC and of ELEC International Economic and Social Commission;
- General Jacques Favin-Lévêque; Member of EuroDéfense – France;
- Mr. Jacques-André Troesch, President of “Association Réalités et Relations Internationales” (ARRI).

2. Reaction by Colonel Jean Marsia, former Professor at Belgian Ecole Royale Militaire and author of the book “The Key to an European defence, that of the United States of Europe” (ASP, 2015).

3. Presentation on the “Future of European Defence” by Air Commodore John Maas, Crisis Management and Planning Directorate, Senior Military Advisor, European External Action Service.

4. Belgium’s point of view on existing proposals towards European Security and defence by Ambassador François Cornet d’Elzius, Permanent Representative of Belgium to the Political and Security Committee of the EU (COPS).

#### **Key Topics – Executive Summary**

- **Defence: a top priority and a new chapter for the EU**
- **Proposals for a European Defence and Security Common Policy**
- **The Permanent Structured Cooperation – PESCO**
- **What does it mean for the European defence industry?**
- **The Key to an European defence, that of the United States of Europe?**
- **Can Europe reduce its fragmentation and move towards systematic coordination and perhaps even integration in the defence field?**

---

<sup>1</sup> HR/VP Federica Mogherini at the 2017 European Union Institute for Security Studies annual conference on “The EU Global Strategy: Translating vision into action” – Brussels, June 21<sup>st</sup> 2017.

## **Key Takeaways**

### **Defence and Security: a top priority and a new chapter for the EU**

Defence is an unusual topic for ELEC, but it is becoming a key issue for Europe. Besides, economy defense and security are closely linked.

Europe faces a multitude of challenges today, both internally and externally. While for a long time, defence has not been a major priority at EU-level (era of post-Cold War peace), things have changed following the financial crisis, security crisis (migrants, terrorism), recent strategic shifts in US diplomacy and political crisis with Brexit.

Europe's security environment requires a strong European Union, able to promote peace and guarantee the security of its Member States and citizens.

Europe is to play a more strategic role, but can it reduce its fragmentation and move towards more systematic coordination and perhaps even integration in the defence field? What does it mean for European economic and strategic defence sector?

An ambitious package to reinforce European security and defence policy was endorsed by the European Council in December 2016 based on three key interlinked elements:

1. The implementation of the EU Global Strategy in the field of security and defence;
2. The European Defence Action Plan (EDAP) with new financial tools for capability development and defence cooperation in support of the European defence industry and technological innovation;
3. The common set of proposals for strengthening EU-NATO cooperation, based on the Joint Declaration in Warsaw in July 2016.

### **Proposals for a European Defence and Security Common Policy**

Earlier this year, the French Section of ELEC, in close cooperation with its French partnering association ARRI (Association Réalités et Relations Internationales), prepared a joint proposition for a European Defence and Security Common Policy. Both associations gathered experts among their members in defence, industry and international law in order to:

1. Identify the new threats EU economy and citizens are facing;
2. Provide an approach how to build a joint security policy and;
3. Suggest a roadmap towards a joint European Defence Policy.

The report first identifies and explains the main threats that are provoking a new sense of insecurity among EU citizens: Security crisis with immigration problems, strategic shifts in geopolitics and destabilization of the EU neighbourhood (Africa, Middle-East, former USSR...) and potential military aggression, terrorism, natural catastrophes (amplified by climate change), Cyber and other high –tech risks (drones, space war,...).

Relying exclusively on the American “umbrella” is becoming increasingly dangerous and inappropriate, facing the wide variety of threats of a globalized world, emerging geopolitical strategies and strong isolationist trends within the USA.

The report is providing concrete proposals such as a European Security Agency (to elaborate common norms and prepare quick-reacting solidarity teams to assist affected countries); an European “Peace Corps” (to mobilize 100,000 youngsters for a one-year commitment to enhance security and integrate recent immigrants); an institutional framework, a “Permanent Structured Cooperation – PESCO” committing voluntary countries only, but able to make decisions and manage operations on a qualified majority basis.

The report is also suggesting financial solidarity with 20% of the defence budget (to be raised to 2% of GDP) to be dedicated to investment and a dedicated joint budget targeted at R&D.

This idea has been concretized by the European Defence Fund proposed by the Commission in July 2017. The fund comprises two strands:

- Research: financed with €90mn until the end of 2019, with €25mn allocated for 2017; and €500mn per year after 2020.
- Development and acquisition: The EU will offer co-financing with: €500mn in total for 2019 and 2020, under a dedicated defence and industrial development programme and €1bn per year after 2020.

Together with member States’ contributions to finance joint development projects, the Fund could generate a total investment in defence research and capability development of €5.5bn after 2020.

On December 12, 2017, EU Ministers agreed on a European Defence Industrial Development Programme, a key pillar of the European Defence Fund.

### **The Permanent Structured Cooperation – PESCO**

The use of PESCO (Permanent Structured Cooperation on Security and Defence) has been discussed many times, but the member States failed to agree on criteria and modalities. The European Global Strategy of June 2016 re-launched the debate on PESCO by calling on the member States to “make full use of the Lisbon Treaty’s potential” to “wake the sleeping beauty up”. The French and German Defence Ministers took this call up in their joint paper of September 2016 and advocated a voluntary, inclusive and open PESCO setting binding commitment on clear goals and benchmarks. In June 2017, the European Council agreed on the need to launch an “**inclusive and ambitious**” PESCO<sup>2</sup>.

On November 13, 2017, Ministers from 23 EU countries signed a common notification on the institutional framework of “PESCO” and handed it over to the High Representatives and the Council (which adopted it on December 11, with 25 participating members as Ireland and Portugal decided to join in early December).

PESCO foresees the scope of a number of EU member states working more closely together in the area of security and defence. This permanent framework will allow willing and able member States to develop jointly defence capabilities, invest in shared projects, and enhance the operational readiness and contribution of their armed forces.

Implementation will remain difficult and fulfilment will probably be gradual. Many member States are far from the target of spending 20% of total defence expenditure on equipment procurement, R&D and there remain some questions on future governance and practical

---

<sup>2</sup> PESCO Factsheet : [https://eeas.europa.eu/headquarters/headquarters-homepage/34226/node/34226\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/34226/node/34226_en)

functioning and organization with PESCO. Nevertheless, “more has been done in 10 months than in the last 10 years”.

### **What does it mean for the European defence industry?**

The Permanent Structured Cooperation on Security and Defence - PESCO, by becoming the umbrella organization of the European institutions for defence and security, is meant to be an answer to handicaps suffered by European industries.

The defence industry is of strategic importance for the EU: In 2015, its global turnover was more than €100bn (of which the naval sector: €53bn; military aeronautics €48.3bn) and the sector employed 500,000 people directly and around 1.2 million indirectly.

Despite the economic and strategic importance of the European companies, the defence sector is relatively fragmented and the market is heterogeneous. The industry has to face the handicap of too numerous weapon systems: the EU has 178 different weapons systems against 30 in the US; 17 for tanks vs 1 in the US; 29 for destroyers and firefighters vs 4 in the US; 20 for aircrafts vs 6 in the US.

The EC has assessed the loss due to lack of coordination between €25 and €100bn.

The industry is dominated by a small number of national actors facing a domestic EU market which is smaller than those of the major powers. The EU spends less than half of the US Defence budget: €227bn vs €545bn.

PESCO answers these weaknesses by federating the European institutions already in charge of defence issues. PESCO is designed to make European defence more efficient and to deliver output by providing enhanced coordination and collaboration in the areas of investments, capability development and operational readiness.

The difference between PESCO and the other forms of cooperation is the binding nature of the commitments undertaken by participating member States. However, participation remains voluntary and decision-making will remain in the hands of participating members.

PESCO is closely connected to the Coordinated Annual Review on Defence (CARD run by the European Defence Agency - EDA); the European Defence Fund (EDF), which is being developed under the Defence Industrial Development Program. CARD, through monitoring national defence, will help identify opportunities for collaborative initiatives.

EDF will provide financial initiatives to foster defence cooperation from research to the development of prototypes. The budget for 2018 is €32.5mn.

The PESCO set up does not exclude the risk of conflicts with NATO. Proposed by Germany and adopted at the Newport Summit in 2014, the Framework Nation Concept is intended to improve defence cooperation between European state members of NATO. It is in the form of clusters of small and large countries. The latter are due to ensure better coordination in the use, the acquisition of equipment and capacity of forces on the long run. Responsibility is ensured by a nation leader.

This effort of integration of forces on the operational level should normally open prospects of industrial cooperation, in particular by a search for a standardization of arms and grouped procurements.

Despite progress represented by PESCO, industrial cooperation in the field of armament will take a long time before substantial achievements could be seen. It will depend on the political readiness of governments to agree with a streamlining of the arms systems and thus a specialization of their domestic firms.

Of course cooperation in R&D is rather easy to mutualise, so every country can have its own share. But as the setting up of a modern and competitive defence industry will imply choices which will have social consequences, their costs should be assumed at the European level. It is the price to be paid if Europe wants to keep its share of the world armament market facing the power of the US industries and the rise of the Russian and Chinese industries.

### **The Key to a European defence, that of the United States of Europe?**

Without military capabilities, the EU Member States cannot ensure our security. For the most part, they appealed to NATO, that is to say, to the USA, which enabled the Europeans to reduce their defence effort by 2/3 compared with the end of the Cold War, but it still amounts to 200 billion € per year, or 1% of GDP. These means are largely wasted, as they are mainly used to pay a million and a half soldiers of which only 80,000, or about 5%, are usable in external operations.

The USA spends 3% of GDP on defence, 600 billion € per year; they have 980,000 soldiers of which 187,700 soldiers are in external operations (19%). The Russians have a budget of 60 billion \$, 750,000 poorly equipped and trained soldiers, except the elite troops, which they do not hesitate to use in limited offensives such as Georgia, Crimea, Donbass and Syria. China has a budget of 145 billion \$ and 2 million men.

“Europe needs in particular one Pentagon, not 28”. It must reindustrialize via the defence industrial and technological base. The progressive realization of the United States of Europe would make it possible to constitute at the same time effective European armed forces. According to Colonel Marsia, “We cannot achieve much before we achieve a political union”.

### **Can Europe reduce its fragmentation and move towards systematic coordination and perhaps even integration in the Defence field?**

A lot of progress has been done, but the political momentum will need to be translated into reality in the coming years. The European industry is organized for exports, not for defence in Europe. Cooperation willingness and coordination capacity will be key in the concrete implementation of new policies. It will be difficult to be ambitious within the PESCO framework with 25 participating members. Nevertheless the PESCO framework defence package is demanding and inclusive: this is quite a significant degree of sovereignty that will be transferred, and smaller countries may not have fully grasped the constraints and the consequences.

There is a need for action in order to deliver capabilities through deeper defence cooperation. A more strategic approach is needed about cooperation between countries and EU partners

such as NATO (especially in the fields of “hybrid threats” such as cyber-attacks, terrorism, or situations that need rapid deployment of troops or materials).

The European Defence and Security Common Policy is a major achievement for Europe. A European Defence framework is much more tangible for EU citizens than currency matters. Cooperation and integration in the field of defence and security can also stimulate a strategic industry within Europe.

**Access to the ELEC-ARRI proposals and presentations below\* (PowerPoint):**

1. LECE – ARRI: “Propositions pour une sécurité et une défense européennes”, 3 Avril 2017
2. Mr. Philippe Jurgensen: “Proposals for a European Defense and Security Common Policy” (*add access link*).
3. General Jacques Favin-Lévêque: “Les propositions majeurs du rapport LECE-ARRI” (*add access link*).
4. Mr Jacques-André Troesch: “Toward a European defence Industry” (*add access link*).
5. Colonel Jean Marsia: “The Key to a European Defence, that of the United States of Europe” (*add access link*).
6. Air Commodore John D Maas: “The Future of European defence” (*add access link*).

*\* Please note that the conference took place before the adoption of PESCO by Council (on December 11th) and consequently presentations refer to the 23 countries that participated in a joint notification of their commitments while Ireland and Portugal notified their decision to join PESCO only on 7 December 2017.*

Access link to PESCO – European Council: <http://www.consilium.europa.eu/en/press/press-releases/2017/12/11/defence-cooperation-pesco-25-member-states-participating/>