

Visions for Europe

From Strategic Compass to Common Course:

Key deliverables and implementation paths

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The Strategic Compass for Security and Defence should concretise the EU's level of ambition as a security provider. In November 2021, a first draft was presented to the member states. It is now up to them to negotiate the final document until March 2022. The need for consensus and long-standing divides could tempt them to either dilute the level of ambition or postpone the more controversial decisions to the implementation phase. With this paper, we seek to counteract these temptations. We identify eight key deliverables, point towards possible implementation challenges and propose ways to address them.

This paper is part of the “Visions for Europe” series, funded by the German Federal Ministry of Finance. Papers within this series develop longer-term visions and recommendations for different EU policy areas and are based on extensive consultation with experts and stakeholders. For this paper, an expert group composed of distinguished European experts was convened in July and September 2021. The paper also draws on insights from interviews with decision-makers from EU institutions and the member states. The views and opinions expressed in this policy paper are those of the author and do not necessarily reflect the position of every member of the expert group. The list of experts can be found in the annex.

Executive summary

The Strategic Compass will adumbrate a vision of the EU's security and defence policy for the next five to ten years. In November 2021, a first draft was presented to the member states, triggering the final and crucial phase of negotiation that should last until March 2022.

The draft presents an ambitious list of concrete deliverables with a clear timeline. However, there are justified **concerns that the level of ambition will be toned down** in the coming months or that the more controversial decisions will be postponed to the implementation phase. The first two decades of EU security and defence policy show that the risk of overpromising and underdelivering is as real as that of failing to deliver *tout court*.

In this paper, we concentrate on **eight key deliverables** included in the draft Compass and shed light on implementation paths and possible challenges:

- An **EU Rapid Deployment Capacity** for quicker and more robust crisis management
- The implementation of **Article 44** to speed up crisis management decision-making
- An upgraded **EU Hybrid Toolbox** with a strong cyber and disinformation dimension
- Stronger EU **cyber security and solidarity**
- More streamlined EU-level **capability planning**
- New **financial and fiscal incentives** for collaborative capability development
- A substantial **EU-US security and defence dialogue**
- New security partnerships in the **Indo-Pacific**

A review of these initiatives shows that **the devil is in the implementation details**. To forge a credible Compass and avoid an ex-post dilution of its level of ambition, the member states should use the time until March 2022 to clarify some of these points. A clear commitment to **regularly review progress and update the threat analysis and Compass** will be crucial to sustain the much-needed political will beyond March.

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Introduction: From ambition to credible implementation

The EU lacks ambition, political will, coherence, and capabilities. Many analyses reviewing the EU's Common Security and Defence Policy (CSDP) during its first two decades could so be summarized. To create a better sense of direction in this policy area, the German Presidency of the Council of the EU launched a two-year process for developing a Strategic Compass for Security and Defence in 2020. The Compass should adumbrate a **vision for the EU's role as a security provider in the next five to ten years**. Many promises have been attached to this process: It should forge a joint strategic culture; define the EU's level of ambition and priorities; enhance coherence; and provide the EU with the necessary means to implement its vision. Even so, from the outset, there was concern that these promises could not be kept and that the Compass would simply become another paper with limited follow-up and member state buy-in.¹

To avoid this, the member states put themselves in the driver's seat of an elaborate multi-stage process. It started in the second half of 2020, with a confidential **joint threat analysis** elaborated by the EU's Single Intelligence Capacity (SIAC) and national intelligence services. The member states then engaged in a six-month **strategic dialogue** on the four baskets of the Compass: crisis management, resilience, capabilities, and partnerships. This stage comprised a broad range of seminars and non-papers. On this basis, the High Representative for Foreign Affairs and Security Policy/Vice President of the Commission (HR/VP) and the European External Action Service (EEAS) wrote a **first draft**, which was presented to the member states in mid-November 2021.² This triggered the last and most crucial phase of the process, during which the member states will negotiate the final document, which is due to be agreed upon under the French Council presidency in March 2022.

Just ahead of the final negotiation phase, several developments underlined both the importance and weakness of the EU's security and defence policy. The chaotic **withdrawal from Afghanistan** in August painfully illustrated the limitations of European strategic autonomy. Without the United States (US), Europeans were unable to secure the airport in Kabul and evacuate their citizens and local staff. The US-British-Australian Security Pact on the Indo-Pacific (**AUKUS**) of September then proved the American pivot to the Pacific to be genuine. The Pact also led to the cancellation of a multi-billion-dollar submarine contract between France and Australia, reminding Europeans that the 'Buy American' policy continues. Soon after, the migrant-related **crisis at the Polish-Belarusian border** and the renewed **Russian military build-up at the Ukrainian border** put Europe's Eastern neighbourhood back at the top of the agenda.

Against this backdrop, the EEAS tabled a draft with a list of 42 deliverables cutting across the four baskets and including a clear timeline for implementation. As EU representatives underline, the **draft is both ambitious and realistic**. The

¹ Koenig, Nicole, *The EU's strategic compass for security and defence: Just another paper?*, Jacques Delors Centre, July 2020.

² European External Action Service, *A Strategic Compass for Security and Defence – For a European Union that protects its citizens, values and interests and contributes to international peace and security*, Brussels, 9 November 2021.

somewhat artificial dichotomy of ambition vs. realism had shaped the member states' discussions during the strategic dialogue phase. Put simply, there was a more ambitious camp, led by France, and a more cautious one, led by Poland. This dichotomy masks three long-standing divides. They concern the geographic spread, the balance between civilian and military means, and the division of labour between EU and NATO. Embedded in national threat perceptions and strategic cultures, these divides will continue to shape the final negotiation and implementation of the document.

The **draft therefore faces three dangers**: First, the need for consensus could lead member states to lower the level of ambition until March. The fact that the document was leaked and thus widely reviewed by analysts and the media may lower the risk, but it still exists. Second, the more controversial decisions could be postponed to the implementation phase, meaning that the level of ambition could be diluted ex post. Third, the member states could disregard common objectives and refrain from using the instruments they create. The fact that the EU has never met its Headline Goal of 1999 and that its rapid reaction instrument, the EU Battlegroups, remain unused, shows that this risk is real.³

“The more controversial decisions could be postponed.”

In this paper, we overleap the dichotomy of realism vs. ambition and ask **where the Compass can credibly add value** while keeping the aforementioned divides very much in mind. We focus on eight key deliverables in the four baskets, which were included in the first draft of the Compass. We selected these deliverables as they either address long-standing weaknesses of the CSDP, deliver a political shove to existing initiatives, or add new instruments to the EU's toolbox to match the changing geopolitical context. We show how divides among the member states have played out so far, point to possible implementation challenges and make suggestions on how they could be addressed.

1 Crisis management: Quicker, more robust, and more flexible

Military crisis management has been the most controversial and visible aspect of the Compass. It touches on all three divides mentioned above and is an area where the EU has long suffered from a gap between ambition and implementation. The EU's response to crises has often been too slow. Most EU missions and operations were too small or their mandates too weak to have any lasting impact. The EU's rapid reaction instrument, the Battlegroups, remains unused. While the EU is building up its military planning and conduct structures, crisis management is increasingly taking place in flexible coalitions of the willing outside of the EU framework. The following Compass deliverables could help address some of these long-standing weaknesses, but only if they survive the next few months and pass the implementation test.

³ According to the 1999 Headline Goal, the EU should be able to deploy a force of 50,000–60,000 troops within 60 days to be sustained for one year. The EU Battlegroups are 1,500-strong forces, two of which should be on stand-by for six months. They should be deployable within 5–10 days for up to 90 days.

1.1 A realistic and useable “EU Rapid Deployment Capacity”

The **most controversial proposal** discussed in the Compass context is that of a bolstered European rapid reaction instrument. France and thirteen other member states proposed a 5000-strong ‘EU initial entry force’ in May 2021.⁴ The idea was initially met with scepticism, but the disastrous withdrawal from Afghanistan gave it political welly. Even the more sceptical member states acknowledged that the EU should at least be able to evacuate its own citizens without US support. The proposal then gradually moved away from the concept of an initial entry force and towards a rapid reaction instrument, which could be used across the whole range of the EU’s operational scenarios.

“The EU should at least be able to evacuate its own citizens.”

The draft Compass proposed developing a 5000-strong “**EU Rapid Deployment Capacity**” (RDC) by 2025. It should “consist of substantially modified EU Battlegroups and of Member States’ other military forces and capabilities”.⁵ To allow the EU to respond flexibly to different crisis scenarios, it should be modular and include land, air and maritime components. There is little doubt that the RDC will be one of the flagship deliverables of the Compass. However, there are still important political and logistical questions when it comes to its implementation.

The **draft proposal represents a compromise** between the more ambitious camp of member states and the more cautious one, wary of using the Compass to sharpen the EU’s military arm and of duplicating NATO.⁶ The divide between the camps was deepened by a public fencing match between NATO Secretary General Stoltenberg and HR/VP Borrell in September. In an op-ed for the *New York Times*, Borrell said that the EU needs to prepare for situations such as that in Kabul inter alia by developing the initial entry force.⁷ Stoltenberg replied in an interview with *The Telegraph*, warning that such a force would duplicate NATO and divide Europe.⁸ According to informed sources, this public stand-off was backed by more discrete warnings from the US administration.

At the most superficial level, this divide explains the choice of the **name**. Rather than calling it an EU Rapid Reaction Force, the draft Compass cautiously opted for the more neutral-sounding EU Rapid Deployment Capacity. The aim is to avoid a beauty contest with NATO’s Rapid Response Force and its 5,000-strong Very High Readiness Joint Task Force (VJTF). However, the name game cannot hide a potential competition for high-readiness forces and the need for additional stand-by commitments.

This takes us to the more important question of the **composition** of the RDC. During the strategic dialogue phase, two options were discussed. The first, favored inter alia by France, was a pool of national brigades which would train and exer-

⁴ Austria, Belgium, Cyprus, Czechia, Germany, Greece, France, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Slovenia, Spain.

⁵ European External Action Service, *A Strategic Compass for Security and Defence – For a European Union that protects its citizens, values and interests and contributes to international peace and security*, Brussels, 9 November 2021.

⁶ Brzozowski, Alexandra and Vanttinen, Pekka, *Non NATO-member Sweden rejects EU rapid reaction force*, EurActiv.com, 6 September 2021.

⁷ Borrell, Josep, *Europe, Afghanistan is your wakeup call*, *New York Times*, 1 September 2021.

⁸ *The Telegraph*, *Proposed EU military force would divide Europe, warns NATO’s Secretary-General*, 4 September 2021.

cise together and would be anchored in a permanent multi-national corps.⁹ The advantage would be that it does not rely on the nations temporarily on stand-by and that modular forces could be tailored to meet different scenarios. The second option, backed inter alia by Germany, the Netherlands, Portugal, Finland, and Slovenia,¹⁰ was to base the new capacity on the EU Battlegroup scheme. Given the fears of duplication, this option is easier to sell, as it suggests that the EU does not intend creating an entirely new instrument. However, this is also its weakness. The Battlegroups are widely considered to be the ‘living dead’ of the CSDP. They have never been used; there have been several failed attempts to reboot them; and member states regularly fail to fill the roster.¹¹

“Battlegroups are widely considered to be the ‘living dead’ of the CSDP.”

The draft Compass combines both options by calling for a “substantially modified” version of the Battlegroups and member states’ “other military forces and capabilities”. If the member states settle on such a Battlegroup Plus scheme, they will have to clarify **what this substantial modification means in practice**, and address the following points:

- **Operational scenarios:** The biggest obstacle to the deployment of the Battlegroups has always been the lack of political will. The member states will thus have to engage in a frank discussion on the operational scenarios in which the new instrument would be used. The draft Compass rightly suggests clarifying the EU’s operational scenarios by 2022. This step will have important implications, not only for the RDC, but also for the EU’s entire crisis management toolbox and respective capability priorities.
- **Stand-by, deployment and follow-on forces:** The current Battlegroups are on stand-by for six months and should, once deployed, be sustainable for up to three months. There is general agreement that both the deployment and stand-by periods are too short and that the question of possible follow-on forces should be settled. Prolonging the stand-by period to one year and allowing for overlaps between the periods could address this issue.
- **Financing:** The low proportion of common costs for military operations means that the bulk of them will be carried by the member states on stand-by. While this has never been the main obstacle to deploying the Battlegroups, a larger proportion of common costs could at least partially lower the threshold. While the draft Compass rightly suggests extending the share of common costs under the European Peace Facility, the member states will now have to decide by how much.
- **Command and control:** According to the draft Compass, the command of the RDC would either fall to “pre-identified national operational Headquarters or the EU Military Planning and Conduct Capability once it reaches full operational capability”. A look at the MPCC shows that there is already a stark gap between ambition and reality. Only 40 of the 60 permanent posts foreseen for the conduct of all non-executive missions have been filled. If the mandate were broadened to include the conduct of the RDC in addition to advance planning and exercises, as suggested by the draft Compass, the staff ceiling would have to be substantially raised. More importantly, the member states would have to fill

⁹ For an implementation proposal, see Biscop, Sven, *The Strategic Compass: Entering the Fray*, Egmont Security Policy Brief no. 149, September 2021.

¹⁰ Deutsche Welle, *Germany, 4 EU states launch military reaction force initiative — report*, 21 October 2021.

¹¹ Biscop, Sven, *Kill the Battlegroups*, Egmont Royal Institute for International Relations, 18 November 2021.

these posts despite competing national and NATO demands for planners.

- **Modularity and scalability:** The member states will have to clarify how an upgraded Battlegroup scheme can be enhanced by member state forces and capabilities. They could do so via the PESCO Project Crisis Response Operation Core (CROC), which explicitly aims at filling the gap “between the EU Battlegroups and the highest level of ambition within the EU Global Strategy”.¹² However, as Sven Biscop points out, this would presuppose that more member states join and are willing to assign forces.¹³

1.2 Quicker and more flexible decision-making

In the context of the Strategic Compass, we saw a revival of discussions on the use of Article 44 TEU, which allows the Council to unanimously entrust a crisis management task to a group of willing and able member states that would then agree among themselves on its management. The Article was introduced by the Lisbon Treaty. While it has been discussed on several occasions, **it has never been used**. There are two reasons why we have seen a revival in the Compass context. First, recent attempts to extend the use of qualified majority voting to the CFSP and CSDP have failed. Article 44 could thus be a way to speed up decision-making and planning despite continued adherence to unanimity. Second, we have seen an increasing number of coalitions of the willing outside the EU framework, such as operation Agénor in the Straits of Hormuz and Task Force Takuba in the Sahel. Article 44 could be a way to bring such European coalitions of the willing into the EU framework. This would also allow member states that cannot join intergovernmental coalitions for legal reasons, such as Germany, to get on board.

However, the fact that Article 44 has never been used raises a few questions. The first is **when it would realistically be activated**. Based on recommendations of the Council’s Politico-Military Group of 2015,¹⁴ five broad scenarios can be distinguished:

1. **Rapid response:** The envisaged operation would take place at (very) short notice or be of short duration (such as in support of evacuation operations or humanitarian efforts). This could include the EU Rapid Deployment Capacity.
2. **EU coalition of the willing:** All member states politically support an operation or mission, but only a limited number of them are willing and/or able to participate militarily.
3. **EU coalition of the able:** If there is an opportunity to tap into particular expertise, experience and capabilities of member states, or cooperation established between them.
4. **Integration of an existing coalition of the willing:** There is political consensus for the Union to take over an ongoing mission or operation conducted by one or more member states outside the EU framework.
5. **Extension of an existing mandate:** All member states agree with the objective of a mandate extension but are unable or unwilling to participate in the implementation of additional tasks.

¹² Permanent Structured Cooperation, *EUFOR Crisis Response Operation Core*, accessed 3 December 2021. For an implementation proposal, see Biscop, Sven, *The Strategic Compass: Entering the Fray*, Egmont Security Policy Brief no. 149, September 2021.

¹³ Biscop, Sven, *The Strategic Compass: Entering the Fray*, Egmont Security Policy Brief no. 149, September 2021.

¹⁴ Council Politico-Military Group, *Recommendations on Article 44 TEU*, Brussels, 11 February 2015.

Depending on the scenario, the coalition could be formed in a bottom-up fashion, based on a group of willing and able member states, or top-down if the Council tasks a group to take on a particular task.

The next question is **whether article 44 would really provide for greater speed and flexibility**. In 2015, the Council's Legal Service provided a rather strict interpretation of Article 44:¹⁵ Not only does the Council decide unanimously to delegate the task; it also defines the objectives, the scope and the general conditions for its implementation. According to this interpretation, the Council would have to greenlight all planning documents and key parameters such as the tasks, duration, size, financial reference amount and third country participation. The group of able and willing would decide on the management of the task but it would have to keep the Council or Political and Security Committee regularly informed. Also, once the conditions for implementation change, the decision-making power would go back to the Council. This strict interpretation of Article 44 would probably fail to accelerate decision-making and effectively put the group of willing and able into a political straitjacket.

To make article 44 attractive, the EU will have to **grant more leeway to the participants**. The draft Compass therefore rightly proposes to “decide on more flexible modalities for the implementation of Article 44” by 2023. This could entail a more flexible interpretation of the EU's crisis management procedures for Article 44 scenarios. In addition, it suggests using constructive abstention (Art. 31(1) TEU), which allows the abstaining member state to opt-out from the financial contribution. However, constructive abstention has only been used once so far, by Cyprus in 2008, concerning the establishment of the EU's rule of law mission EULEX Kosovo. The member states would have to agree on a more systematic use of constructive abstention in the context of Article 44 and this would require a change in mindset. Discussing Article 44 versions of the operational scenarios and testing the modalities in exercises could prepare the way.

“Member states would have to agree on a more systematic use of constructive abstention.”

2 Resilience: Bolstering the EU's Hybrid and Cyber Toolboxes

The resilience basket has been a priority for a range of member states that view the Compass mainly as a tool to strengthen the EU's civilian security toolkit. The broad nature of resilience makes it harder to identify concrete deliverables, not least because the Compass will be a Council document while many relevant measures fall under Commission competence. During the strategic dialogue phase, discussions usually started with long reflections on the conceptual boundaries of resilience, then crystallizing around two notions: The first was solidarity including the implementation of the EU's respective Treaty clauses (Art. 42.7 TEU and 222 TFEU). This is traditionally controversial, owing to potential overlaps with NATO's Article 5. The second, pushed inter alia by France, was securing access to the global commons (with a focus on the cyber, space and maritime domains). While all domains are relevant, not all member states are equally invested in them. Few have, for instance, the capabilities to engage in space security. The Compass can thus

¹⁵ Council Legal Service, *Contribution on the conditions and modalities or recourse to Article 44 TEU*, Brussels, 13 January 2015.

serve to put the issue on the agenda by triggering the development of an EU Space Strategy for security and defence, as suggested by the draft. Earlier and more concrete deliverables can, however, be expected regarding hybrid and cyber threats.

2.1 Upgrading the EU's Hybrid Toolbox

Since the Russian acts of aggression against Ukraine, hybrid threats have been at the top of the EU's security agenda. They can be defined as “the mixture of conventional and unconventional, military and non-military, overt and covert actions that can be used in a coordinated manner by state or non-state actors to achieve specific objectives while remaining below the threshold of formally declared warfare”.¹⁶ Hybrid threats are rapidly evolving with technological progress and rising geopolitical competition. The draft Compass therefore proposes upgrading the EU's instruments and grouping them under a **new EU Hybrid Toolbox by 2022**. It also suggests creating **EU Rapid Hybrid Response Teams** consisting of sectorial experts that could support member states and partner countries in countering hybrid threats. When moving towards implementation, three aspects should be considered:

- The first is to **stay focused**. Hybrid threats involve a broad range of policy areas, actors, and targets as illustrated by the “Landscape of Hybrid Threats” prepared by the respective European Centre of Excellence.¹⁷ While an EU Hybrid Toolbox might suggest coherence, implementation implies bringing together a multitude of EU-level and national actors with partly overlapping competences. The EU would thus be well advised to start by concentrating on a narrower set of threats where it can really add value. The Compass draft rightly puts a focus on cyberattacks and disinformation, both amplifiers of a wide range of other threats.
- Second, the EU should **resist the temptation to over-securitise civilian challenges**. The situation at the Polish-Belarusian border currently puts the focus on the instrumentalization of migrants by state actors. The European Council labelled this perfidious tactic as a hybrid threat.¹⁸ However, this label can trigger the wrong responses and feeds into an already over-securitised narrative of migration, which will play into the hands of Europe's right-wing populists. A combination of EU sanctions and an agreement to distribute asylum seekers among EU member states would be far more effective – and in line with EU values – than suggestions to finance border walls and “deter” highly vulnerable persons with the military and tear gas.
- Third, EU member states should think of **better ways to link EU and NATO responses to hybrid threats**. This has already been a focal point of cooperation and will certainly be at the core of the third Joint EU-NATO Declaration. The coincidence of the Russian troop build-up at the Ukrainian border and the situation in Belarus underlines the importance of close coordination when it comes to complex hybrid situations. Even so, past attempts to agree on a joint playbook for hybrid threats failed due to political blockades and limited information-sharing. These problems will continue to hamper formal cooperation. It is thus important

¹⁶ European Commission, *FAQ: Joint Framework on countering hybrid threats*, accessed November 2021.

¹⁷ The European Centre of Excellence for Countering Hybrid Threats, *The Landscape of Hybrid Threats: A Conceptual Model*, Luxembourg, 2021.

¹⁸ European Council, *Conclusions*, Brussels, 21–22 October 2021.

to maximise the use of informal channels. One option would be to bring together the respective hybrid response teams by nominating experts to a roster from which both organisations could draw. This would bundle expertise and avoid duplication on the civilian side.

2.2 Strengthening cyber security and solidarity

The draft Compass mentions the word “cyber” 61 times. This reflects the rapidly rising risk of massive state-sponsored or criminal cyber-attacks or sabotage and repeated instances of electoral interference in Europe. The draft proposes a wide range of deliverables in the field of cyber security and defence. It notably proposes an **upgrade of the EU’s Cyber Diplomacy Toolbox** of 2017, which allows the EU to adopt sanctions and restrictive measures in response to malicious cyber activities. It also proposes **strengthening the solidarity dimension** of the EU’s cyber security policy inter alia through regular cyber solidarity exercises. The EU and member states face at least three implementation challenges:

“The draft Compass mentions the word ‘cyber’ 61 times.”

- The first are technical, legal and political challenges to **attribution**.¹⁹ Collective attribution could be a strong deterrent, but many member states lack the required cyber and intelligence capacities or refrain from attribution for political reasons. The fact that the EU has only imposed restrictive measures on eight individuals and four entities since the launch of the Cyber Diplomacy Toolbox in 2017 reflects these difficulties.
- The second challenge will be to **define thresholds** for triggering the solidarity and mutual assistance clauses in accordance with international law and specifying the procedures and response options under articles 42.7 TEU and 222 TFEU. In the NATO context, this discussion has been going on for years without leading to any clear definition. Joint, or at least more parallel and coordinated EU-NATO cyber exercises could provide insight into the interplay between the respective solidarity clauses in case of a massive cyber-attack.
- The third is the **complexity and fragmentation** of the overall cyber architecture of the EU, bringing together the Commission, the Council, the EEAS and other EU players and agencies as well as a wide range of diverse national actors. A more coordinated cyber policy will, inter alia, require more information- and intelligence-sharing among member states and more cyber intelligence experts at EU level.²⁰

3 Capabilities: Doing the housekeeping and rethinking incentives

The capabilities basket is crucial for implementation of the Strategic Compass. The CSDP continues to suffer from a gap between ambition and capabilities. The Report of the first Coordinated Annual Review on Defence (CARD) of 2020 showed that long-standing gaps (e.g., critical enablers) persist while new challenges (e.g., de-

¹⁹ Bendiek, Annegret and Schulze, Matthias, *Attribution als Herausforderung für EU-Cyber-sanktionen*, Stiftung Wissenschaft und Politik, Studie, October 2021.

²⁰ European Parliament, *Resolution the State of EU cyber defence capabilities*, Strasbourg, 7 October 2021.

fence in space and disruptive tech) broaden the set of requirements.²¹ The member states still fail to meet the benchmarks for collaborative equipment procurement and defence research and technology (R&T).²² The promise of CARD itself – namely, to bring national defence planning in sync – is still unfulfilled. According to the European Defence Agency (EDA), national planning until the mid-2020s leaves little room to incorporate the collaborative spending priorities it identified. The draft Compass addresses these points but is still a bit vague. It includes an unspecified pledge to increase national defence spending and leaves potential deadlines for the completion of key capability projects in brackets. It is now up to the member states to concretise these points. In addition, they should use the Compass to push for coherence between the EU's defence initiatives and develop additional incentives for cooperation.

“It is now up to the member states to concretise these points.”

3.1 Streamlining CARD, PESCO and the EDF

The EU's defence initiatives were planned as a coherent package: CARD provides a systematic overview of the EU's defence landscape and identifies the most pressing gaps. These gaps should then be addressed through PESCO projects, which receive a financial top-up from the European Defence Fund. However, **this coherent logic has not yet played out** in practice. The unclear military level of ambition means that the EU's defence initiatives lack political guidance. While we have seen a wide range of PESCO projects, many have been at the lower end of the spectrum, failing to address pressing capability gaps. In addition, the EU's capability planning process is fragmented. Responsibilities are spread across the Council and its working bodies, the EEAS, the EDA and the Commission.

The Compass can add value by streamlining the EU's capability planning process. The draft includes the promise to maximise coherence between EU defence-related initiatives. Concretely, it proposes **annual Defence Ministerial meetings on EU defence initiatives and capability development** chaired by the HR/VP starting from 2022. This would upgrade the role of the defence ministers, who currently only formally meet without the foreign ministers at the EDA's Ministerial Steering Board. The new ministerial meeting could enhance the political visibility of capability development and lead to clearer political guidance for PESCO, CARD, the EDF and the respective preparatory bodies.

The draft also states that the EU's defence initiatives should be better embedded in national defence planning, but it is less clear how this should be done. One option would be the **roundtable for strategic capability planning**, which nine member states proposed in a non-paper during the strategic dialogue phase. This roundtable would bring together EU-level civilian and military experts as well as national planners to regularly discuss the respective capability goals as well as PESCO and CARD. This could be complemented with dedicated seminars for member state planners and an ERASMUS-type exchange programme, allowing for a more direct exchange of information and lessons learned among national planners.

²¹ European Defence Agency, *2020 CARD Report*, Brussels, November 2020.

²² European Defence Agency, *2020 CARD Report*, Brussels, November 2020.

3.2 Reviewing financial and fiscal incentives for cooperation

The aim of EU defence cooperation initiatives is to provide the member states with incentives for greater joint defence investment, research, development, and procurement. So far, their impact has been limited. We witnessed a worrying **drop in collaborative defence spending in 2019** and a prolonged phase of post-pandemic economic recovery could easily lead to further cuts.²³ The Compass should therefore provide momentum to the development of additional fiscal and financial incentives for cooperation.

The draft vaguely states that the increased level of ambition should be matched with an “adequate long term financial weight of the European Defence Fund”. A look at the negotiations on the EU’s last multi-annual financial framework suggests that a vague commitment may not be sufficient. The member states slashed the financial envelope for the EDF by 39% from €11.4 billion in the initial Commission proposal of May 2018 down to €7 billion in the final Council deal. While a national defence spending target might not be in the cards, the member states could use the Compass to commit to a more **concrete EU-level spending target** for the next round of budgetary negotiations.

The draft Compass also suggests exploring ways to “stimulate joint procurement of the equipment developed with EU funding that has been manufactured within the EU”. One of the proposals, put on the table by von der Leyen in her 2021 State of the Union speech, is a **VAT waiver for the procurement of defence equipment developed and produced in Europe**.²⁴ Exemptions are already possible under relatively strict conditions for cooperative programmes run in the EDA or benefiting from its added-value activities.²⁵ The extent to which the waiver could be extended further, in line with legal provisions and without distorting competition, should be evaluated.

4 Partnerships: Exploring new formats and reaching out to new partners

This basket comprises a broad range of partners, notably NATO, the UN, the African Union, the Organisation for Security and Cooperation in Europe (OSCE), the Association of Southeast Asian Nations (ASEAN) and bilateral security partnerships. EU-NATO cooperation is without doubt the most important and most controversial partnership. A third EU-NATO Joint Declaration should be agreed by 2021/2022. This is important due to old fears of duplication fuelled by new overlaps in areas such as resilience, emerging and disruptive technologies and the climate-security nexus. These issues will also prominently figure in NATO’s new Strategic Concept and all sides have acknowledged the need to ensure utmost complementarity between the two processes and documents. At the same time, expectations are pretty low in terms of concrete output (beyond increased staff-to-staff contacts), due to the well-known political obstacles to formal cooperation and information-sharing. The Compass should therefore also give a push to other partnerships and formats.

“EU-NATO cooperation is without doubt the most important and most controversial partnership.”

²³ Molenaar, A., *Unlocking European Defence. In Search of the Long Overdue Paradigm Shift*, IAI Papers, 2021.

²⁴ Von der Leyen, Ursula, *State of the Union Address*, Strasbourg, 15 December 2021.

²⁵ European Defence Agency, *Guidelines on VAT exemption*, Brussels, December 2019.

4.1 Using the EU-US Security and Defence Dialogue strategically

Traditionally, NATO has always been the primary venue for transatlantic security and defence cooperation. In December 2020, the EU proposed complementing this with a dedicated EU-US Security and Defence Dialogue “taking a comprehensive approach to security and based on a shared strategic vision”.²⁶ In the joint EU-US Summit Statement of June 2021, both sides committed to establishing such a dialogue.²⁷ The tensions surrounding the withdrawal from Afghanistan, the AUKUS deal and the prospective US participation in PESCO projects highlight the need for closer cooperation, information exchange, or at least deconfliction. Given the political obstacles to EU-NATO cooperation, it can also serve as a platform to prepare compromises within the Alliance or adumbrate informal cooperation paths. The draft Compass included **the launch of the dialogue in 2022** as one of its concrete deliverables.

The **launch itself has been controversial**, as the US tied it to the conclusion of an Administrative Arrangement with the EDA. Against the backdrop of AUKUS, France delayed agreement on the EDA negotiating mandate. The US participation in the agency’s projects is linked to thorny questions on regulatory and industrial standards as well as to reciprocity. A key sticking point is the US arms export control policy under the International Traffic in Arms Regulations (ITAR), allowing Washington to block the re-export of European defence products which contain US components or rely on its software and data. In October 2021, the US and France launched a bilateral dialogue to “foster a shared view on defense market access and export issues” and “identify steps to improve the efficiency and effectiveness of defense export authorizations”.²⁸ France then dropped its veto on the EDA negotiating mandate, which was agreed in mid-November. A first meeting of the EU-US dialogue could reportedly be held in early 2022.²⁹ However, questions of market access remain on the table and there are few signs that the US is willing to compromise on ITAR.³⁰

This leads us to the question: **how much substance will come out of this dialogue?** The Director of the EU Military Staff Hervé Bléjean stressed that it should stay clear of mere transatlantic pleasantries and produce concrete output.³¹ This will depend on the degree of priority that both sides assign to the dialogue as well as its scope and governance. The fact that the Joint EU-US Summit Communiqué of June 2021 mentioned the dialogue in its very last point suggests that it is far from the highest priority. Other formats, notably the Trade and Technology Council, have received far more attention.

“Stay clear of mere transatlantic pleasantries and produce concrete output.”

²⁶ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *A new EU-US agenda for global change*, Brussels, 2 December 2020.

²⁷ *US–EU Joint Summit Statement*, Brussels, 15 June 2021.

²⁸ Biden, Joseph R. and Macron, Emmanuel, *United States–France Joint Statement*, 29 October 2021.

²⁹ Brzozowski, Alexandra, *EU–US to start new defence and security dialogue in early 2022*, EurActiv.com, 3 December 2021.

³⁰ Fiott, Daniel and Maulny, Jean-Pierre, *What scope for EU–US Defence Industrial Cooperation in the 2020s?*, September 2021.

³¹ Sprenger, Sebastian, *U.S.–EU leaders to unveil new forum for defense, security talks*, defenseneews.com, 3 December 2021.

Much will depend on the US' willingness to engage, but the EU can raise the odds of a substantial dialogue by making a **solid proposal for its scope and governance**. The draft Compass suggests a broad scope including the following topics:

- Respective security and defence initiatives
- Disarmament and non-proliferation
- Impact of emerging and disruptive technologies
- Cyber defence
- Military mobility
- Countering hybrid threats and disinformation
- Crisis management
- Relationship with strategic competitors

Considering the potential for frictions, the member states should consider including capability development and interoperability. The **set-up of the dialogue** could be mirrored on the Trade and Technology Council and thus combine thematic working groups with annual high-level meetings bringing together the US Secretaries of State and Defense with the EU HR/VP and the Commissioner for Internal Market/Defence Industry and Space. To ensure a close link with NATO, its Secretary-General could be invited to selected sessions of the annual high-level meetings.

4.2 Reaching out to partners in the Indo-Pacific

As the world's most dynamic economic region and increasingly a theatre of geopolitical tensions, the Indo-Pacific has climbed up the EU's agenda, as illustrated by the publication of the "Strategy for Cooperation in the Indo-Pacific" in September 2021.³² The Strategy puts the notion of partnership at its centre and promotes a broad approach, based on seven thematic areas: sustainable and inclusive prosperity; green transition; ocean governance; digital governance and partnerships; connectivity; and security and defence. On the latter, it "seeks to promote an open and rules-based regional security architecture, including secure sea lines of communication, capacity-building and enhanced naval presence".

The Compass could **provide a boost to the implementation of the strategy's security and defence dimension**. In fact, the draft took up some of the respective deliverables and added deadlines:

- the expansion of the Coordinated Maritime Presences concept to the region by 2022,
- deeper political dialogue with ASEAN and stronger cooperation in areas such as conflict prevention, shared situational awareness and resilience by 2022,
- the association of regional partners to the Coordinated Maritime Presences and the conduct of joint maritime live exercises and port calls by 2023.

While these measures are sensible, implementation will be challenging. Only a **few member states are ready to view the region through a strategic lens**. France, Germany, and the Netherlands – all driving forces behind the EU document – are also the only ones with national Indo-Pacific strategies. Other member states, notably Central and Eastern European ones, have been warning against strate-

³² European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *The EU strategy for cooperation in the Indo-Pacific*, Brussels, 16 September 2021.

gic overstretch. In addition, most member states view the Indo-Pacific through a purely economic lens. Forging new security partnerships or inviting regional players to live exercises could easily upset China, a key economic partner. A majority acknowledges the growing importance of maritime security, but only very few are willing and able to engage militarily in the Asian Indo-Pacific.³³

“Only very few are willing and able to engage militarily in the Asian Indo-Pacific.”

The member states will thus have to clarify who would be willing to join a coordinated maritime presence, as well as where and with which capabilities. In addition, they can pick some low-hanging fruit. Most member states are in favour of strengthening inter-regional security **cooperation with ASEAN**.³⁴ In the field of security, both sides committed to cooperate on cybersecurity, maritime security, transnational crime and counterterrorism. The EU can also seek to play a stronger role in the ASEAN Defence Ministers Meeting Plus structures, which Borrell attended for the first time in December 2020. In this context, the EU can promote initiatives to foster knowledge exchange and capacity-building, drawing inter alia on the European Peace Facility. Cooperation on **cyber security** will likely be a focal point, both because member states are most interested in this area and because it is far less controversial than maritime security.³⁵

Conclusion: The crucial importance of leadership and follow-up

The first draft of the Strategic Compass marries ambition and realism and represents a compromise between different camps of member states. It strikes a balance between different baskets, suggests clear timelines for implementation, and underlines the importance of EU-NATO as well as transatlantic cooperation. Its level of ambition has been shaped by a range of developments, notably the withdrawal from Afghanistan, the AUKUS affair and the resurgence of hybrid threats on the EU's Eastern flank. These developments, as well as the uncertain outcome of the US presidential election in 2024, call for an ambitious strategy document.

Even so, the member states could still be tempted to **dilute the draft or move the more controversial questions to the implementation phase**. First and foremost, this includes the divisive question of the geographic spread. The draft enumerates threats and challenges, but it does not set clear-cut priorities. The fact that the final negotiation coincides with a Russian troop build-up at the Ukrainian border could reinforce the tendency of some member states to focus on NATO and the Eastern flank rather than sharpening the EU's military arm and looking further afield. The draft also remains vague on some key questions for implementation, notably the composition of the Rapid Deployment Capacity, increases in defence spending or deadlines for key capability projects. The member states should aim to concretise these points as much as possible until March to avoid an ex-post dilution of the level of ambition.

“The draft enumerates threats and challenges, but it does not set clear-cut priorities.”

Political leadership will thus be crucial in the final drafting phase. The French Council Presidency will have an important role to play. As underlined by a Report

³³ Grare, Frédéric and Reuter, Manisha, *Moving closer: European views of the Indo-Pacific*, European Council on Foreign Relations, 13 September 2021.

³⁴ Ibid.

³⁵ Ibid.

of the French Senate on the Strategic Compass, it will have to **resist the pre-electoral temptation to make “spectacular declarations”** under the divisive headline of strategic autonomy.³⁶ It should rather endorse the role of an honest broker and listen closely to Central and Eastern member states. Meanwhile, the new German government will have to live up to the promise of the coalition treaty to contribute to an ambitious Compass.³⁷ As initiator of the whole process, it will have an important role to play as co-leader to France and bridge-builder between Europe’s Atlanticist and Europeanist nations.

To avoid implementation gaps, the member states should agree on **systematic follow-up**. According to the draft Compass, the HR/VP should provide an annual progress report to the European Council. The latter could then provide political guidance and set priorities for further implementation. Taking this proposal further, the European Council could also use this opportunity to define the EU’s strategic interests and thereby open the door to implementation by qualified majority in line with article 31(2) TEU. In addition, the draft proposes a **regular review of the joint threat analysis and Compass**. The threat analysis could, for instance, be reviewed every two years to account for the rapidly changing geopolitical context. Meanwhile, the Compass should be updated at the beginning of each new institutional cycle. This would allow the new leadership team in Brussels to set priorities, and it may also lead to a better alignment between these and the EU’s multi-annual financial framework.

Finally, it is important to stress that the **Strategic Compass cannot act as a silver bullet** for all the weaknesses of the CSDP. A 30-page document will not magically resolve the long-standing divides among the member states. However, it can speed up the gradual evolution of the EU’s security and defence policy and it can be the starting point for a more regular strategy discussion, which could lead to a more convergent strategic vision and more decisive joint action.

“Speed up the gradual evolution of the EU’s security and defence policy.”

³⁶ Le Gleut, Ronan and Conway-Mouret, H el ene, Information Report in the name of the Committee on Foreign Affairs, Defence and Armed Forces of the French Senate, *Quelle boussole strat egique pour l’Union europ eenne?*, Paris, July 2021.

³⁷ SPD, B undnis/Die Gr unen und FDP, *Mehr Fortschritt wagen: B undnis f ur Freiheit, Gerechtigkeit und Nachhaltigkeit*, Berlin, November 2021.

ANNEX:

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