

# FRANCE AND GERMANY: SPEARHEADING A EUROPEAN SECURITY AND DEFENCE UNION?

Dr. Nicole Koenig | *Senior research fellow, Jacques Delors Institut - Berlin*

Marie Walter-Franke | *Research associate, Jacques Delors Institut - Berlin*

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## SUMMARY

The Common Security and Defence Policy (CSDP) has become one of the most dynamic fields of European integration. The destabilisation of the EU's neighbourhood, Brexit, and uncertainty in the transatlantic security partnership were important drivers behind this revitalisation. France and Germany reacted by jointly propagating the vision of a European Security and Defence Union. However, the CSDP is a policy area that has often been characterised by a gap between vision and action.

This paper therefore offers a **cautious assessment of the current window of opportunity**, based on two questions: First, is the necessary condition for deeper defence integration, a unified Franco-German leadership, really met? Second, is it a sufficient condition for the development of an ambitious Security and Defence Union?

The **review of new drivers and old constraints offers a mixed picture**. Despite a degree of strategic convergence between France and Germany, long-standing differences in terms of political culture and public perception persist. While Brexit means that a key veto player on CSDP matters is leaving the EU stage, recent experience has shown that it is not the only one. Not all EU member states are keen to follow the Franco-German lead.

This mixed assessment explains why **the EU has so far only taken cautious steps** towards a European Security and Defence Union. Some of the more ambitious measures that entail sharing risks, delegating sovereignty, or pooling resources are still in the pipeline. There is broad agreement on concepts, but the devil is likely to be in the detail.

In light of the mix between drivers and constraints, this paper advocates **incremental steps towards a more ambitious European Security and Defence Union**. Concretely, France and Germany should seize the moment and:

- Forge a European compromise on **ambitious and inclusive criteria for Permanent Structured Cooperation**
- Develop **pragmatic options for the financing of joint procurement** under the European Defence Fund
- Foster synergies and enhance the joint impact by appointing a **Franco-German Syria Envoy**

With a view to the post-Brexit era, they should:

- Push for the transformation of the Military Planning and Conduct Capability into a **fully-fledged civil-military EU Headquarters**
  - **Establish linkages** between Permanent Structured Cooperation, the European Defence Fund and the Coordinated Annual Review on Defence
  - Build **options for the close association of third countries** to the EU's defence core
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## INTRODUCTION

**W**e need a European Union (EU) that protects its citizens. This was one of the central messages of the 19th Franco-German Ministerial Council meeting in Paris on 13 July 2017. The joint Defence and Security Council translated this message into concrete bilateral initiatives with a European angle. After the bilateral narratives, the French and German defence ministers met with their Spanish and Italian counter-parts as well as the EU High Representative for Foreign Affairs and Security Policy, Federica Mogherini. This sequence was representative of a year that has seen an important revitalisation of Franco-German leadership concerning the development of the EU’s Common Security and Defence Policy (CSDP).

Security and defence have become some of the most dynamic areas when it comes to deepening European cooperation. After years of strategy and CSDP fatigue, High Representative Mogherini published the EU Global Strategy for Foreign and Security Policy in June 2016<sup>1</sup>. Two Franco-German papers followed in July and September 2016, outlining a joint vision and concrete proposals for a European Security and Defence Union<sup>2</sup>. Many of these proposals made it into the three-pronged ‘winter package’ on defence that the EU (and NATO) agreed in November and December 2016 (see Table 1).

**TABLE 1** ▶ Selected key elements of the EU defence “winter package”

EEAS and member states: Security and Defence Implementation Plan	European Commission: Defence Action Plan	Statement on the implementation of the EU-NATO Declaration
Focus: implementing the EU Global Strategy	Focus: deepening the European defence market	Focus: closer cooperation on capabilities and shared threats
<ul style="list-style-type: none"> <li>• A permanent planning and conduct capability for non-executive military missions</li> <li>• Enhance common funding for CSDP military operations through a reform of the Athena mechanism</li> <li>• Strengthen usability and deployability of the EU’s Rapid Response toolbox, including the EU Battlegroups</li> <li>• Explore the potential of permanent structured cooperation (PESCO)</li> <li>• Set up a Coordinated Annual Review on Defence</li> <li>• Develop CSDP cooperation with partner countries</li> </ul>	<ul style="list-style-type: none"> <li>• A European Defence Fund:                             <ul style="list-style-type: none"> <li>- Research window to fund collaborative research: €500 million/year from 2020</li> <li>- Capability window for development and procurement: to mobilise 5bn/year from 2020</li> </ul> </li> <li>• Foster investments in SMEs, start-ups, mid-caps and other suppliers to the defence industry</li> </ul>	<ul style="list-style-type: none"> <li>• Intensified staff-to-staff contacts</li> <li>• Systematic information exchange between a new “European Centre for Countering Hybrid Threats” and relevant NATO counterpart</li> <li>• Pursue coherence of planning output and complementarity of projects in areas of common interest</li> <li>• Enhance operational EU-NATO coordination including on maritime operations</li> <li>• Foster Cyber Defence Research and Technology Innovation cooperation as well as interoperability</li> </ul>

Source: European Union (2016)

There are **three key drivers behind the revitalisation of the EU’s security and defence policy**. The first is the thorough destabilisation of the EU’s geopolitical environment. To the East, it faces the Ukrainian conflict, alighting tension with Russia and latent energy insecurity. To the South, state failure and conflict have given rise to jihadist terrorism and triggered mass migration. Second, the United Kingdom (UK), one of Europe’s few security heavyweights, is preparing to leave the EU. And third, the election of US President Donald Trump led many in Europe to question the transatlantic security partnership. As German Defence Minister Ursula von der Leyen put it, “the Brexit referendum and the U.S. election opened our eyes. Europeans must take more responsibility for their own security”<sup>3</sup>.

1. European External Action Service, “Shared Vision, Common Action, a Stronger Europe: A Global Strategy for the European Union’s Foreign and Security Policy”, Brussels, June 2016.

2. Joint Position by Defence Ministers Ursula von der Leyen and Jean Yves le Drian, *Revitalizing CSDP: towards a comprehensive, realistic and credible Defence in the EU*, 11 September 2016; Joint contribution by Foreign Ministers Jean-Marc Ayrault and Frank-Walter Steinmeier, *A strong Europe in a world of uncertainties*, 27 June 2016.

3. Shalal, Andrea. *Germany, France drafting details of defense fund: German minister*, Reuters, 10 June 2017.

**Three additional factors should allow the EU to take this responsibility.** First, the citizens expect the EU to do more: average public support for a common defence and security policy has consistently been above 70% since 1999<sup>4</sup>. Second, deepening European cooperation on security and defence does not require Treaty change. To the contrary, there are several clauses in the Treaty of Lisbon that remain unused. Third, Macron's presidency started off with the most pro-European and pro-German government since the times of Valéry Giscard d'Estaing. Early on in his campaign, Macron made a "real" *Europe de la défense* one of his priorities. In Berlin on 10 January 2017, he said that it was time to overcome old divides: "I want to escape the stereotype of a France in charge of international affairs but stuck in its internal problems, and of a Germany economically powerful but naïve in front of global threats"<sup>5</sup>.

” THE CSDP HAS BEEN CHARACTERISED BY A GAP BETWEEN THE BROADER POLITICAL VISION AND CONCRETE IMPLEMENTATION. ”

It thus seems that the stars are aligned when it comes to deepening European cooperation on security and defence. And yet many windows of opportunity have been missed in the past. The CSDP is a policy area that has been characterised by a gap between the broader political vision and concrete implementation. Examples include unused Treaty clauses, unfulfilled capability targets and dragging force generation processes. In other words, an ambitious EU security and defence agenda does not necessarily imply ambitious and seamless implementation.

This paper therefore offers a cautious assessment of the current window of opportunity based on two questions: First, is the necessary condition for deeper defence integration, a unified Franco-German leadership, truly met? Second, is the current alignment of stars and concrete proposals a sufficient condition for an ambitious Security and Defence Union?

The analysis shows that the EU was able to overcome some old hurdles and agree on concrete deliverables concerning the planning and conduct as well as financing of CSDP operations. However, these were initial and rather cautious steps. The more ambitious dossiers, implying a degree of variable geometry as well as pooling sovereignty and resources, are still in the pipeline. France and Germany have taken the lead in terms of shaping European compromises, but too many questions remain open to speak of a real leap towards an ambitious European Security and Defence Union.

In light of initial achievements and persisting constraints, we propose an incremental approach. In the first place, the Franco-German couple should use the current window of opportunity and bilateral "honeymoon" period to:

- Forge a European compromise on **ambitious and inclusive criteria for Permanent Structured Cooperation**
- Develop **pragmatic options for the financing of joint procurement** under the European Defence Fund
- Foster synergies and enhance the joint impact by appointing a **Franco-German Syria Envoy**

With a view to the post-Brexit era, Paris and Berlin should lift the EU's defence revitalisation package to the next level and:

- Push for the transformation of the Military Planning and Conduct Capability into a **fully-fledged civil-military EU Headquarters**
- **Establish linkages** between Permanent Structured Cooperation, the European Defence Fund and the Coordinated Annual Review on Defence
- Build **options for the close association of third countries** to the EU's defence core

4. European Commission. [Interactive chart](#) on Public Opinion. Last consulted on 7 July 2017.

5. Macron, Emmanuel. [Discours de Berlin](#), speech held during campaign event at Humboldt University, Berlin, on 10 January 2017.

# 1. Franco-German leadership: drivers and constraints

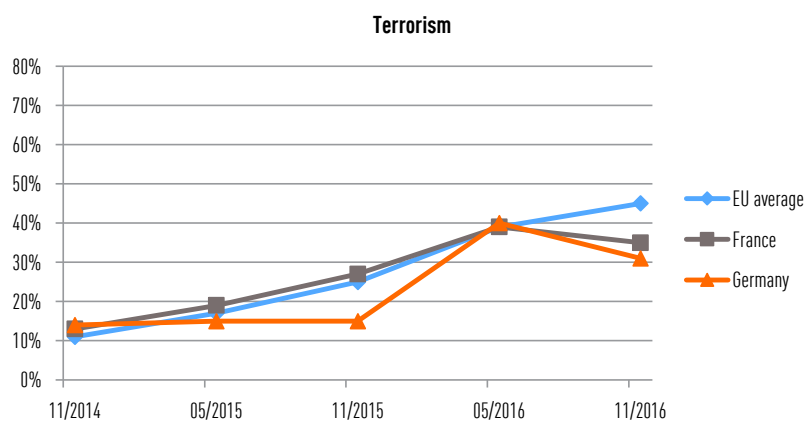
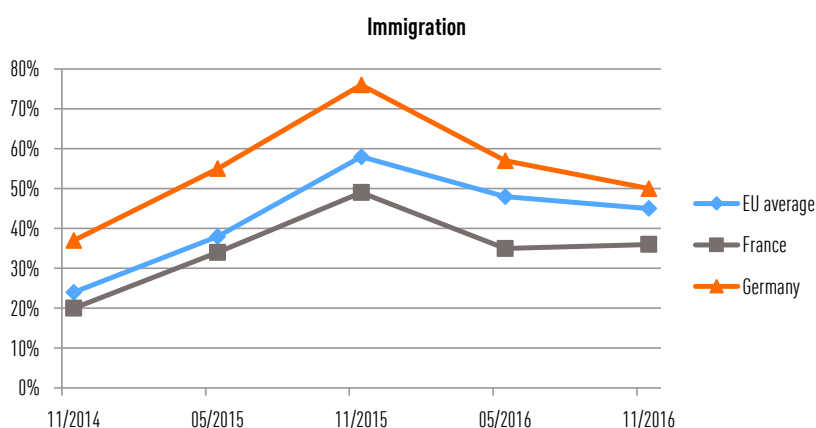
Some speak of a unique window of opportunity to deepen security and defence integration. Others are more sceptical and warn that a Franco-German ‘honeymoon’ period only conceals persisting dividing lines and constraints. To paint a realistic picture of this window of opportunity, it is important to review the balance between new drivers and old constraints.

## 1.1. New drivers

In recent years, external threats and challenges fuelled **strategic convergence** between France and Germany. They reacted in unity to the Ukraine conflict in the framework of the Normandy format. Meanwhile, migration and jihadist terrorism affected both countries and illustrated how intimately Europe’s stability and security is linked to that of its Southern neighbourhood.

This strategic convergence was reinforced by **public threat perception**. According to polls, immigration and terrorism replaced the state of the economy and unemployment as the “two most important issues facing the EU” since May 2015. The evolution of the curves in Figure 1 reflects the effect of the “refugee crisis” on public opinion. The answers of German and French citizens follow the same pattern, even if the former are relatively more concerned about immigration and the latter about terrorism.

**FIGURE 1** ▶ Citizens’ perspective: two most important issues facing the EU

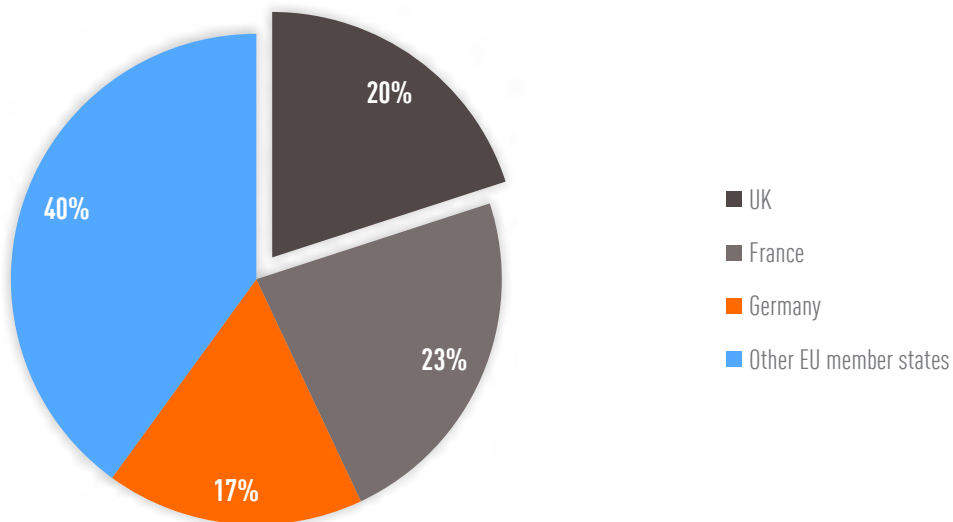


Source: Eurobarometer (2014-2016)

The combination of growing concerns over immigration and terrorism contributed to a **convergence in regional focus** by reinforcing Germany’s strategic interest in Africa. In his speech in Berlin on 10 January 2017, then presidential candidate Emmanuel Macron summarised Franco-German strategic convergence as follows: “Russia is not a German problem or a French passion – as some of my competitors may lead you to believe; interventions in Africa are not the sole responsibility of France”<sup>6</sup>. With a strong focus on security and development initiatives for the Sahel zone, the Franco-German Ministerial Council of 13 July 2017 underlined this geographic convergence. “For us from the German side this engagement in Africa is something new”, the Chancellor said during the press conference and underlined the region’s importance in terms of migration<sup>7</sup>.

Another facilitator for Franco-German leadership was Germany’s domestic debate about taking **greater international responsibility**. In light of external security challenges and rising expectations by key partners, the Federal President, Foreign and Defence Minister announced a more assertive and proactive role in security policy in January 2014. This comprised more engagement in the military realm. Germany’s first practical steps towards greater international responsibility included deploying elements of the Franco-German brigade to reinforce the EU Training Mission (EUTM) in Mali and sending troops as well as transport and sanitary aircraft for the EU military operation in the Central African Republic (EUFOR RCA). These steps were clearly geared towards strengthening the Franco-German partnership in the EU context.

FIGURE 2 ► EU defence expenditure and Brexit



Source: SIPRI Military Expenditure Database (2016)

Convergence created the conditions for Franco-German leadership, but the **Brexit referendum** on 23 June 2016 was the key trigger for the more concrete initiatives on the future of the CSDP. Only four days after the vote, the French and German Foreign Ministers published a letter in which they made a strong case for a European Security Union<sup>8</sup>. Brexit means that the leading Atlanticist and veto player on the CSDP’s development is leaving the stage. At the same time, the EU is losing one of its most powerful and experienced military players. In 2016, the United Kingdom (UK) accounted for one fifth of the EU’s combined defence expenditure (see Figure 2). While this weakens EU defence overall, it also means that the relative weight of France and Germany within EU 27 is increasing considerably. Without Britain, they account for roughly half of the EU’s combined military spending. Even more than before, Franco-German leadership is an essential economic prerequisite for a meaningful European Defence and Security Union.

6. Macron, Emmanuel, *Discours de Berlin*, speech held during campaign event at Humboldt University, Berlin, on 10 January 2017.

7. Bundesregierung, *Pressekonferenz von Bundeskanzlerin Angela Merkel und Präsident Emmanuel Macron* beim 19. Deutsch-Französischen Ministerrat, 13 July 2017.

8. Joint contribution by Foreign Ministers Jean-Marc Ayrault and Frank-Walter Steinmeier, *A strong Europe in a world of uncertainties*, 27 June 2016.

FIGURE 3 ▶ Trump's Twitter "diplomacy" on greater burden-sharing



Source: Twitter (2017)

An important external driver for Franco-German leadership was the **election of US President Donald Trump**. The American call for more transatlantic burden-sharing in defence is far from new<sup>9</sup>. However, Trump lifted the debate to another level by adopting a transactional approach to the Alliance and calling Article 5 into question. The media reported that he handed Chancellor Merkel a \$374bn NATO bill during their meeting in March 2017, a sum higher than Germany's total annual tax revenue<sup>10</sup>. These reports were officially dismissed, but the underlying message and tone remained (see Figure 3) – despite German promises to incrementally increase defence spending. Following the NATO and G7 summits in May 2017, Merkel responded: “The times in which we can fully count on others are somewhat over, as I have experienced in the past few days (...) we Europeans must really take our destiny into our own hands”. The Chancellor thus ‘somewhat’ called the reliability of Germany's number one security partner into question. Number two, as underlined by the 2016 German Security White Paper, is France<sup>11</sup>.

## 1.2. Persisting constraints

The member states' **diverse perceptions, strategic cultures and ambitions** constitute a key obstacle to rapid defence integration and a potential “source of mutual suspicion”, according to the French White Paper of 2013<sup>12</sup>. This issue is of particular importance to the Franco-German couple. The Europeanist outlook of both countries tends to clash with other key elements of their respective strategic cultures. In the French case, there is a tension between Europeanism and a sovereignty-based emphasis on national strategic autonomy. Germany's Europeanism (or multilateralism more broadly) instead clashes with its culture of political and military restraint.

9. See for example: Gates, Robert, *Remarks by Secretary Gates at the Security and Defense Agenda*, Brussels, Belgium, 10 June 2011.

10. Schwarzkopf, Steffen, *Bundesregierung dementiert Bericht über Trumps Nato-Rechnung*, *Die Welt/N24*, 27 March 2017.

11. Federal Ministry of Defence, *White Paper on German Security Policy and the Future of the Bundeswehr*, June 2016.

12. French Government, *White Paper on Defence and National Security*, 2013, p. 17.

Contrasting **views on the legitimate use of force** also shape diverging preferences for the EU’s role. With its interventionist culture, France views the EU as a multiplier in terms of legitimacy and capacity. It has long-since been pushing for *l’Europe de la défense* as well as EU strategic autonomy from the US. Though not opposed to the idea of a stronger European defence policy, Germany has been an advocate of a comprehensive approach to security at the national and EU levels.

These differences in strategic culture are firmly rooted in the respective **political systems**. Under the German Constitution<sup>13</sup>, the Armed forces may only be deployed for the purpose of defence or in the framework of multi-lateral operations. Whether the EU qualifies under the second is still subject to legal controversy. In addition, Parliament must approve any armed deployment of the Bundeswehr. In France, the President decides on the deployment of the armed forces. Since 2008, parliamentary approval is mandatory, but only if an operation is prolonged beyond four months from the initial decision. Between 1991 and 2016, the Bundestag voted twelve times as often on military engagement than the Assemblée Nationale (see Table 2).

**TABLE 2** ▶ Parliamentary votes on military engagement (1991-2016)

	TOTAL NO. OF PARLIAMENTARY VOTES	AVERAGE SHARE OF NO VOTES
GERMANY	149	13,9%
FRANCE	18	8,2%

Source: Wagner et al. (2017)<sup>14</sup>

Though average approval rates in the Bundestag were high, the **German public** remains generally risk-averse. A May 2014 poll by the Körber Foundation showed that a majority of Germans approved of greater international responsibility, but that 82% rejected stronger military engagement<sup>15</sup>. Faced with a decision on the use of force, German decision-makers are often confronted with a difficult trade-off between international gains and domestic losses. By contrast, decisions to intervene militarily and appear as an international crisis manager usually boost the approval rates of French presidents<sup>16</sup>.

These differences in strategic culture, institutions and public opinion have indeed contributed to a degree of **mutual suspicion and frustration**: the French were often unhappy about Germany’s reluctance and ponderousness; the Germans were wary of being dragged into yet another African ‘adventure’, serving French rather than European interests. Differences in strategic culture and perception also affect the willingness to pool and share military assets. French sovereignty concerns traditionally bound the country’s willingness to pool military assets. Germany’s political constraints, in turn, limit its willingness and ability to share them.

Additional constraints include the French **military overstretch and budgetary limitations** as well as Germany’s deficient military equipment. France is engaged in various international theatres and at home with up to 10,000 soldiers under the anti-terrorism operation “Sentinelle”. In his campaign, Macron had promised to raise defence spending from 1.79% to 2% of GDP by 2025. However, in late June 2017, the French audit office estimated that the country would, once again, miss the EU deficit limit of 3% leading the President to announce budget cuts<sup>17</sup>. Faced with the prospect of having to save €850 million this year, the military chief of staff, General Pierre de Villiers resigned. He argued that these cuts would leave him in charge of an army “no longer able to guarantee the robust defence force I believe is necessary to guarantee the protection of France and the French people, today and tomorrow.”<sup>18</sup> Meanwhile, a substantial share of Germany’s defence spending increases will likely be used to fill the gaps stemming from previous cuts.

Finally, Brexit will weaken the EU’s Atlanticist camp, but it won’t make the **long-standing divide between Atlanticists and Europeanists** disappear. Other divides run between allies and neutrals, small and large

13. Articles 87a and 24 of the German Basic law.

14. Wagner, Wolfgang; Herranz-Surrallés, Anna; Kaarbo, Juliet; Ostermann, Falk, “Politicization, party politics and military missions deployment votes in France, Germany, Spain, and the United Kingdom”, *WZB Discussion Paper*, No. SP IV 2017-101 (2017).

15. TNS Infratest, “Einmischen oder zurückhalten? Ergebnisse einer repräsentativen Umfrage zur Sicht der Deutschen auf die Außenpolitik”, Körber-Stiftung, Hamburg, 2014.

16. David Revault D’Altonnes, “Un moment de vérité pour la présidence Hollande”, *Le Monde*, 14 January 2013.

17. The Associated Press, “France’s 2017 Deficit Could Be Above EU Limit for 10th Year”, *The New York Times*, 29 June 2017.

18. Mulholland, Rory, “Head of French armed forces resigns over budget cuts row with Macron”, *The Telegraph*, 19 July 2017.



member states, advocates of a Southern vs. an Eastern geographic focus as well as more vs. less Europe. The Visegrad countries, for instance, reject a Franco-German “G2” pushing for deeper integration with an “avant-garde” of Europeanist or even federalist-leaning member states<sup>19</sup>. Perceived this way, Franco-German leadership could become a stumbling block rather than a driver of deeper defence integration.

TABLE 3 ► Summary of drivers and constraints

	DRIVERS/ENABLERS	CONSTRAINTS/CHALLENGES
EXTERNAL	<ul style="list-style-type: none"> <li>External threats and challenges</li> <li>Trump</li> </ul>	
EUROPEAN	<ul style="list-style-type: none"> <li>Brexit</li> <li>Public approval of EU security and defence policy</li> <li>Unfulfilled potential of Lisbon Treaty</li> </ul>	<ul style="list-style-type: none"> <li>UK as a temporary veto player</li> <li>Other veto players fearing duplication with NATO</li> <li>Fear of a “G2” and two-speed Europe</li> </ul>
NATIONAL	<ul style="list-style-type: none"> <li>Pro-EU and pro-German French government</li> <li>Germany’s new responsibility</li> <li>Strategic convergence</li> </ul>	<ul style="list-style-type: none"> <li>Different strategic cultures</li> <li>German domestic constraints</li> <li>French overstretch</li> <li>Ageing equipment of the Bundeswehr</li> </ul>

Source: Authors’ compilation

There is thus an important window of opportunity for Franco-German leadership, but older constraints remain (see Table 3). Macron himself acknowledged them in a statement after the Westminster terrorist attack on 23 March 2017: “I want more European defense but I’m a realist—in coming years, there is little chance of making it effective”<sup>20</sup>. This statement can serve as a small foretaste of the disappointment that could arise if the Franco-German drive does not deliver. It is therefore necessary to focus on concrete steps that will outlive the current honeymoon period. In the following, we examine some of these steps more closely.

## 2. First symbolic achievements

In mid-2017, the EU could present two first achievements: it agreed on the MPCC as well as a limited increase of the scope of common funding for military operations under the ATHENA mechanism. These steps are symbolic, but their effective impact is (still) limited.

### 2.1. The MPCC: technical necessity and political symbol

The **idea of creating an EU Headquarters is almost fifteen years old**. It was first tabled by France, Germany, Belgium and Luxembourg at the so-called ‘Praline Summit’ in April 2003<sup>21</sup>. The initiative was a symbolic reaction of ‘Old Europe’ to the US-led intervention in Iraq. The following years saw a growing number of military CSDP operations illustrating the more pragmatic need for a permanent EU planning and conduct capability. However, the UK persistently blocked steps in this direction, arguing that an EU Headquarters would duplicate NATO’s command structures.

The British referendum was an important turning point. The May government said it would no longer “stand in the way”<sup>22</sup>. Nevertheless, its support for the new body, promoted jointly by France and Germany, was conditional. Backed by other Atlanticist member states such as the Netherlands and Poland, the UK insisted that size and scope of the body had to be limited and that the term ‘Headquarters’ was to be avoided. After difficult negotiations, a political compromise was struck in May 2017 and the MPCC was launched on 8 June. Located

19. Smith, Oli, “‘We do not need this!’ Tusk forced to listen as leaders savage plans for EU integration”, The Express, 29 May 2017.

20. Dean, Mark, “Macron Calls for European Defense Cooperation After U.K. Attack”, Bloomberg, 23 March 2017.

21. Joint Statement of the Heads of State and Government of Germany, France, Luxembourg and Belgium on European Defence, 29 April 2003. Available in EUISS Chailots papers N° 67, p. 76.

22. Tapsfield, James, “Britain will NOT stand in the way of a military headquarters for the EU, says Boris Johnson as he urges the bloc to spend more on defence”, Mail Online (Daily Mail), 15 May 2017.

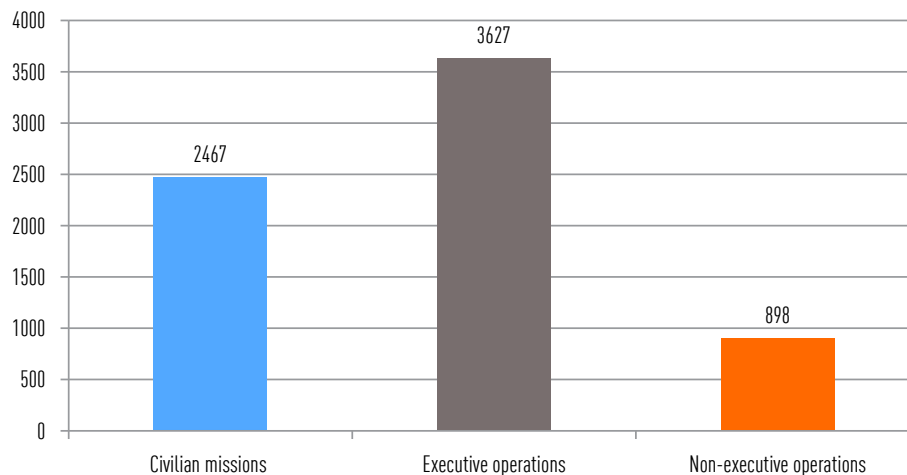
within the EU Military Staff, it mirrors the Civilian Planning and Conduct Capability responsible for planning and conducting the EU's nine civilian missions.

” THE MPCC FELL SHORT OF THE INITIAL AMBITION OF CREATING A FULL-FLEDGED HEADQUARTERS ”

The Telegraph mockingly commented that the MPCC was little more than a “call centre”<sup>23</sup>. It cited a Whitehall source stating that it was “about as low-ambition as you can get away with”<sup>24</sup>. Indeed, the body fell short of the initial ambition of creating a full-fledged Headquarters that would provide the CSDP with a single ‘telephone number’. With up to 10 core and 20 support staff the body is rather small. In addition, its mandate is limited to the EU’s non-executive (training and capacity building) operations. It thus excludes executive military operations such as Operation EUFOR Althea in Bosnia or operation EU NAVFOR MED Sophia off the Libyan coast.

Despite these limitations, **the MPCC has real added-value for the CSDP**. It fills a gap in the chain of command for non-executive missions. So far, Mission Commanders assumed all responsibilities in the field and in Brussels. With the MPCC, an additional level of planning and command will prepare and conduct the missions, but also take over the Brussels-based reporting tasks.<sup>25</sup> It could thus increase the speed of deployment and lead to more efficient communication and coordination. Although they only account for one fifth of the military personnel deployed under EU flag (see Figure 4), non-executive missions are a central component of the CSDP. They make up half of the EU’s currently six military operations. The EU has gained international recognition for the training and security sector reform missions it provides and is seeking to develop this area further in the future<sup>26</sup>.

FIGURE 4 ▶ Total personnel in current CSDP missions and operations



Source: European Parliament (2017)

French and German officials presented the MPCC as a **symbolic and important first step**. The mid-term goal remains its transformation into a fully-fledged Operational Headquarters—an aim that matches the French drive for the EU’s strategic autonomy as well as Germany’s affinity for further institutional deepening. Germany is in favour of strengthening the civil-military character of such a Headquarters. France is more reluctant as it traditionally fears that the EU’s military arm might be diluted within an overwhelmingly civilian EU. They agree that chains of command should be kept separate: France emphasises that the military cannot be under civilian command while Germany turns the argument around. The compromise was the Joint Support and Coordination Cell that should allow for a degree of coordination between civilian and military personnel.

23. Samuel, Henry and Foster, Peter. “New EU army headquarters branded little more than a ‘call centre’” The Telegraph, 20 May 2017.

24. Ibid.

25. Tardy, Thierry, *Towards an EU military command?* EUISS BRIEF N°17/2017, June 2017, p. 4.

26. Koenig, Nicole, “EU external action and Brexit: Relaunch and Reconnect”, Jacques Delors Institut – Berlin, Policy paper No. 178, 22 November 2016, p. 12.

## 2.2. ATHENA review: increased but limited burden-sharing

The question of financial burden-sharing for EU military operations caused tensions between France and Germany in the past. Ahead of the European Council meeting on defence in December 2013, then French President François Hollande proposed to create a permanent EU fund to finance military operations, decided by all but implemented by one or more member states<sup>27</sup>. The proposal came at the end of a year in which France had undertaken two costly military interventions in Mali and the Central African Republic, which the other member states politically endorsed *a posteriori*. And yet, they rejected the French proposal. Merkel commented: “we are not going to pay for operations over which we do not have control”<sup>28</sup>.

Instead, the European Council decided to review the ATHENA mechanism<sup>29</sup>. The mechanism is located outside the EU budget and covers the common costs of the military CSDP operations (e.g. headquarters, administration and infrastructure)<sup>30</sup>. The designated aims of the reform were twofold: increase the scope of common costs and simplify access to funding, especially for the deployment and redeployment of the Battlegroups. In 2015, the Council agreed in an ad hoc declaration to include the costs of deployment of the Battlegroups in the common costs<sup>31</sup>. In September 2016, the German and French Defence Ministers proposed a further extension of the scope. A political agreement was struck in May 2017 with all member states, according to which ATHENA should cover both the deployment and redeployment costs of the Battlegroups<sup>32</sup>. A formalisation of these deals is expected by late 2017.

” THE BATTLEGROUPS  
HAVE BECOME THE PRIME  
EXAMPLE FOR THE EU’S  
UNUSED INSTRUMENTS ”

The aim of ATHENA reform is thus to make the Battlegroups more useable. They have become the prime example for the EU’s unused instruments. Their deployment was considered, but dismissed on numerous occasions: in the Democratic Republic Congo (2006 and 2008), in Chad/Central African Republic (2008), in Sudan (2010), in Libya (2011), in Mali (2013) and in Central African Republic (2013). The fact that the related costs were concentrated on the few member states “on call” was one stumbling block.

However, it is **questionable whether the latest reform will be a game-changer**. First, it would only raise the share of the common costs from 10-15% to roughly 20%<sup>33</sup>. Second and more importantly, the primary obstacles to the deployment of the Battlegroups are differences in national interests, priorities and risk perceptions. Berlin for instance blocked the deployment of a Franco-German group in the case of the crisis in the Democratic Republic of Congo in 2006 for lack of immediate national interest<sup>34</sup>. The key question thus remains whether there is enough strategic convergence between the EU-27 to generate sufficient common will to share the political costs and risks associated with military operations.

## 3. Varied views on variable geometry

The trickier parts of the CSDP revitalisation package relate to questions of variable geometry in capability development and planning. Germany and France generally agree that flexible integration is necessary if there is no consensus at 27. As Macron put it during his speech in Berlin on 10 January 2017 in Berlin, “If the ambition of taking action together is not shared in the whole union, we must find ways to move forward faster in a smaller group”<sup>35</sup>. At a meeting in Versailles on 6 March 2017, Germany, Spain and Italy joined the French call for multi-speed Europe<sup>36</sup>. And yet, questions on the implementation of variable geometry remain.

27. This could have applied to the EU’s rapid reaction instrument, the Battlegroups, as well as operations conducted under article 44 of the Treaty on European Union.

28. In Ricci, Matteo, “Outcomes of the December Defence Council”, *Nouvelle Europe*, 2014.

29. European Council, *Conclusions*, Brussels, 20 December 2013.

30. It is financed by annual member state contributions based on their GNI.

31. Integrating and enlarging the 2015 Council Decision on ad hoc financing of the Battlegroups into the ATHENA mechanism. See: European Scrutiny Committee of the House of Commons, *Conclusions on Council Decision on establishing a mechanism to administer the financing of the common costs of European Union operations having military or defence implications (Athena)*, 18 March 2015.

32. Council of the European Union, *Outcome of the 3538th Foreign Affairs Council meeting on Defence issues*, Brussels, 18 May 2017.

33. European Parliament, *Financing of CSDP missions and operations*, February 2016.

34. Latvian Council Presidency, *Challenges and Solutions for EU Battlegroup Deployment within the Existing Legal Framework*, 2015.

35. Macron, Emmanuel. *Discours de Berlin*, speech held during campaign event at Humboldt University, Berlin, on 10 January 2017.

36. De La Baume, Maïa and Herszenhorn, David, “In Versailles, EU’s big 4 back multispeed Europe”, *Politico*, 3 June 2017.

### 3.1. PESCO: ambitious vs. inclusive?

Variable geometry is already a key feature of bi- and multilateral European defence cooperation. The relevant instrument *within* the EU framework is Permanent Structured Cooperation (PESCO). During a speech in Prague in June 2017, Juncker referred to it as the “Sleeping Beauty of the Lisbon Treaty”<sup>37</sup>. Indeed, the use of PESCO has been discussed many times, but the member states failed to agree on criteria and modalities. PESCO should allow member states to:

- Cooperate on military investments
- Bring their defence apparatus into line with each other
- Make their forces more interoperable, flexible and deployable
- Cooperate on capability development (without prejudice to NATO)
- Develop major joint equipment programmes<sup>38</sup>

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”<sup>39</sup>. 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 creating binding commitment on clear goals and benchmarks. In June 2017, the European Council agreed on the need to launch an “inclusive and ambitious” PESCO “with a view to the most demanding missions”<sup>40</sup>. The member states committed to draw up a list of criteria and common commitments within three months, including a precise timetable and specific assessment mechanisms.

The **balance between inclusiveness and ambition** has been a bone of contention between Paris and Berlin. Germany, the key driver behind PESCO, views it through the prism of European integration. Though generally open to multiple speeds, it is keen to avoid new dividing lines along the boundaries of a Euro defence core. France instead views PESCO as an instrument for operative efficiency geared towards the EU’s strategic autonomy. It would be willing to go ahead with a smaller core group of member states ready to engage in serious military operations.

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#### BOX 1 ► Entry criteria and commitments for PESCO

##### Art. 42(6), TEU

Those 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 shall establish permanent structured cooperation within the Union framework.

##### Protocol No. 10 – Art. 1

The permanent structured cooperation referred to in Article 42(6) of the Treaty on European Union shall be open to any Member State which undertakes, from the date of entry into force of the Treaty of Lisbon, to:

- a) proceed more intensively to develop its defence capacities through the development of its national contributions and participation, where appropriate, in multinational forces, in the main European equipment programmes, and in the activity of the Agency in the field of defence capabilities development, research, acquisition and armaments (European Defence Agency), and
- b) have the capacity to supply by 2010 at the latest, either at national level or as a component of multinational force groups, targeted combat units for the missions planned, structured at a tactical level as a battle group, with support elements including transport and logistics, capable of carrying out the tasks referred to in Article 43 of the Treaty on European Union, within a period of 5 to 30 days, in particular in response to requests from the United Nations Organisation, and which can be sustained for an initial period of 30 days and be extended up to at least 120 days.

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Overcoming these differences, an **initial compromise on entry criteria and binding commitments** (see Box 1) was struck at the Franco-German Ministerial Council<sup>41</sup>. According to informed sources<sup>42</sup>, different types of commitments were envisaged:

37. Juncker, Jean-Claude, *In defence of Europe*, Defence and Security Conference Prague, 9 June 2017.

38. Protocol 10, Art. 2 TEU.

39. Juncker, Jean-Claude, *In defence of Europe*, Defence and Security Conference Prague, 9 June 2017.

40. European Council, *Conclusions on security and defence*, 22 June 2017.

41. Franco-German Ministerial Council, Declaration, 13 July 2017.

42. Gros-Verheyde, Nicolas, “Français et Allemands définissent des critères communs pour la coopération structurée permanente”, Bruxelles 2 Pro, 13 July 2017.

- **Budget:** spend 2% of GDP on defence and 20% on defence investment
- **Membership:** engage in at least one PESCO project and in the activity of the European Defence Agency
- **Operations:** contribute to the Battlegroup roster and to CSDP operations and missions while allowing for swifter national decision-making processes.
- **Coordination with partners:** participate in the Coordinated Annual Review on Defence and contribute to the European Defence Fund (see below).

France and Germany expect around 20 EU member states to meet these criteria. Some of the criteria, notably participation in the Battlegroups and European Defence Agency, are not too controversial. However, spending targets such as the 2% goal, already agreed in the framework of NATO, would constitute an ambitious entry ticket. Only a handful of member states will meet this target in 2017. France and Germany are not among them. Equally tricky would be a real commitment to accelerate national decision-making processes, if one takes the German need for parliamentary approval as an example.

At the joint Ministerial Council, France and Germany also announced a range of **joint capability projects** including:

- A joint fighter jet replacing the current national versions (roadmap until 2018)
- A joint fighter tank and artillery system (roadmap until 2018)
- A European maritime surveillance systems (roadmap until 2018)
- A European Medium-Altitude Long Endurance (MALE) drone (development contract before 2019)
- The next generation of Tiger helicopters

” WHEN IT COMES TO IMPLEMENTING A BALANCE BETWEEN AMBITION AND INCLUSIVENESS, THE DEVIL IS OFTEN IN THE DETAILS. ”

Many of these projects will only materialise in the medium to long-term. The joint fighter jet that Macron described as a real “revolution” is for instance expected to fly in 2035-40. At this stage, how inclusive these bilateral projects will be remains unclear. Concerning the fighter tank, the Declaration of the Franco-German Ministerial Council vaguely states that it will be opened to other member states “once the planning is sufficiently mature”. Will there be sufficient options and incentives for smaller member states to join? A related question is to what extent the European Defence Fund will focus on Europe’s defence industrial giants such as Airbus and Finmeccanica. When it comes to implementing a balance between ambition and inclusiveness, the devil is often in the details.

### 3.2. European Defence Fund: what money – which priorities?

Currently, the EU member states spend less than €200 million annually on collaborative European R&T projects and 80% of defence procurement is purely national<sup>43</sup>. The opportunity cost of **defence market fragmentation and the lack of interoperability** is estimated at €30 billion<sup>44</sup>. In September 2016, the French and German Defence Ministers called on the Commission and European Defence Agency to create incentives to stimulate defence cooperation among the member states<sup>45</sup>. Two days later, Commission President Jean-Claude Juncker proposed a “European Defence Fund to turbo boost research and innovation” in his state of the Union speech<sup>46</sup>.

The Commission launched the European Defence Fund on 7 June 2017. It aims at enhancing member state investment and fostering cooperation through three elements:

1. **Research:** From 2020, the EU will spend €500 million from the EU budget to fully and directly fund collaborative defence research.
2. **Development:** The Commission will provide €500 million in 2019 and €1 billion from 2020 to co-finance (20%) the development phase of collaborative projects between at least three companies in at least two member states. The Commission expects this incentive to leverage a total of €5 billion of annual member state investment.

43. European Commission, *European Defence Action Plan: Towards a European Defence Fund*, Brussels, 30 November 2016.

44. European Commission, *Reflection paper on the Future of European Defence*, 7 June 2017.

45. Joint Position by Defence Ministers Ursula von der Leyen and Jean Yves le Drian, *Revitalizing CSDP. towards a comprehensive, realistic and credible Defence in the EU*, 11 September 2016.

46. Speech by President Jean-Claude Juncker, *State of the Union 2016*, 13 February 2016.

**3. Procurement:** A condition for co-financing in the development phase is sufficient member state commitment to procure the final product in a coordinated manner. For procurement itself, the Commission will act as a 'knowledge hub' and provide legal and financial advice.

From 2020, the Commission is thus planning to provide €1.5 billion annually, equivalent to roughly 1% of the EU budget. The Fund would place the Commission among Europe's top four investors in **defence R&T**<sup>47</sup>. However, at the time of writing it is still unclear which part of the budget the money would come from. The negotiations on the next Multi-Annual Financial Framework are yet to start and are likely to be controversial. Brexit is estimated to leave an annual gap of €10 billion and net contributors show little appetite to raise their shares<sup>48</sup>.

According to von der Leyen "Germany and France want to become the motor of a European defense union and implement the defense fund in a smart way"<sup>49</sup>. But when it comes to **financing development and procurement** positions still differ. Co-financing from the EU budget would be roughly equivalent 2-3% of the member states' combined expenditure on procurement and R&D. To add incentives, the Commission proposed a "financial toolbox" including project-specific bonds, which would be exempted from the EU's rules on budget deficits<sup>50</sup>. This is in line with French and Italian preferences. In his January 2017 speech in Berlin, Macron explicitly called for "a common debt capacity based on 'European defence bonds'" (a call he subsequently toned down). Germany rejects such proposals as attempts to introduce Eurobonds through the back door. It criticises the Commission for overstepping its competences. On 22 June 2017, the European Council invited the member states to work on options for joint procurement "based on sound financing mechanisms"<sup>51</sup>. This could be interpreted as leaning more towards the German position.

” THERE IS ALSO BROADER CONCERN ABOUT THE ROLE OF THE COMMISSION AS A GATEKEEPER FOR COLLABORATIVE DEFENCE PROJECT ”

There is also broader concern about the role of the Commission as a gatekeeper for collaborative defence projects<sup>52</sup>. Defence is at the core of national sovereignty and the Commission is a relatively new player in this domain. In September 2016, Commission Vice-President Jyrki Katainen said: "Security has always belonged to member states and the reality has changed"<sup>53</sup>. The member states, including France and, to a lesser extent, Germany, are worried that the Commission views the Fund through the prism of the defence industry and market rather than that of strategic security interests. It is no coincidence that, the day the Fund was launched, Katainen publicly stressed that "the member states will remain in the driving seat" concerning the Fund<sup>54</sup>. A compromise could be for the Commission to delegate the oversight for projects under the European Defence Fund to the European Defence Agency. As the latter is headed by the High Representative and answers to the Council, a more prominent role could reduce sovereignty concerns.

### 3.3. CARD: an effective coordination tool?

One of the reasons for the EU's **collective inefficiency in capability development** is the lack of coordination between national defence planning cycles and practices leading to overlaps and duplication. The EU Global Strategy thus called for "gradual synchronisation and mutual adaptation". In September 2016, the Franco-German couple proposed a "European semester" on defence capabilities.

The member states eventually opted for a less ambitious version: an intergovernmental and voluntary Coordinated Annual Review on Defence (CARD). It involves biennial reports prepared by the European Defence Agency, acting as CARD secretariat providing an overview of:

- The member states' aggregated defence plans
- The implementation of the priorities under the Capability Development Plan

47. Besch, Sophia, *What future for the European Defence Fund?*, CER, 28 June 2017.

48. Haas, Jörg, "Brexit will shake up the EU budget and that's a good thing", Jacques Delors Institut – Berlin, Blog Post, 24 May 2017.

49. Shalal, Andrea, "Germany, France drafting details of defense fund: German minister", *Reuters*, 10 June 2017.

50. European Commission, Fact Sheet, *The European Defence Fund: Q&A, Brussels*, 7 June 2017.

51. European Council, *Conclusions on security and defence*, 22 June 2017.

52. Some member states, including Germany, would prefer a bigger role for the European Defence Agency instead. According to the current Commission proposal, the latter would only have observer status in a committee assisting the Commission.

53. Beesley, Arthur and Barker, Alex, "Brussels wants EU 'defence bonds'", *Financial Times*, 15 September 2016.

54. European Commission, *A European Defence Fund: €5.5 billion per year to boost Europe's defence capabilities*, press release, Brussels, 7 June 2017.

- The development of European cooperation

A trial run will start in autumn 2017 with all member states. Full CARD implementation is supposed to be built up incrementally until autumn 2019. It remains to be seen how many will sign up to the final version.

**The question is how effective CARD will be.** Of the EU's four voluntary and collective benchmarks for defence equipment and procurement, only the first was met on average between 2007 and 2014<sup>55</sup>:

1. Equipment procurement including defence research and development (R&D) and research and technology (R&T): 20% of total defence spending
2. European collaborative equipment procurement: 35% of total equipment spending
3. Spending on defence R&T: 2% of total defence spending
4. Spending on European collaborative defence R&T: 20% of total defence R&T

In May 2017, the Council underlined that CARD will mainly be about information-sharing; build on existing planning tools and processes; and avoid any unnecessary additional administrative effort. This raises questions about its added value. Most member states already participate in the NATO Defence Planning Process. Some, notably Poland, are sceptical of another potentially cumbersome bureaucratic process. It remains to be seen whether peer pressure will be enough of an incentive to participate and, more importantly, comply with potential collective benchmarks.

## 4. In smaller steps towards a Security and Defence Union

There is a general drive towards a Security and Defence Union, but Franco-German and European views on relevant details still differ. In its reflection paper on defence of June 2017, the Commission outlined three future scenarios<sup>56</sup>. The first is similar to the status quo; the second is an upgraded version with more cooperation; the third is a step towards an 'EU army' with prepositioned forces and fully synchronised national defence planning. While this incremental vision is helpful, the paper remains vague and detached from the more concrete EEAS and member state proposals. In the following, we combine an incremental approach with concrete proposals for the short, medium, and long-term.

### 4.1. The short-term: it's now or never

” SEIZE THE MOMENT  
TO PUSH FOR INCLUSIVE  
COMPROMISES ON PESCO  
AND THE EUROPEAN  
DEFENCE FUND”

Despite constraints, there is an important window of opportunity to boost the EU's security and defence policy. France and Germany should seize the moment to push for inclusive European compromises on their respective pet projects: PESCO and the European Defence Fund. Ideally, compromises could already be sealed at the European Council meeting in December 2017. In addition, the Franco-German honeymoon calls for ambitious bilateral initiatives on pressing foreign policy dossiers.

#### 4.1.1. Forge inclusive compromises on PESCO and the Fund

France and Germany will have to convince the other EU member states of their compromise on **ambitious and inclusive PESCO criteria**. A level of ambition beyond the status quo is necessary, but fulfilment could be gradual. Many member states are far from the target of spending 20% of total defence expenditure on equipment procurement, R&D and R&T. Belgium, for instance, only spent 0.91% in 2016. In the framework of PESCO, it could make a binding commitment to reach the 20% target within ten years. After all, France and Germany apply the same logic when it comes to their fulfilment of NATO's 2% spending target. Furthermore, a balanced mix of “softer” (e.g. European Medical Command) and “harder” (e.g. European fighter tank) PESCO clusters should allow smaller and pacifist-leaning member states to be active participants and even leaders in the Euro defence core.

55. Fiott, Daniel, *The CARD on the EU defence table*, European Union Institute for Security Studies, Alert No. 10 - 26 April 2017.

56. European Commission, *Reflection paper on the Future of European Defence*, 7 June 2017.

A similar logic of compromise should apply to the European Defence Fund. Agreement on financial incentives involving debt is unlikely before the end of 2017. However, France and Germany could propose to **strengthen the Cooperative Financial Mechanism**, established by the European Defence Agency in May 2017. It is a voluntary pooling mechanism allowing member states to “support each other financially via a system of reimbursable advances and deferred payments”<sup>57</sup>. This mechanism could be strengthened to become a “hub for managing investments”<sup>58</sup>. It would allow member states agreeing on cooperative defence projects to overcome challenges stemming from the lack of budgetary synchronisation. This could be a pragmatic step towards greater risk-sharing.

It is important that this search for compromises is not restricted to a Franco-German G2 or G4 (with Spain and Italy). Although time is short, it is important to **build bridges towards smaller and Atlanticist EU member states**. The Estonian Council Presidency that took over on July 1st defined increased defence cooperation as one of its priorities. It should play the role of an honest broker and bring member states together to reflect on the design and implications of variable geometry in defence.

#### 4.1.2. Address pressing security priorities: A joint Syria Envoy

The debate about structures and capability development should not lead to a neglect of pressing foreign policy dossiers. The Declaration of the Franco-German Ministerial Council included proposals for closer diplomatic cooperation including the collocation of embassies and the appointment of Franco-German ambassadors for areas of shared interest. While the focus of the Council was on the Sahel zone, even more pressing dossiers with convergent security interests are Syria and the fight against the self-styled Islamic State. The EU High Representative has been involved in UN-led negotiations on Syria alongside a group of EU member states. However, her voice was marginalised due to the absence of a clear consensual position on the future of Bashar al-Assad and the approach towards Russia.

” IF FRANCE AND GERMANY SPEAK WITH ONE VOICE, THEN EUROPE CAN ADVANCE”

As Macron said on 23 June 2017: “if France and Germany speak with one voice, then Europe can advance”. In this spirit, they should make a first step towards greater European impact by establishing a **Franco-German Envoy for Syria**. This step would build on a range of joint Franco-German declarations and statements on the conflict<sup>59</sup>, but allow for more frequent, timely and substantial joint interventions. A joint task force linking the two foreign ministries could prepare the Envoy’s work. Common positions should take the perspective of EU partners into account as much as possible. The Envoy could have a deputy of the other nationality and roles could switch after a defined period

of time to avoid an imbalance. Such a setup would allow maximising synergies and capitalising on respective French and German strengths.

Similar proposals have already been discussed at working level. **Sovereignty concerns** remain, but these should not prevent France and Germany from seeking to make a real impact on one of the world’s most complex security dossiers. This ambitious step would demonstrate that bigger states are willing to pool sovereignty to enhance their weight on the international stage and could entail alignment by others.

## 4.2. The medium to long-term: beyond honeymoon... and divorce

The current Franco-German drive shaped the EU’s defence and security agenda as well as cautious initial steps. Starting from 2018, the aim should be threefold. First, France and Germany should join efforts to transform these cautious steps into more ambitious ones. Second, they should work on linkages between the elements of the defence package to maximise synergies. Third, and with a view to Britain’s divorce from the EU, they should work on options for third country participation in parts of the defence package.

57. European Defence Agency, *Outcome of EDA Ministerial Steering Board*, 18 May 2017.

58. *Ibid.*

59. See for example: *Joint statement by Federal Chancellor Merkel and President Hollande of France following the air strikes in Syria*, 7 April 2017.



#### 4.2.1. Develop a more ambitious civil-military Headquarters

France and Germany should pursue their efforts for a **fully-fledged EU Operational Headquarters**. The reform process could be launched in 2018, based on the MPCC's first review. After Brexit, the mandate could gradually be extended to executive operations to ensure both greater reactivity and foresight. In line with the EU's comprehensive approach, the Civilian Planning and Conduct Capability and the MPCC should be under one institutional and physical roof and directly answer to the Political and Security Committee.

Aside from creating **civil-military synergies**, a more integrated structure would have two benefits. First, it would enhance the EU's added value in the cooperation with NATO regarding hybrid threats. Second, it could convince the EU's more pacifist-leaning member states in favour of a more progressive structure.

#### 4.2.2. Link the strands of the "winter package"

The link between PESCO, the European Defence Fund, and the CARD should be specified and formalised. The Commission already proposed one such link, according to which PESCO members should receive an additional 10% of co-financing under the Fund. France and Germany reportedly went a step further by suggesting making CARD participation and contributions to the European Defence Fund part of the entry criteria for PESCO. Several member states such as Poland might object in the short-term.

France and Germany should continue to push for these linkages to maximise synergies. There should be a **direct connection between CARD, the European Defence Fund and PESCO's binding assessment mechanisms**. The European Defence Agency could conduct annual reviews. The experience with the European semester suggests that such mechanisms do not necessarily guarantee member state compliance. And yet, a real European semester on defence would provide a systematic link between commitment and compliance on the one hand, and collective European capability gaps and projects on the other.

#### 4.2.3. Build options for close third country association

There is a lot of political will to closely associate the UK to the EU's Security and Defence Union. Formal negotiations on the future relationship only start in 2019. The EU-27 should prepare for these negotiations by developing options for a close association of its closest neighbours and partners.

France and Germany seem to be generally open to third country participation in PESCO. Of course, third countries would have to meet a range of relevant **PESCO** criteria. Based on the Norwegian model, these could include an administrative agreement with the European Defence Agency and participation in the Battlegroup roster. A tricky question is how to involve third countries in PESCO's governance structure. Two options could be envisaged:

- **Privileged PESCO partnership:** third countries would be allowed to be included in PESCO's two-layered governance structure. They would have an observer status in the Council and fully participate at the level of projects and initiatives. Voting rights in the Council would remain the prerogative of EU members participating in PESCO. This option should be attractive for third countries, but EU member states are not likely to grant them such encompassing decision-shaping powers.
- **PESCO associate status:** third countries would only be included at projects or initiatives level for the PESCO modules they effectively contribute to. This would allow third countries to pick and choose while they would be excluded from the highest decision-making level. This could be a feasible and pragmatic compromise.

Another question is whether third countries could contribute to and benefit from the **European Defence Fund**. The Regulation the Commission proposed is restricted to EU member states. However, the UK's participation would be of mutual interest and it would be short-sighted to exclude it *a priori*: it is by far Europe's leader in defence R&D. Inclusion in the defence research window could, for instance, be modelled on Norway's participation in Horizon 2020. Participation in the capability window would depend on the budgetary source in the EU's next Multi-Annual Financial Framework and the respective options for partnership agreements. In any case, a Norway-type association would entail contributions to the EU budget. How much the UK is willing to pay for a close association to the Euro defence core will be a matter of negotiation.

## CONCLUSION

Driven by a range of internal and external factors, the EU's security and defence policy has become one of the most dynamic fields of European integration. France and Germany have played an important role in shaping the EU agenda and overcoming long-standing obstacles. The Franco-German honeymoon should, however, not conceal persisting bilateral and European differences when it comes to sharing risks, sovereignty and resources. A stepwise approach to building a European Security and Defence Union thus seems to be the default scenario. And yet, incrementalism should not be equivalent to a meandering dance around the lowest common denominator. France and Germany should focus on concrete bilateral compromises and security initiatives in the short-term, foster broader European consensus on the defence package deal in the medium-term, and open the door to relevant third countries with a view to the medium to long-term.

The French election fuelled widespread optimism about the relaunch of the Franco-German motor. As the collective sense of relief is gradually waning sceptical voices are growing louder. The fact that this year's Franco-German Ministerial Council neglected two essential items for the EU's future – the completion of the Eurozone and effective internal solidarity mechanisms concerning migration – reinforced this scepticism. Security and defence are areas where the initial optimism still prevails. However, this might change if the Franco-German couple fails to bridge the gap between vision and action and to inspire others to play along. A more ambitious Security and Defence Union is not the magic bullet that will solve the EU's various challenges. However, in this more connected, contested and complex world, strengthening the EU's role and voice as a global actor is an important precondition for filling the narrative of a "Europe that protects and empowers" with substance.

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