Why we need a Commission DG Defence

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As the European Commission is taking on a greater role in European defence cooperation, calls for a ‘DG Defence’ are growing louder. This policy brief makes the case for the establishment of a ‘DG Defence Industry and Space’. Together with a dedicated Defence Commissioner this DG could drive consolidation of Europe’s fragmented defence market and foster synergies between EU policies. To bridge the supranational-intergovernmental divide, this Commissioner should be placed under the authority of the High Representative for Foreign Affairs and Security Policy in his role as Commission Vice-President.
Introduction

The European Commission is taking on a greater role in European defence cooperation. This development is closely linked to the future establishment of the European Defence Fund (EDF), projected to provide a total of €13bn for joint defence research and development under the EU’s next Multiannual Financial Framework (MFF). Together with a potential financial contribution of €6.5bn under the Connecting Europe Facility to improve military mobility across the continent, the Commission would be responsible for a substantial share of the funding underpinning the so-called European Defence Union.

The Commission’s forays into the defence sector have been accompanied by calls for the establishment of a dedicated Directorate-General on defence matters (henceforth DG Defence). The idea has haunted Brussels corridors for years but concrete proposals have matured only over the past eighteen months. In late 2017, the European Parliament called for the evaluation of the possibility of establishing a DG Defence “which would drive the Union’s actions to support, coordinate or supplement the actions of the Member States aimed at the progressive framing of a common defence policy, as foreseen by Article 2 TFEU”. In August 2018, a majority in favour emerged within the Commission itself, which then elaborated concrete implementation options in spring 2019.

The nomination of Ursula von der Leyen as Commission President has increased the likelihood that these plans will materialise. As German Defence Minister, she was a clear advocate of the development of a European Defence Union and, according to informed interlocutors, favourable towards the idea of creating a DG Defence. In her ‘Agenda for Europe’ she called for “further bold steps in the next five years towards a genuine European Defence Union” and underlined her intention to strengthen the future EDF. A decision on DG Defence could be taken in September along with the distribution of portfolios. It could then be implemented in the course of 2020, well ahead of the next MFF (2021-2027). However, at the time of writing, there remain open questions and some opposition, both in Brussels and in the member states.

This policy brief makes the case for a DG Defence Industry and Space. Together with a dedicated Defence Commissioner this DG could cement the Commission’s leadership in driving industrial consolidation in Europe’s fragmented defence market. To ensure a direct link between the supranational and intergovernmental spheres, and between the EU’s defence policy and market, the Commissioner should be placed under the direct leadership of the High Representative for Foreign Affairs and Security Policy in his role as Vice-President of the Commission.

1 What should a DG Defence do?

The starting point for the creation of a DG Defence is the projected financial envelopes for the future EDF and military mobility under the next MFF. These and other defence-related dossiers are currently spread across various Commission DGs (see table 1). Implementing these programmes, in particular the EDF, will require additional personnel. According to informed interlocutors, staff dealing with the assessment, selection and management of EDF projects could rise from roughly 25 to around 150-200. The Commission is also putting in place specific data security provisions to ensure confidentiality in this very sensitive domain.
Table 1: Spread competences – EDF and military mobility

<table>
<thead>
<tr>
<th>Commission body</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>DG GROW</td>
<td>Management of the European Defence Fund</td>
</tr>
<tr>
<td>DG ECFIN</td>
<td>Financial Toolbox for the European Defence Fund</td>
</tr>
<tr>
<td>DG MOVE</td>
<td>Funding dual-use infrastructure for military mobility under the Connecting Europe Facility</td>
</tr>
<tr>
<td>DG TAXUD</td>
<td>Customs-related aspects of military mobility</td>
</tr>
<tr>
<td>Secretariat-General</td>
<td>Inter-institutional and external relations including coordination of Foreign, Security &amp; Defence Policy Implementation</td>
</tr>
</tbody>
</table>

*Source: Author’s compilation*

Beyond the EDF and military mobility, the scale of competences that a possible DG Defence should embrace is controversial. Most interlocutors agree that a mere bundling of the respective units would not justify the bureaucratic burden that comes with the creation of a new DG. The question of what other competences this DG would take on is thorny as the mere fact that the Commission is handling defence matters at all can already be considered a small revolution. In the Treaties, defence is part of the Common Security and Defence Policy (CSDP) and thus an external competence, firmly located in the intergovernmental sphere. Moreover, the Treaties prohibit the use of the EU budget for operative expenditure with military and defence implications (Art. 41(2) TEU). Circumventing these legal hurdles, the establishment of the EDF was based on Art. 173 TFEU, referring to the EU’s role in fostering industrial competitiveness. The Commission contribution to military mobility, instead, consists of funding dual-use transport infrastructure and this falls under Title XVI TFEU (Tran-European Networks).

As of mid-2019, two stand-out options for the scope of the new DG’s competences emerged:

- **A ‘DG Defence Industry and Space’** bringing together the units dealing with the EDF and military mobility in addition to defence-related aspects of space (e.g. the encrypted component of the Galileo Global Navigation Satellite System) and cybersecurity. This option would bundle defence industrial aspects across three sectors, which often include similar businesses. Regulatory aspects related to the EU’s defence procurement and transfer directives of 2009 could also be included. The strictly industrial outlook, also reflected in the name, would make this option more palatable to member states. With around 10 units and roughly 200-300 staff, this DG would be comparatively small in size.

- **A ‘DG Security and Defence Union’** bringing together the above with the internal security aspects, currently located in DG HOME and under the Commissioner for the Security Union. This might imply moving asylum and migration into a separate DG Migration to prevent a ‘securitization’ of these fields. The logic behind such an expanded DG would be strengthening the links between internal and external security. However, in practical terms, the synergies between these policy fields are rather limited with the exception of specific dual-use capabilities and related research activities. In addition, the meshing of law enforcement and defence industrial aspects would raise ethical and political concerns in a few member states that are also keen to keep these spheres separate at national level.

A smaller and more clearly delineated DG Defence Industry and Space thus seems more sensible and likely at this stage.
An important facet of the work of DG Defence would be ensuring coherence with related internal and external policies. It would have to coordinate closely with relevant Commission services, notably the current DGs GROW, MOVE, RTD and CONNECT. Reflecting the need for coordination, Juncker established a Project Team on Defence Union in 2018, comprising relevant DGs and co-chaired by the High Representative for Foreign Affairs and Security Policy/Vice-President of the Commission (HR/VP) and the Vice-President on Jobs, Growth, Investment and Competitiveness.

DG Defence would also have to coordinate with a broad range of actors on the intergovernmental side. This is relevant due to the growing overlap of competences illustrated by table 2. This overlap is particularly marked with the European Defence Agency (EDA), an intergovernmental agency with the mandate to strengthen the industrial and technological base of the defence sector, including by fostering joint research and procurement (Art. 45 TEU).

**Table 2: Overlapping competences in the field of defence (selection)**

<table>
<thead>
<tr>
<th>Commission bodies (current set-up)</th>
<th>Area</th>
<th>Member states and intergovernmental bodies</th>
</tr>
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<tbody>
<tr>
<td>Implements the EDF, e.g.: selects projects, assesses impact, advises on joint procurement (DG GROW); manages Financial Toolbox for joint development and procurement (DG ECFIN)</td>
<td>EDF</td>
<td>Council/member states agree on level of ambition, and capability priorities in annual EDF work programmes (with input and expertise from EDA and EEAS); ensure link to the Coordinated Annual Review on Defence (EDA as CARD Secretariat)</td>
</tr>
<tr>
<td>Manages 10% EDF ‘bonus’ for PESCO projects (DG GROW); can be invited to PESCO project meetings for contributions from other policy areas (all relevant DGs)</td>
<td>PESCO</td>
<td>Adopt and implement PESCO projects (Council/member states with support of the PESCO Secretariat: EDA, EEAS/EUMS)</td>
</tr>
<tr>
<td>Manages and provides financial support for dual use civil-military infrastructure projects (DG MOVE); streamlines and simplifies rules related to customs and the transport of dangerous goods (DG TAXUD)</td>
<td>Military mobility</td>
<td>Member states implement PESCO project on military mobility (with support of PESCO Secretariat); decide on military requirements; coordinate with NATO</td>
</tr>
<tr>
<td>Manages industrial, technological and research-related aspects (DGs GROW, RTD)</td>
<td>Space policy</td>
<td>Manage security and external aspects, e.g. threats to Galileo and space economic diplomacy (member states/EEAS)</td>
</tr>
<tr>
<td>Manages technological and research aspects, capacity-building, e-privacy; responsible for EU Agency for Cybersecurity (DG CONNECT)</td>
<td>Cyber security</td>
<td>Coordinate responses to malicious cyber activities, e.g. cyber diplomacy toolbox, PESCO project on cyber response force and mutual assistance (member states/EEAS)</td>
</tr>
</tbody>
</table>

*Source: Author's compilation*
2 Why do we need a new DG Defence?

Establishing a DG Defence would send an important political signal and bolster the Commission’s ability to lead on industrial consolidation together with related regulatory matters. The rise in global defence spending and the impact of Brexit mean that the EU has to spend more efficiently to play a role. Member state-driven efforts aiming at bottom-up cooperation such as ‘pooling and sharing’ have only yielded limited results. The Commission estimates the annual costs of duplication at €25-100bn and claims that around one third of annual defence expenditures could be saved through joint procurement. Having the Commission lead on industrial consolidation is necessary given the EU’s declared aim of strategic autonomy and the persistence of national egoisms, protectionist tendencies, and regulatory differences in the defence market.

DG Defence would bring together responsibilities for industrial consolidation by managing legal, regulatory and funding aspects as well as for related agencies. It could thus allow for greater synergies within the Commission. Perhaps more importantly, it could provide the member states and intergovernmental EU players with a single and clearly identifiable interlocutor. This can be seen as a precondition for bridging the supranational and intergovernmental dimensions of European defence cooperation. These arguments speak for a centralised political leadership of the DG with the ability to decide on strategies and policies (see section 4).

3 Where does DG Defence raise concerns?

The emergence of the Commission as a defence actor has triggered institutional tussles. While the European Parliament backs the establishment of DG Defence the member states are sceptical. On the one hand, national defence experts acknowledge the limitations of bottom-up cooperation and agree that the bundling of responsibilities could lead to a more efficient management of the EU’s new financial envelopes. On the other, they fear that DG Defence could be the start of a creeping Europeanisation of an area that is at the heart of national sovereignty. Some member states, such as France, see the risk of an imbalance between strategic and integrationist considerations. Others, such as the Netherlands or Poland, are wary that a more supranational European Defence Union would lead to unnecessary duplication with the work of NATO and the US.

The member states are therefore eager to protect the supremacy of the Council as well as the prerogatives of the EEAS and EDA. Indeed, both institutional actors fear that their role could be diminished vis-à-vis a powerful Commission DG holding the chequebook. The EDA is particularly wary about the implications of a DG Defence for its longer-term role. The question is whether a division of labour, where the EDA provides input and expertise in the planning phase while the Commission selects projects and drives implementation, can be upheld. Similarly, there are questions on what the bundling of the defence-related aspects of space policy in the Commission would do to the competences of the EEAS in this field. The prospects of institutional turf wars explain why the outgoing HR/VP that heads the EEAS and the EDA was reportedly at best lukewarm vis-à-vis any new DG Defence.

The overarching concern is that a DG Defence would shift the established balance of power in the field of defence. Eager to prevent this, the member states have insisted on remaining in the driver’s seat and restricted the Commission’s leeway in managing the EDF. There are also legal barriers to an overly political role of the Commission in this domain. The more relevant concern is that these very barriers could lead to a dysfunctional compartmentalisation and a growing gap between defence policy and market – strategy and industry – operations and capabilities.
4 How to address concerns

DG Defence thus presents us with trade-offs. On the one hand, the bundling of responsibilities could lead to greater coherence within the Commission and provide the necessary political drive for industrial consolidation. On the other, it would entail a cumbersome bureaucratic re-shuffling, create new coordination needs with other DGs, and potentially trigger institutional turf wars. To prevent the development of new silos and bridge the supranational and intergovernmental side two options could be envisaged.

1. Another hat for the HR/VP

The new DG could be placed directly under the authority of the HR/VP in his role as a Vice-President of the Commission. This would be in line with his mandate to ensure consistency between the Union’s external action and other policies (see Art. 21(3) TEU). Keeping DG Defence, the EEAS and the EDA in one person’s hands could reduce the probability of turf wars. It would also prevent potentially dysfunctional competition between the HR/VP and a new Defence Commissioner. Finally, it would send a powerful signal to the member states, dissipating fears of creeping Europeanisation.

There are, however, two obstacles. The first is that yet another hat might overstretch the already busy agenda of the HR/VP. It could be an over-ask to manage a DG and meet the growing demands of diplomacy and crisis management. As figure 1 below illustrates, the HR/VP already has to juggle multiple hats. The second is the likely reluctance of the Commission to loosen its grip on core competences in this domain, notably its regulatory and budgetary powers.

2. A Defence Commissioner under the lead of the HR/VP

A more feasible alternative would be placing the DG under a Defence Commissioner who directly reports to the HR/VP in his role as Commission Vice-President. The Commission President could establish such a link as part of his power to decide on the Commission’s internal organisation and working methods (see Art. 17(6) TEU). This would also be in line with the trend of Commission hierarchisation: under Juncker the HR/VP was joined by a First Vice-President and five other Vice-Presidents leading project teams of fellow Commissioners.

Bridging political and industrial aspects, the HR/VP should steer and coordinate the Project Team on Defence Union in addition to the one on External Action. To relieve the burden, the Defence Commissioner could act as one of the HR/VPs deputies for areas of Commission competence. The Project Team on Defence Union should include the most relevant Commission DGs (currently GROW, MOVE, RTD, TAXUD, CONNECT, HOME) as well as external DGs (notably TRADE) on a case-by-case basis. According to informed sources, the Project Team on Defence Union was not yet very dynamic. It should meet more regularly, for instance on a monthly basis, and in varying thematic formats, according to the needs identified jointly by the HR/VP and Commission President.

Bundling coordination on defence under the HR/VP could also help member states stay in the driver’s seat by keeping the Commission agenda closely coordinated with that of the Council. The HR/VP could, for instance, prepare options for Commission contributions to PESCO projects that could then be presented to the Council. To ensure that this link does not depend on the HR/VPs busy agenda, the EDA’s Chief Executive and the EEAS Deputy Secretary General for CSDP and crisis response could be invited to meetings of the Project Team on Defence Union as observers.
The proposed option would raise the profile of defence within the Commission, provide for synergies and mitigate member state fears by ensuring a direct link to the intergovernmental side of the equation. To make this compromise even more palatable, the post could be offered to a Commissioner from Eastern Europe in a way that could ensure geographical balance with a Spanish HR/VP who might be suspected of focussing too much on the South.

Conclusion

The establishment of a DG defence carries the promise of a more coherent and forceful push towards the consolidation of Europe’s fragmented defence market. Industrial consolidation should not be an end in itself. It should provide the EU with the necessary hardware to defend itself and move it closer towards the strategic sovereignty it aspires to. Fulfilling these aims will not be possible without upgrading the EU’s political and ideological software, namely the ability to decide on the joint use of military means. What this upgrade might look like goes beyond the scope of this policy brief. However, the proposed structure could be one step towards a closer link between soft- and hardware, between European defence policy and industry. This link needs to be cemented to prevent developments we have seen in other policy areas such as Economic and Monetary Union, where economic integration has become increasingly detached from its faltering political dimension. After all, EU citizens may not fall in love with a common defence market but they do want a Europe that protects.