When it comes to defence issues, strategic discord among Europeans is the rule rather than the exception. Of course, one should not forget that considerable steps have been taken over the last 60 years towards greater integration in the European defence sector, particularly in the area of capacity development. Prime examples of this are above all armaments cooperations such as the MILAN, the Tiger or the A400M. However, attempts to better integrate defence policy were often not implemented with ultimate consistency and in several times affected by strategic divergences, in particular between the “structuring couple” of European cooperation : France and Germany, leading to political conflicts, cost explosions and delays.

Yet, on November, 13th 2017, to put it into the words of Federica Mogherini (the High Representative of the EU for Foreign Affairs and Security Policies (HR/VP)) announcing the start of the Permanent Structured Cooperation (PESCO), “a new page of the European defence was launched”. Donald Tusk, President of the European Council, is no less euphoric stating that a “dream becomes reality”.

Apparently, at least if you believe the leaders of Europe, PESCO is a great thing. But what is all the hype about?

Much has happened since last winter : launched only one year ago, PESCO is an ambitious, binding and inclusive treaty-based framework and process to deepen defence cooperation amongst EU Member States capable and willing to do so with regards to defence capability development and operations with an ambitious commitment to address “the most demanding missions”. A list of 17 projects was agreed on December, 11th 2017, formally adopted on March, 6th 2018 and just a few weeks ago, on November, 19th 2018 the Council adopted a second and updated list of 17 additional projects to be undertaken under PESCO.

So much for the general definition of PESCO. But what does this mean in terms of practice? Given the enthusiastic statements, it seems obvious that Europeans place high expectations on PESCO.

Is PESCO thus once again just one of the numerous attempts of the European states to breathe life into European defence cooperation, which will in the end vanish into oblivion like many of its forerunners, or are we currently witnessing the real launch of a coherent and united European defence?

And if the latter happens to be the case: will PESCO deliver and what steps must be taken for PESCO to become the long-awaited game changer for EU defence cooperation?
To shed some light on the matter, a short trip into the past is recommended. Because in fact PESCO is not an 18-month-old toddler anymore. It was not for nothing that the European Commission President Jean-Claude Juncker described PESCO as the “Sleeping Beauty of the Lisbon Treaty” and we will see that her origins go even further back.

The Sleeping Beauty Awakens – A Kiss for European Common Defence

The very origins of PESCO can be traced back to the ideas of “flexibility” and “closer” and “enhanced” cooperation in EU policy-making, which arose between the Maastricht Treaty of 1992 and the Treaty of Nice of 2001.

The European Commission’s 2002 defense working group recommended a flexible approach that allowed member states to opt in based on their capabilities and political preferences, and called for a better coordination of defense research among EU member states. These recommendations were included in the draft Constitution of 2003, and ultimately led to the creation of the European Defence Agency (EDA), and the introduction of a terminology calling for “structured cooperation” in the domain of defence.

While this led to a firmer conceptualization of the process of European defence cooperation, no minimum capability thresholds or cost-sharing specifications were set, even though there was a belief that participation should be limited to “higher performing states”. The Constitutional Treaty of 2004 revised some of these issues by laying down certain conditions for participation – fulfilment of operational requirements, investment in defence equipment, and cooperation in programs through the EDA - but most of these requirements remained largely undefined.

After the rejection of the Constitutional Treaty in 2005, PESCO was largely integrated unaltered into the Lisbon Treaty of 2007 (Articles 42.6 and 46), despite the fact that it puts operational requirements, tax objectives – however not yet quantified – and multinational industrial cooperation in more or less the same box.

However when the Lisbon Treaty entered into force in 2009, neither the member states nor the EU institutions actively pushed for the implementation of PESCO.

From Franco-German Discord …

France and Germany in particular had different visions and priorities with regard to PESCO and the future of European defence: in general, Germany preferred the use of PESCO as a political initiative to foster solidarity among EU member states (inclusive vision), while France
considered it a strategic initiative to meaningfully strengthen the military capabilities of member states (ambitious vision).

_to compromise…_

However, events such as the “leave” vote in the UK and the election of Donald Trump, but also the election of Emmanuel Macron, seem to have caused considerable impetus to reforms. Furthermore, the launch of the EU Global Strategy (EUGS), released by Federica Mogherini immediately after the Brexit referendum, drew renewed attention to PESCO.

In September 2016, the French and German defence ministers issued a joint paper, in which they encouraged the EU to move forward with PESCO declaring their governments’ support for an inclusive PESCO based on clear guidelines and benchmarks. The approach was flexible and open, with an explicit emphasis on inclusion (not constraint), future engagement (not past achievements) and benchmarks and outcomes (not rigorous criteria).

The meeting of the Franco-German Security Council on July, 13th 2017 can be understood as a further and decisive impulse for PESCO as both governments agreed on a list of binding commitments and elements for comprehensive and ambitious cooperation including a timetable and specific evaluation mechanisms.

 She’s awake…

On July, 21st 2017, France, Germany, Spain and Italy (supported by Belgium, Czech Republic, Finland and the Netherlands) notified to the HR/VP their intention to engage PESCO.

This eventually led to the European Council agreeing to create an inclusive PESCO aimed at developing capabilities for the most demanding missions. In November 2017, a large majority of EU Member States signed the proposal, with Ireland and Portugal officially joining the defence pact on December, 7th 2017, meaning that only Denmark, Malta and the United Kingdom declined to participate.

Finally, the PESCO that is now being implemented clearly differs from its original idea and formulation: PESCO rather presents a process and follows an inclusive rather than an avantgarde group model.

How Does PESCO Look Like? Structure, Governance and Instruments
With regard to governance, PESCO has a two-tier structure: it is primarily a member state driven process, which means that the main decisions and individual projects implemented through PESCO are directed and executed by the participating member states.

However, the process is monitored by the European Council, which is responsible for the overall direction of PESCO and ensures that the participating member states meet their commitments. As part of the wider CSDP framework, PESCO – under the general supervision of HR/VR – is supported by various EU agencies, notably the European External Action Service (EEAS) and the European Defence Agency (EDA). Whereas the EEAS will support the operational dimension of joint commitments and operational projects, the EDA will play a key role in the capability dimension of joint commitments and capability projects.

Each year, all participating Member States are required to submit a National Implementation Plan (NIP) informing the other participants about their contribution to the fulfilment of their binding commitments. The NIPs constitute the ground for the review process as described in the Council Decision establishing PESCO. The Council will also monitor on a yearly basis whether the participating member states continue to comply with the binding commitments. This differs from the voluntary approach that is currently the rule in the EU’s CSDP.

The Council decision clearly states that increasing joint and collaborative defence capability development projects is among the binding commitments under PESCO, in order to maximize synergies and to enable economies of scale. The relevant Union instruments and programs are evoked, with a clear mention of the Capability Development Plan (CDP), the Coordinated Annual Review on Defence (CARD) and the European Defence Fund (EDF) as PESCO is part of a more comprehensive defence package. They are complementary and mutually reinforcing tools supporting member states’ efforts in enhancing operational and capability projects.

**What’s so special about PESCO?**

First of all, Council decisions are legally binding. Thus, unlike other initiatives such as, for instance “Pooling & Sharing” or “Smart Defence”, PESCO will not disappear: since it has been transposed into EU law, the Council of Ministers will carry out an annual assessment of member states’ compliance with their obligations on the basis of a report by the HR/VP. The member states themselves are obliged to draw up an annual NIP. Similar to the NATO Defence Planning Process (NDPP), this is by no means a guarantee that states will accomplish all their goals, but also implies that they will have to explain their potential non-compliance to their fellow PESCO partners. Obviously, this applies not only to the capability but equally to the operational dimension of PESCO: though not legally binding, the mix of commitments agreed on and pressure from fellow member states has the potential to encourage decision-makers to participate in operations while increasing the cost of defection.
Secondly, of course, a regular assessment of the common binding commitments is essential. Yet, from the viewpoint of specific capability development, financial stimulus is of equal concern. With this in mind, the EDF could provide a significant incentive for EU governments to collectively develop capabilities.

As the European Commission has already signaled that – if these projects are conducted within PESCO – it is willing to extend its 20% funding to joint EU capability projects under the EDF by a further 10%, financial attractions that many EU governments will find difficult to resist are created.

Traditionally, defence was not part of the Commission’s area of responsibility, however, the latter – with the establishment of the EDF, among other things – has now emerged as a major catalyst for the EU defence debate. Generally, this can be seen as rather encouraging, as the projects usually advance more rapidly when the Commission, and in particular its Presidents, engage more intensively.

Last but not least, PESCO – as stated above – is a truly member state driven process and it were the member states who took it upon themselves to strengthen their defensive efforts and made the ultimately decisive move to activate PESCO through the Council.

A game-changing step towards the successful launch of PESCO was made when France and Germany managed to work out a compromise – endorsed by six other member states with different strategic characteristics and thus representing a common position of a relatively representative group of European countries – matching their supposedly irreconcilable aspirations for an ambitious and inclusive PESCO structure.

How to cross the rocky road towards a happy ending: pending issues

PESCO’s start seems to have been promising, many important steps have been undertaken, several obstacles have been overcome. However, with each step forward and every barrier passed, more questions are raised. Several topics of rather sensitive nature remain unanswered: two central issues concern on the one hand the complementarity between PESCO and NATO and on the other hand the delicate question of third state participation in PESCO projects.

Complementarity between PESCO and NATO

The link to NATO remains of paramount importance: NATO politicians often raised the concern that PESCO could be used to supersede the role of the Alliance in European defence. Thus, in order to demonstrate that EU and NATO are not in a state of competition, but mutually reinforce and complement each other and in order to guarantee consequent and systematic development of capabilities, both have to cooperate more closely.
Since the overall objective of PESCO is to jointly generate military capabilities, complementarity between PESCO and NATO is more or less self-evident. All supplementary military capabilities acquired by the EU Member States through PESCO are effectively included in NATO’s accounts as these countries are all members or partners of the Alliance. This is why, PESCO presents rather “good news” for NATO which can expect substantial improvements in European capabilities in key areas, in particular strategic capabilities. Even if all European allies were to spend 2% of GDP on defence individually, they would probably not be capable to develop highly capital-intensive capabilities. Through PESCO, the EU now has a mechanism to do precisely that, directly serving both the EU and the NATO.

NATO allies that are participants of PESCO will want to ensure coherence between what they develop under PESCO and what they have agreed to under the 2016 EU-NATO Joint Declaration put in place at the Alliance’s Warsaw Summit in 2016. However, in order to strengthen the complementarity between both organization, the respective instruments in order to boost capability development need to be examined: NATO Defence Planning Process (NDPP) and the CDP need to be harmonized. The CDP – with the introduction of PESCO and CARD (e.g. assessment of the member states’ commitments) – becomes more and more similar to the NDPP and an overlap between the two can be expected. This requires a high degree of coordination between the competent bodies in both organizations, in particular CARD/PESCO Secretariats and also EDA and the Defence Planning and Policy Division of NATO’s International Staff, in order to ensure efficient coordination between the EU and NATO.

**Third state participation**

Another pending issue of particularly sensitive nature is the involvement and participation of third states in PESCO projects.

Some PESCO member states are very eager to open projects to countries such as the US, Norway and of course post-Brexit UK and underline the added value of having such partners on board.

First of all, as already stated in the decision on the introduction of PESCO, the Council will determine each time whether a third country complies with the general requirements for participation in a PESCO project. Second, the general conditions should specify a set of criteria to be fulfilled by the third country in order to be eligible for participation in a PESCO project and the expected added value should be indicated. Third, there is a link to the EDF for the participation of structures from third countries. In the context of the European Defence Industrial Development Program (EDIDP), a set of rules has been laid down for the participation of European defence industries established in third countries and PESCO projects funded by the EDF obviously have to conform to these rules.
Furthermore, by shedding a light on PESCOs complementarity with CSDP, the question of third states participations is raised. To what extent can non-PESCO members be linked to CSDP operations? On the one hand EU states that are not members of PESCO will face a risk of marginalization, a risk inherent to any process differentiated integration. Consequently a third state associated to PESCO could potentially be more involved in CSDP operations than a non-PESCO member which is a EU member state.

The above points clearly show how controversial the issue of third states’ participation in the PESCO framework is and political sensitivities must be taken into account in resolving the third state issue.

**Will European Defence live happily ever after?**

It seems like the member states and the Council have found a way to awaken the “Sleeping Beauty of the Lisbon Treaty”.

However, it is still too early to determine whether the implementation of PESCO is successful. A proper assessment can only be made after several years, in particular with regard to projects for the development of capabilities which are by their nature multiannual.

**Ensuring coherence between the capability and the operational dimension**

Both, operational effectiveness and capability development are equally important to turn PESCO into the long-awaited game changer of European defence.

In this context, coherence between the operations and capability development projects needs to be ensured. The EU’s definition of the “the most demanding missions” and the nature of the operations that the EU intends to undertake under PESCO lack to certain extent clarification and need to be specified. In addition to that, the EU’s military level ambition is still the subject of ongoing discussions and, in particular in the context of the overall objective of ensuring compatibility between EU and NATO operational efforts, further deliberation is required. When it comes to capability development, it must be assured that the programs decided on are sufficiently ambitious to incentivize defence ministries and industries to engage in the development and purchase of joint military equipment. Moreover, the risk that governments will implement projects under PESCO because they see additional EDF resources as a way of subsidizing ongoing projects rather than developing capabilities that are actually needed for the strengthening of European defence must be taken seriously. Consequently, the coherence of the different established mechanisms such as PESCO, EDF and CARD is crucial.

**Assessment, monitoring and compliance enforcement**
First, rigorous assessment and monitoring in order to prevent governments and industries from seeking to continue business as usual is required, both on the national and the Council level. Second, compliance enforcement, meaning that consequences — such as sanctions and even membership suspension — for those who systematically neglect their commitments have to follow, is another key prerequisite for PESCO to be able to meet the expectations placed in it and to create a fertile ground for the “fully-fledged European Defence Union” wished by the European Commission in its 2025 ambitions.

**Keeping the momentum**

Many EU (and NATO) defence initiatives have experienced a rather short life-cycle. Experience over the past years in other areas such as the Eurozone, counter-terrorism and migration has shown that sustained political attention at the highest level is needed in order to make progress: therefore, the last 18 months give grounds to believe that the member states and the EU have learned lessons from past experience.

However, the *Sleeping Beauty* will only shine bright if European leaders are capable to keep the momentum in PESCO. This implies that PESCO, and in particular relevant PESCO projects, need broader support at the national level and strong political leadership at the highest level is essential for such a whole-of-governments approach.

**Facing the reality of European Defence**

Although the first debates on the question of ambition vs. inclusiveness — at least to some extent — have apparently been resolved, cultural and strategic divergences and their impact on the development of European defence are not myths but should be taken seriously. Given the reality of European defence, however, the approach must be to focus on solving the short-term technical and political problems allowing the major debates to remain open. Eighteen months after the launch of PESCO, pragmatism should remain the watchword of the moment.

Finally, there is at least one strong and pragmatic reason to overcome the various difficulties mentioned throughout this article and to turn the vision of European defence into concrete and meaningful action: complete sovereignty in terms of freedom of action has already been lost. Dependency is a reality. Therefore, PESCO presents a tremendous opportunity to tackle this reality and prepare the future of European defence. In this respect, 2019 will therefore be a crucial year for the future of PESCO and European defence.
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Notes


5 Ibid. p.17


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