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European Defence during the budgetary crisis: an opportunity for greater cooperation?

Abstract :

Confronted by an unprecedented budgetary crisis the Member States are opting for cooperation to maintain the effectiveness of their defence tools – as seen by the adoption on 19th November [1] of a code of conduct in terms of capability sharing and cooperation. There are a great number of challenges in turning political impetus into acts but the European Defence Agency is providing pragmatic solutions to the Member States.

1. REVIVING COOPERATION: FROM THE IMPETUS TO IMPLEMENTATION

In December 2010 the European Union's Defence Ministers, who met in Gent, launched a major initiative to share and pool capabilities.

Of course cooperation in terms of capabilities is not an innovation. In the past Member States have committed to cooperation programmes which have led to significant capabilities such as the A400M.

Since 2010 Defence Ministers have however integrated new constraints which make cooperation a necessity:

- The budgetary constraint. With budgets tightening in all Member States, cooperation is seen as a solution which might enable the upkeep of the defence tool Europe wide. Rather than developing the entire capability spectrum on a national base Member States should be able to spread their capability efforts more widely. This does not mean that "pooling and sharing of capabilities" can be used as an excuse to do less. Some capabilities are lacking or might become so: in order to share and pool them they have to exist;
- American strategic re-orientation. The American choice to focus their attention more on Asia must lead Europeans to assume their responsibilities to a greater extent. Autonomous intervention capability also im-

plies autonomous military capabilities in Europe. The operation in Libya again reminded the Europeans of their dependency on the Americans in areas as vital as in-flight refuelling, surveillance and munitions. Washington's message is extremely clear: "do not take it for granted that we will make means available, be prepared to act on your own."

With the support of the Defence Ministers, the European Defence Agency put forward a series of capability projects aiming to:

- guarantee Europe's capability of action by improving our means of in-flight refuelling, surveillance, etc.
- make good certain recurrent shortfalls which prevent the rapid deployment of EU operations, notably field hospitals;
- improve the deployability of European capabilities – notably thanks to training schemes (air transport pilots, helicopter pilots, maritime training).

Each of these projects involves several Member States ad hoc.

At the same time the Agency has started work which will facilitate cooperation between the Member States, notably in the area of certification and qualification, so that the latter will acknowledge the qualification

1. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/FR/foraff/133658.pdf

tests and munitions' certification undertaken by their neighbours (1.7 billion € yearly). We would even like it to go as far as being able to service a French A400M in Germany.

Finally the Defence Ministers adopted a code of conduct regarding the sharing and pooling of capabilities on 19th November 2012 (cf. annex 2), as suggested by the European Defence Agency. It is an all time first in Europe: this code of conduct which suggests for example the systematic inclusion of cooperation in the development of any new capability, as a protection against any possible cuts in budgets that have been allocated to cooperation programmes, and even as a guarantee for exchanges in different kinds of regional cooperation, should lead to the long term structuring of cooperation and set this firmly as part of national defence planning.

Constraints are a burden to capability cooperation, but there are solutions to hand. In particular the sovereignty of the Member States is protected if legal or almost legal arrangements lead to a guarantee of access to shared capabilities, as was the case in the air transport command of Eindhoven (European Air Transport Command - EATC).

2. COOPERATION: OPTIMISING EXISTING RESOURCES

Cooperation cannot serve as an excuse for additional budgetary cuts. Europeans now have to do everything they can to maintain their defence effort at the risk of undermining it long term.

We should not forget that Defence Ministries have been considerably affected by the financial crisis and by a widespread feeling that war in Europe is no longer likely and as a consequence that the defence mechanism is no longer vital to our security. Europeans spend 200 billion € on defence at present in comparison with 500 billion by the USA and in comparison with sharp growth in spending in other regions of the world. We cannot afford to take the risk of strategic decommissioning.

Beyond the occasional analysis this is the most worrying trend: in comparison with 2006 Europeans have reduced their annual investment level by nearly 20 billion € whilst Washington increased its effort by 100 billion €! We can see that there has been a gradual decline in defence budgets devoted to R&T. Whilst the European Council approved an R&T investment goal of 2% in 2008, at present the average lies at 1.2%. The trend is pointing downwards. And European cooperation is still extremely limited, only 12% in terms of R&T are undertaken in cooperation.

However, except if we consider the financial crisis as a chronic illness, from which, in spite of our efforts, we shall not recover, we have to guarantee the future which is not void of threats (marked by a wide variety of dangers such as cyber-attacks, and simultaneously more traditional crises which demand military intervention), this is the least we might say. Maintaining our existing defence effort and optimising the operational impact of this investment is therefore vital: short term we shall not enjoy any additional means, we must therefore make do with what we have.

On condition that this investment is maintained, cooperation might be a way of optimising the defence effort between Europeans. In this respect the European Defence Agency suggests:

- harmonising military requirements to avoid a multiplication of variants and thereby avoid additional costs. No Member State wants to repeat the experience of the NH90 which ended in the production of 23 different types. It is an operational requirement, as much as a constant request on the part of our industrialists;
- aligning acquisition timetables in order to make scale savings amongst industrialists;
- extending cooperation, not only in the acquisition phase, but to the entire life-cycle of a capability (certification, maintenance, training, logistic support etc) which covers nearly 2/3 of the capability costs.

Furthermore the Agency is looking into all possible types of synergy with other EU policies, including finan-

cing. Some examples: in the area of R&D, whilst the Commission is projecting an allocation of 6 billion € to key technologies, it seems vital that we be eligible as part the R&D framework programme in terms of projects with dual applications. The same applies to the European structural fund which enables research, innovation and industrial reconversion financing: we are looking at present into the conditions in which defence players might benefit from this financing. And there are other opportunities in the area of the European Single Sky or in terms of drones – which still come under the dual use category.

3. THE ROLE OF THE DEFENCE INDUSTRY IN EUROPE

Effective cooperation in the area of capabilities relies on strong political impetus, a strategic community of interests between certain Member States and finally on an industrial base. This is why the Agency lends particular attention to the industrial and technological base of European defence.

The context is more restricted than ever for the European defence industry: market contraction in Europe, an export market marked by increased American competition (a decrease of 450 billion € over 10 years in the defence budget and an easing in the ITAR rules [2] which aim to facilitate the export conditions of American equipment), changes to the shareholding structure mean that financing R&D units is an increasing burden to the industrial sector, a reduction in investments devoted to R&D.

In these conditions support to European industry, which is part of the Agency's missions, is of particular importance. If we have neither the mandate nor the means to intervene in the restructuring of Europe's industrial landscape we can act using certain levers.

Our dialogue with European industrialists allows us to adapt supply and demand in the best possible manner, both for the benefit of the governments (having access to the best prices) and that of the industrialists (greater anticipation of European expectations).

- We are devoting a share of our budget to financing studies undertaken in the main by European industry. And this operational budget helps us achieve leverage on Member States since it helps stimulate greater investments on the part of governments, notably in the area of R&D;

- We are consolidating demand by harmonising military requirements. This helps industrialists target their R&D efforts and avoid the development of too many types of equipment in small quantities;

- We are identifying priority technological areas (technological independence), for example in the area of new materials that aim to improve the performance of European radars, and encourage European investments in priority areas;

- Finally we are trying to build an environment which is as favourable as possible for the European defence industry. As an example we are looking into how we can structure the "public defence and security market" [3] directive. The quite specific nature of the European defence equipment market means that it cannot be subjected to the same assessment criteria as a traditional market. Considerations of operational sovereignty, supply security and the upkeep of key technological and industrial capabilities absolutely have to be taken on board. We must not forget that the European market is part of a global market which also functions in quite a specific way.

4. FRANCE'S POSITION

France has played a vital role in supporting the European Defence Agency. It was largely responsible for its creation, has provided the Agency with major projects both in the area of R&T and in terms of capabilities, and has always supported an increase in resources. Finally, it has always provided quality personnel.

France's commitment is decisive: in terms of the success of the capabilities sharing and pooling policy which will depend mainly on some structuring projects; in terms of the ripple effect amongst its European par-

2. *International Traffic in Arms Regulation* : a set of federal government rules that aim to control the import and export of objects and services linked to national defence.

3. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:216:0076:0136:FR:PDF>

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tners, whether this involves big or more modest sized States; and in terms of the Agency's credibility, which must effectively be used to its full potential.

Much is expected of France, starting with the flagship project of in-flight refuelling, both on the other side of the Atlantic, as well as amongst our European partners. This dossier is one of the most important that the Agency has ever handled given the strategic, operational and industrial issues at stake. And France is in a particular position because it is renewing its fleet of air refuelling tankers. This is why we have to pay specific attention to this dossier and use French know-how and expertise to establish a European fleet of air refuelling tankers.

We are also expecting France to make systematic use of the Agency. The Agency does not have to laboriously seek the agreement of 26 members. It can, and this is vital for the future of cooperation, support just some projects. It is the repository to guarantee the coherence of the capabilities sharing and pooling initiatives. It must harmonise requirements before the programmes are undertaken, notably via the OCCAR with whom we have just come to an agreement which gives us all the means we need to cooperate. It has to play a vital role in the certification of equipment. The Lisbon Treaty anticipates an extremely ambitious role for the Agency. It has to be prepared for this via the completion of ongoing, pragmatic activities. And on

this basis of credibility and confidence the Agency will be ready to support all types of developments which the States might want to undertake.

CONCLUSION

The Agency's association to the French White Paper is excellent news, which should serve as a precedent for similar actions in Europe. We are providing an analysis of the European capabilities landscape, cooperation opportunities, and returns on experience in terms of cooperation. But it is equally important for the Agency not to miss the opportunity of bilateral and multinational cooperation. We can inject our added value – but also guarantee the upkeep of coherence in Europe between the various poles of cooperation, without which there would probably be further duplication or even greater shortfalls in terms of capabilities.



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ANNEXE 1

THE EUROPEAN DEFENCE AGENCY – SOME MISTRUTHS:

The Agency is at the heart of cooperation regarding defence capabilities in Europe. However some mistruths have to be corrected.

Is the Agency a Community device?

No. The Agency answers to the Council. Its managing board brings together the Defence Ministers of 26 States once every six months (Denmark opted out). They pilot works, approve the Agency's budget and appoint the executive director and his deputy. The Agency is therefore an intergovernmental tool at the service of the Member States.

Do all of the projects undertaken by the Agency have to be undertaken by all 26 members?

No. The Agency supports cooperation projects with as few as 2 Member States. For example in R&T, nearly

one third of the projects are undertaken on a bilateral basis. However in some cases the participation of the greatest number of Member States is desirable, for example in the area of certification or qualification, notably to facilitate interoperability. Flexibility is vital and consubstantial to the Agency: the Member States come together according to interests, capability timetables or strategic and often regional proximity.

Is the Agency's budget too limited for it have any impact?

No. The Agency's budget totals 30 million € per year, which is in effect quite modest. But it is the leverage effect which is the most important: the Agency has stimulated 600 million € in investments on the part of the Member States in R&T over the last four years. Having said this when the potential, which is planned for in the Treaty is finally implemented, a bigger budget will be fully justified because of the Agency's added value and its effectiveness.

ANNEXE 2

CODE OF CONDUCT ON POOLING & SHARING

INTRODUCTION

The objective of this Code of Conduct is to support cooperative efforts of EU Member States to develop defence capabilities. The actions herein are aimed at mainstreaming Pooling & Sharing in Member States' planning and decision-making processes. They are to be implemented on a national and voluntary basis, in line with defence policies of Member States.

POOLING & SHARING

1) Systematically consider cooperation from the outset in national defence planning of Member States.

2) Consider Pooling & Sharing for the whole life-cycle of a capability, including cooperation in R&T, minimising the number of variants of the same equipment, to optimise potential savings, improve interoperability, and rationalise demand.

3) Promote where possible the expansion of national programmes to other Member States to encourage the cooperative development of increased capabilities and facilitate operational deployment.

4) Share opportunities that could be open to Pooling & Sharing.

5) Consider the joint use of existing capabilities by Member States to optimise available resources and improve overall effectiveness.

INVESTMENT

In accordance with national decision-making processes:

- 6) When a Pooling & Sharing project is agreed, endeavour to accord it a higher degree of protection from potential cuts.
- 7) Harness efficiencies generated through Pooling & Sharing in order to support further capability development.
- 8) Endeavour to allocate the necessary investment to support the development of future capabilities, including R&T, taking advantage of synergies with wider European policies, including regulatory frameworks, standards and certification.

COHERENCE

- 9) Pursue coherence between regional clusters of cooperation, including bilateral and ongoing multinational initiatives, to avoid major gaps or possible duplication and to share best practice, using EDA as a platform for information exchange.

10) Increase transparency, share expertise and best practice on cooperative capability development and capability priorities among Member States to enhance the opportunities for cooperation and greater interoperability. Mapping of projects open to cooperation would be supported by EDA tools, such as the Capability Development Plan and the database of collaborative opportunities (CoDaBa).

11) Benefit from information through EDA when conducting national defence reviews, for example on Pooling & Sharing opportunities and the impact of budget cuts (an assessment of possible consequences on the European capability landscape).

ASSESSMENT

EDA to submit to Defence Ministers an annual state of play of Pooling & Sharing, on the basis *inter alia* of inputs/reports from Member States and the EUMC, focusing on new Pooling & Sharing opportunities and also comprising: an analysis of the capability situation in Europe; progress achieved; obstacles; the impact of defence cuts and possible solutions.