

**From taking stock to increased European
defence cooperation**

*Diminishing the technological and capability
gap of the European defence capacity*

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Abbreviations

ACO	Allied Command Operations / NATO
ACT	Allied Command Transformation / NATO
CDP	Capability Development Plan / EU
CoC	Code of Conduct / EU-EDA
CPG	Comprehensive Political Guidance / NATO
CSIS	Centre for Strategic and International Studies
EDA	European Defence Agency / EU
EDAM	European Defence Equipment Market
EDTIB	European Defence Technological and Industrial Base / EU
ESDP	European Security and Defence Policy / EU
EU	European Union
EUMC	Military Committee / EU
JIP	Joint Investment Program / EU-EDA
LTV	an Initial Long-Term Vision for EU Defence Capability and Capacity Needs /EU-EDA
NATO	North Atlantic Treaty Organisation
NEC	Network-Enabled Capability
OCCAR	Organisation Conjointe de Coopération en matière d'Armement
R&D	Research and Development
R&T	Research and Technology
WMD	Weapons of Mass Destruction

Introduction

On 14-15 December 2005, The Clingendael Institute and the Netherlands Ministry of Defence organised the 'Taking stock: Enhancing European Military Capabilities within the EU and NATO' conference.¹ Almost two years later, it is time to see what has happened since. This paper puts forward the findings of the Clingendael Conference 'From taking stock to increased European defence cooperation', which took place on 3 July 2007 in The Hague. The content is twofold. The first part consists of a discussion paper by Clingendael researcher Marcel de Haas and intern Jochem Meijknecht, dealing with the transatlantic relations between the EU and NATO and the technological and capability gap between them. The discussion paper elaborates on the activities of both organisations with regard to diminishing the technological and capability gap of the European defence capacity since the 'Taking Stock' conference. The second part of this work contains replies to the Clingendael discussion paper by Dr. Hilmar Linnenkamp, Deputy Chief Executive of the European Defence Agency of the EU and Dr. Jamie Shea, Director of Policy Planning in the Private Office of the Secretary General of NATO. Prior to discussing the above mentioned topics, the major observations and conclusions of the December 2005 conference will be explained.

In his opening address, Mr. Henk Kamp, the Minister of Defence of the Netherlands at the time, signalled three interrelated issues at stake.² First, a continued shortage of a number of capabilities needed to perform the more demanding missions abroad. Second, the fragmentation of the European defence efforts, and third, the necessary cooperation between the North Atlantic Treaty Organisation (NATO) and the European Union (EU) with regard to capability improvement. Minister Kamp saw solutions to these problems in the fields of: national responsibility, innovation, further EU-NATO cooperation, more competition on the defence market, harmonisation of capability requirements, research and technology and international cooperation.

¹ Kees Homan, *Taking Stock: Enhancing European Military Capabilities within the EU and NATO*, The Hague: Netherlands Institute of International Relations 'Clingendael', January 2006.

² Homan, *Taking Stock*, pp. 7-12.

Mr. Nick Whitney, Chief Executive of EU's European Defence Agency (EDA), stated in his presentation that the EU accepts that its capability efforts must be nested within the larger efforts of NATO, by conforming to the concepts and standards for the evolution of Allied Command Transformation (ACT).³ This does not mean that the EU within its European Security and Defence Policy (ESDP) cannot operate independently of NATO. However, such operations should be done without tripping over the NATO agenda. Looking ahead at what was to be done, Mr. Whitney mentioned issues such as the funding of defence investment, pooling of resources and assets, defence Research & Technology as an answer to Europe's capability shortfalls and enhancement of effective investments.

On the other side of the 'stock table', Major General Frank Hye, ACT's Representative in Europe, shared NATO's perspective.⁴ He emphasized transformation as the central issue at stake, in which deployability and interoperability were the key words. Within the concept of transformation, Hye distinguished goals and objectives in areas of information superiority & NATO Network-Enabled Capability (NEC), effective engagement and joint manoeuvre, enhanced civil and military cooperation, expeditionary operations and integrated logistics. General Hye did not elaborate on how these targets could be accomplished in cooperation with the EU.

Dr. Michèle Flournoy of the US-based Centre for Strategic and International Studies (CSIS), warned that in the future the gap between European security strategy and military capabilities threatens to widen.⁵ The problem is that the necessary European investment in new capabilities will be constrained by flat or declining defence budgets, the fragmented nature of European defence demand and the rules of the European defence trade and industrial capabilities, focussing on existing platforms and job creation rather than on transformation. As solutions to this danger, she mentioned developing more compatible visions of Europe's future defence needs, cooperative research, development and procurement, pooling of national military capabilities and specialization by some countries in niche capability areas.

The core message of Dr. Julian Lindley-French of the Centre for Applied Policy Research in Munich was that in the current international security situation Europe will either generate sufficient levels of co-optive and coercive power or subside into irrelevance.⁶ To this end, Europe must close the political-capability-capabilities gap. He concluded with a number of practical recommendations to encourage coherence between ESDP and NATO in the field of enhancing military capabilities. Lindley-French stressed that the EU and NATO will never merge their efforts but they must converge, de-confliction is thus the nucleus. His recommendations were founded in building on the 'Berlin-Plus' concept of cooperation; promoting cooperation between EDA and ACT; establishing an EU-NATO Long Term Vision Working Group; harmonising the capability action plans of EU and NATO; encouraging permanent structured co-

³ Homan, *Taking Stock*, pp.13-16.

⁴ Homan, *Taking Stock*, pp. 17-24.

⁵ Homan, *Taking Stock*, pp. 25-32.

⁶ Homan, *Taking Stock*, pp. 33-38.

operation in armaments; introducing pan-European private finance initiatives in acquisition programmes; transformation by enhancing the natural strengths of both organisations; and in creating EU-NATO Crisis Action Teams concentrating on enabling practical co-operation instead of grand declarations.

Following the 'Taking Stock' conference in December 2005, the arena of transatlantic military capabilities continued to change. On the European side, EDA manifested itself as a dynamic forerunner in the development of European capabilities, cross-border military procurement, strengthening of the European Defence Technological and Industrial Base (EDTIB) and much more. On the transatlantic side, during the Riga Summit in November 2006, NATO issued the Comprehensive Political Guidance (CPG) and Secretary-General Jaap de Hoop Scheffer called for a 'new NATO-EU chapter' at the end of January 2007.

But do the developments from November 2005 offset the obstacles and blockades ascertained by the keynote speakers at the 'Taking Stock conference'? Have - in the words of Henk Kamp and Dr. Michèle Flournoy - the capabilities shortages been solved, the European defence efforts united and NATO and EU cooperation in capability improved? Or is, as General Frank Hye stated, NATO transformation evolving and thereby increasing deployability and interoperability?

Considering the above stated issues revolving around the strained EU-NATO relations, is it possible that the dilemma originates on the one hand from a technological and capabilities gap between the two actors? And on the other hand, is there still an absence of a strong political will to solve the 'frozen conflict' between EU and NATO? In reply to the questions put forward in the Clingendael discussion paper, Dr. Hilmar Linnenkamp (EDA) and Dr. Jamie Shea (NATO), both delivered a speech at the Clingendael Conference 'From taking stock to increased European defence cooperation' on 3 July 2007 in The Hague,.

In his three-part speech, Dr. Hilmar Linnenkamp highlighted the developments made by the EDA during the past two years in three parts. The first part consisted of addressing the strategic projects of the EDA, which create a common understanding of the described topic. The main strategic projects of the EDA are the *Code of Conduct* (CoC), an intergovernmental regime for European defence procurement, The Joint Investment Program (JIP), a voluntary Investment Program focused on Force Protection and the European Defence Technology and Industrial Strategy (EDTIS), a strategy on the goals, opportunities and obstacles of the development of the European Defense Technological and Industrial Base (EDTIB). In the second part of his speech, Dr. Linnenkamp addressed the concrete topics and projects of the EDA, which currently includes the development of Unmanned Air Vehicles (U.A.V.), the twenty-first century soldier, network enabled capabilities, Software Defined Radio (S.D.R.) and Maritime surveillance. These projects have one thing in common; they are all a result of military and civilian defence efforts. The third part consisted of a characterisation of the EU-NATO relationship whereby Dr. Linnenkamp stressed the fact that EDA's work is complementary to an already

existing NATO-standard. With the goal of avoiding duplication of efforts and working as close as possible with NATO, the cooperation, according to Dr. Linnenkamp, is also seen in the contacts and exchanges of EU and NATO staff. The evolving cooperation, could prove promising for the future.

Dr. Jamie Shea focused on two parts in his speech. First, he elaborated on how to approach capabilities from a strategic perspective. The four main features in a 'new capability paradigm' are: a broad comprehensive approach towards capabilities, a flexible capability response in dealing with an evolving risk environment, ongoing long-term capabilities planning and cost-effectiveness in capability development. Dr. Shea concluded that the challenge is to combine multinational, cooperative approaches with a timely delivery of the required capability. Second, Dr. Shea commented on the Clingendael discussion paper and once again presented four points against the background of the first part of his speech. His recommendations asserted that NATO and the EU should stop considering capability development as a zero-sum game, and instead focus on the added-value that both organisations have to offer. Furthermore, NATO and the EU should seek more opportunities for cooperation and refrain from falling into the trap of measuring progress through the lens of their respective bureaucracies. In response to addressed capability gap between the United States and Europe, Dr. Shea pointed out that the capability gap is much more than a mere technological gap, and lastly that we should not lose sight of the valuable operational experience gained in Afghanistan and elsewhere. These operations have become a primary driver for NATO's transformation and therefore make a strong case for a collective approach towards capabilities. Dr. Shea concluded that good cooperation between NATO and EU is important in the area of capabilities, but that we should not lose sight of the ultimate goal: field what we need today, and plan for tomorrow.

Clingendael Discussion Paper: From taking stock to increased European defence cooperation

Marcel de Haas
Jochem Meijknecht

European Union

Between December 2005 and April 2007 the EU has demonstrated a strong willingness to go ahead with the strengthening of defence cooperation. This part of the discussion paper will provide an overview of EU's major activities in this field, focusing on the European Defence Agency (EDA) is the main initiator.⁷ Originally established to "support the Member States of the European Union and the European Council in their effort to improve European defense capabilities in the field of crisis management", the EDA has four main functions. The organization covers development of defense capabilities, promotion of defense Research and Technology (R&T), creation of a competitive European Defense Equipment Market and strengthening the European Defense, Technological and Industrial Base (EDTIB).⁸ The below described projects are the offspring of EDA's four functions. With this in mind, what has the strong willingness of the EU and EDA resulted in between December 2005 and April 2007?

Code of Conduct on Defence Procurement

Just prior to the 2005 'Taking Stock' conference in The Hague, in November 2005 EDA's participating member states had agreed on a **Code of Conduct on Defence Procurement**. Until then, a significant proportion of the defence procurement took place outside EU internal market rules, on the basis of Article 296 of the European Community Treaty.⁹ At a meeting of the EDA's Steering Board, EU Defence Ministers agreed on a voluntary, non-binding

⁷ This Discussion Paper was finished on 31 March 2007.

⁸ <http://eda.europa.eu/genericitem.aspx?area=Background&id=122>,

⁹ Article 296 of the Treaty offers an exemption for cases where the application of European law would undermine Member States' security: Article 296 (1)(a) allows Member States to keep secret information the disclosure of which they consider contrary to the essential interests of their security. Article 296 (1)(b) allows Member States to take measures they consider necessary for the protection of their essential security interests which are connected with the production of and trade in arms, munitions and war material. The latter are specified in a list established in 1958. Measures taken under Article 296 (1)(b) shall not adversely affect the conditions of competition on the common market for products which are not intended for specifically military purposes. (Source: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/468&format=HTML&aged=0&language=EN&guiLanguage=en>).

regime code of conduct for defence procurement in order to encourage competition in the European defence equipment market, exempting contracts from normal EU internal market rules. It was decided that the new regime would cover contracts worth more than one million Euros and would take effect from 1 July 2006. Furthermore, the participating member states came to an understanding of a need for creating an internationally competitive European Defence Equipment Market, in order to strengthen the **European Defence Technological and Industrial Base (EDTIB)**.

Research and Technology (R&T)

After dealing with competition in defence procurement, **Research and Technology (R&T)** was the next item on the EDA's agenda. On 9 February 2006 Javier Solana, EU High Representative for the Common Foreign and Security Policy and head of the EDA, addressed an EDA conference dedicated to R&T. Solana stated that R&T is the key to the transformation of the armed forces, arguing that there was a need for a globally competitive European defence industry as a fundamental contributor to the political consensus that supports the role of defence. Furthermore, the EU High Representative stressed that we should be concerned with the fact that the US currently outspends Europe in defence Research and Development (R&D) by a ratio of five to one.¹⁰ Solana saw solutions to the recognized insufficient European investment levels in R&D as spending more, spending better, and spending more together. These resolutions could be established, for instance by creating a substantial R&T budget at the EDA or by forming a joint European defence R&T fund controlled directly by its contributors.

In May 2006 the EDA published the bi-annual edition of its **Capabilities Improvement Chart (II/2006)**, reflecting the need for capabilities improvement according to the objective of developing European capabilities for crisis management as set in the Headline Goal 2010. The Headline Goal 2010 exercise is a set of goals agreed upon by governments in mid-2004, enabling the EU by to be able to carry out humanitarian and rescue and peace-keeping tasks in crisis management operations by 2010. This issue of the chart mentioned improvements in the shortfall areas of Deployable Laboratories, Seaport of Disembarkation units, Operation Headquarters, Strategic Airlift and Mechanised Infantry Battalions.

European Defence Technological and Industrial Base

In September 2006 the governments of the EU took **further steps towards a common Defence Technological and Industrial Base**, by conducting a first comprehensive review of the future of EDTIB at the Steering Board meeting of the EDA. They agreed in outline the sort of Defence Technological and Industrial Base which the EU should have and a set of actions to help identify

¹⁰ **R&T**: Subset of R&D – expenditure for basic research, applied research and technology demonstration for defence purposes. **R&D**: Any R&D programmes up to the point where expenditure for production of equipment starts to be incurred. Source: <http://www.eda.europa.eu/facts/European%20Defence%20Expenditure%20in%202005.htm>

the key technologies and core industrial capabilities as targeted by Europe. Furthermore, the Steering Board agreed upon further action to support the new market by enhancing security of supply and security of information across national borders. The **main characteristics of a strong future European DTIB**, as agreed by the Steering Board, are that there is a basic need for an EDTIB which dependably supplies European Armed forces' needs even in times of conflict, which should be capability driven, competent and competitive. To achieve this, Europe needs to work towards more consolidation, work-sharing and interdependencies on a European-wide basis. Moreover, there is a need for more integration into the wider European industrial base and less dependence on non-European sources for key defence technologies.

Long-Term Vision for EU Defence Capability and Capacity Needs

In October 2006 the Defence Steering Board of the EDA at the level of Defence ministers endorsed the policy document '**An Initial Long-Term Vision for EU Defence Capability and Capacity Needs**'.¹¹ This Long-Term Vision (LTV) is an outlook to the future nature and context of ESDP operations, essential for decision-taking on Europe's longer-term defence capabilities and capacities. The LTV reviews geopolitical, demographic, economic, technological and military trends over the next 20 years, and sets out a high-level view of the defence capabilities which will be required to respond to this changing world. The LTV comprises the global context, challenges for defence, implications for the military contribution to ESDP operations, implications for capability development and key issues for the defence planner. The LTV mentions the following key future force and capability characteristics. Synergy – going beyond combined-arms warfare to coordination of effects with non-military actors. Agility – implying speed of reaction and deployability, but also the capacity to reconfigure for optimum force size and balance, and move quickly at the tactical level. Selectivity – meaning a wide range of capabilities, and the means to ensure an informed and appropriate choice at each stage of the operation and sustainability – suggesting the right logistic support, but also theatre access. These characteristics are translated into a Future Capability Profile for each of the main capability domains of Command, Inform, Engage, Protect, Deploy and Sustain. In working towards this capability profile defence planners will need to concentrate on key issues such as knowledge exploitation, interoperability, manpower balance, rapid acquisition, industrial policy and flexibility for the unforeseen.

Joint Investment Program and joint research initiative ESSOR

13 November 2006 proved to be the most active day for Europe's efforts to increase defence cooperation, as the EDA published its annual report for the Council of the EU, made public joint investment and research programmes and organised a debate on EDTIB. Furthermore on this day the EU Council provided the EDA with its guidelines for 2007.

¹¹ <http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=146>

In the **Annual Report of the EDA to the Council** the Head of the EDA, Javier Solana, noted **substantial results** in 2006 actions toward a **European Defence Equipment Market**, launch of the **LTV** and the preparation of the first European Defence **R&T Joint Investment Programme**.

In addition, EDA's Head announced on 13 November 2006 at the Steering Board meeting, that 19 of the participating governments had agreed to partake in a **new R&T initiative, the Joint Investment Programme**, with a pledged budget of 55 million Euros. The Joint Investment Programme will look into how new technologies could help provide better protection for the armed forces. Five governments had agreed a **joint research initiative called ESSOR**, aimed at strengthening European technical capability in the area of software defined radio, while ensuring inter-operability with the U.S. and NATO.

Additionally, on 13 November 2006 the Council of the EU published its **Guidelines for the EDA's Work in 2007**. Concerning the LTV, the Council decided that EDA's work in 2007 should focus on developing longer-term strategies in three main areas of capabilities, research and industry. First, in cooperation with the Military Committee of the EU (EUMC) the EDA composed a **Capability Development Plan** for future capability needs beyond the Headline Goal 2010. Second, the EDA developed an initial **European Defence R&T Strategy**, listing key technologies for preserving and developing EDTIB and identifying long term collective defence R&T goals and projects. Lastly, The EDA addressed the need for drafting essential components of an **EDTIB strategy**, aiming for coordination and mutual reinforcement with NATO and OCCAR (Organisation Conjointe de Coopération en matière d'Armement).

Lastly, on 13 November 2006 the Finnish EU Presidency together with the EDA and the Security & Defence Agenda (SDA), a Brussels' think tank, organised a debate on '**Challenges for the EDTIB**'. Topics of discussion at the event included the necessity of the EDTIB for a more effective ESDP and which industrial capacities will be needed and characteristics of the defence sector. Conclusions of the debate highlighted that the EDTIB can be revitalised if effective research planning is increased, if EDTIB is long-term rationalised and if cooperation and not replication is seen as the way forward.

European-United States Defence Expenditure in 2005

In November and December 2006 EDA published data on the 2005 **European Defence Expenditure and European-United States Defence Expenditure**. For Europe, the reports noted that the 24 EDA participating Member States collectively spent 193 billion on defence, accounting for 1.8% of the GDP and 1,8 million military personnel.¹² Investment accounted for 18.4% of the expenditures, which were further divided into 13.7% spending on equipment procurement and 4.7% on R&D (+ R&T). In comparison, the total defence spending of the USA in 2005 amounted to 406 billion, accounting for

¹² Denmark has an opt-out for the ESDP, thus also refrains from participating in the EDA.

4.06% of the GNP and generated 1,4 million military personnel. Investments accounted for 32%, of which 19% was spent on procurement and 13% on R&D (+R&T). The average troops deployed in crisis management operations were 73,600 (4%) for the EU and 400 (16%) for the USA 227.¹³

European Commission guidelines on defence contracts

In December 2006 the EDA welcomed the new **European Commission guidelines on defence contracts** as further step towards creating a more effective defence equipment market in Europe. Article 296 of the EC Treaty allows member states to derogate from internal market rules if necessary, for the protection of their essential security interests. Since July 2006, the **EDA's voluntary Code of Conduct** had covered such contracts and for the first time brought competition into this 'Article 296 area', which in practice accounts for the bulk of European defence procurement. The Code of Conduct on Defence Procurement requires Ministries of Defence to advertise their procurements on the EDA website and welcome bids from across Europe. The Commission's Interpretative Communication is meant to clarify the borderline between Article 296 and the internal market.

Principles of a Capability Development Plan

Also in December 2006, at a Steering Board meeting of the EDA, EU governments launched a new plan to build defence capabilities for future ESDP operations. They agreed on the principles of a **Capability Development Plan** (CDP), which would provide a systematic and structured approach to building the capabilities required for operations under the ESDP far into the future. The Plan should also assist Member States in development of their national plans and programmes, balancing forces appropriately against ambition and available resources. Building on the LTV report endorsed by governments in October, the CDP is not intended to be an over-arching, supranational plan, as national defence planning and investment decision-taking will remain subject to the sovereign processes of each member state. The work on the CDP will cover four main areas such as, establishing the baseline of shortfalls and their relative priority from the Headline Goal 2010 exercise, developing the LTV capability guidance, collating a database of Member States' current defence plans and programmes and harvesting lessons for future capability from current experience.

Survival of an autonomous European defence industry at risk

In February 2007 at an EDA conference on EDTIB, EDA Head Solana and European Commission Vice-President Verheugen emphasized that radical change and a true European market is needed to **secure the future of European defence industry**. They warned that the survival of an autonomous European defence industry was at risk without radical change. To create a genuine market on a continental scale, they urged for a focus on mastering key

¹³ <http://www.eda.europa.eu/genericitem.aspx?area=Facts&id=170>;
<http://www.eda.europa.eu/genericitem.aspx?area=Facts&id=178>.

technologies and delivering what European armed forces will need in the future. Additionally, Solana and Verheugen mentioned the necessity of encouraging investment and overcoming the defence industry sector's fragmentation along national lines. A future European DTIB should be integrated and inter-dependent, with less reliance on non-European sources for key defence technologies. Moreover, a shift towards research and development and equipment procurement was urged.

It was also heard that the European Commission is planning a number of initiatives to improve competitiveness, starting with a project to map the EDTIB and provide decision makers with accurate data on the economic situation of defence industries at the EU level. Furthermore, Verheugen outlined a proposal for a **Defence Procurement Directive**, which could complement the EDA's own voluntary Code of Conduct on Defence Procurement. Both initiatives aim at opening up markets by introducing more transparency and competition. It was concluded that the European Commission and the EDA are conducting an active policy on building a European DTIB, but that much will depend on the political will of the Member States. Among the questions raised was, how long the DTIB can survive if Europe continues to postpone reforms which are generally accepted as unavoidable?

Altogether it can be seen that between December 2005 and April 2007, the EDA was active in strengthening European defence cooperation. Various projects, including the Joint Investment Program, ESSOR and the initiatives on the EDTIB anchored EDA as the driver of European defence cooperation. Strategies such as the Code of Conduct on Defence Procurement and specifically the Long-Term Vision for EU Defence Capability and Capacity needs created a visualization of the effort needed to create a coherent European Defence effort for the EU Member States. Such strategies will benefit the ESDP in the future, for ambition must be supplemented by capabilities tools created for it by the EDA. Despite a number of efforts undertaken by the EDA however, the Agency is depended on the development of relations with other actors such as NATO. The transatlantic relation between the EU and NATO is thus relevant for the initiatives of the EDA, as well as the success of its efforts. However, as previously observed, in recent years such relations are difficult and tend to put a strain on defence cooperation efforts.

NATO and transatlantic relations

Necessity for a new NATO-EU chapter

When on 29 January 2007 NATO Secretary General Jaap de Hoop Scheffer addressed the German Presidency of the EU in Berlin, he called for a “new NATO-EU chapter”, urging a revitalization of the strategic partnership between NATO and the EU.¹⁴ Through an anecdote made by his staff he described the NATO-EU relation: “A few weeks ago, one of my staff told me he had been invited to a conference on the ‘frozen conflicts’. And then he added with a smile: ‘Of course it’s about the Caucasus, not about NATO-EU relations!’” Through this anecdote de Hoop Scheffer made his point: relations between two of the world’s most important organisations have practically broken down.¹⁵ What is the cause of this ‘frozen conflict’? Since 1990, both NATO and the EU underwent a period of structural transformation; somewhere along the way they lost sight of each other. While the EU struggles between military ambitions and political ineffectiveness, its leading defence agent – the EDA – has exhibited effectiveness by launching and strengthening the European Defence and Technological Industrial Base (EDTIB). And what about NATO? While in 2002, during the Prague Summit, NATO assertively shook off limitations during the ‘out-of-area’ debate, in 2006 the Alliance faced doubts concerning its confidence, its *raison d’être* and a mission shared by all.¹⁶

In the following part of the discussion paper, we examine NATO’s inward look and its transatlantic relation with the EU, arguing that the political ineffectiveness in addition to other struggles precludes both NATO and the EU from having a genuine dialogue. The absence of a dialogue in confronting global threats creates polarisation that will increasingly continue to affect the operability of NATO and subsequently the transatlantic relation. While on a political level progress is not easily achieved, functional and technical cooperation is widely present.¹⁷ The current capabilities and technological gap between transatlantic partners’ decreases interoperability and effectiveness of combined transatlantic military operations.¹⁸ While the above stated is widely known, little changes.¹⁹ Can’t the capabilities and technological gap be bridged by closer cooperation between the EDA and the Allied Command Transformation (ACT)? By solving this technological gap, increased interoperability and interdependence will create a convergence of technical instruments (protocols) and eventually, political instruments (policy). Cooperation on low-level politics, an approach attributable to a neo-functionalist tradition, will eventually have a spill over effect on cooperation of

¹⁴ Jaap de Hoop Scheffer, ‘NATO and the EU: Time for a new chapter’, *Speech* (29 January 2006).

¹⁵ Charlemagne, ‘Berlin Minus’, *The Economist* 382:8515 (2007) 34.

¹⁶ Sven Biscop, ‘NATO, ESDP and the Riga Summit: No transformation Without Re-equilibration’, *Egmont Paper 11* (Royal institute for International Relations (IRRI-KIIB, 2006) 1.

¹⁷ EUFOR and KFOR are examples of cooperation and interdependence of the NATO, EU and US.

¹⁸ Stephen J. Coonen, ‘the widening military capabilities gap between the United States and Europe: Does it matter?’, *Parameters* (Autumn 2006) 67.

¹⁹ NATO Heads of State and Government, ‘Comprehensive Political Guidance’ (29 November 2006) part 3, 16J.

high-level politics. Ernst B. Haas used this analysis for the first time in 1958 to describe the integration process of the EU.²⁰ Cooperation on a technical and functional level creates a similar standard and trust, leading to political cooperation. As seen from a neo-functionalist perspective, if EDA and ACT worked together intensively on a technical level, political integration would likely evolve as a spill over affect.²¹ With this in mind, why don't NATO and the EU not acknowledge this perspective and focus less on political instruments ('high politics') and more on technical instruments ('low politics')? What happened at NATO and to the transatlantic relationship since December 2005 and why did NATO and the EU lose sight of each other?

Box 1.

Is the Capability gap in fact a technological gap?

The capability gap addressed in this discussion paper is viewed mainly as a technological gap for the difference between the United States and the European Union. It is found not in the number of military personnel (capability), but in money spent on equipment procurement, Research & Development (R&D), Research & Technology (R&T) and on expeditionary capacity. In 2005 the US investment per soldier (equipment procurement and R&D) was five times that of the EU²², Research and Technology was six-fold²³ and the difference in expeditionary capacity of the US-military compared to that of the EU was even greater.

As the US gets technologically more advanced this increasing military technology gap limits interoperability and effectiveness of combined transatlantic military operations.²⁴ On the other hand increasing American unilateralism and a growing technology gap causes and accelerates the urge for the EU to create an autonomous expeditionary military capacity as embodied in the European Rapid Reaction Force (ERRF) and the EU Battle Groups.

The two gaps are thus very much intertwined and can involve many more variables. As Dr. Jamie Shea mentions on page 36, the capability gap is far more than just a technology gap. It should therefore be mentioned that in this discussion we try to highlight the technology gap, but not completely exclude other relevant divides.

²⁰ Ernst B. Haas, *The Uniting in Europe* (Stanford 1958) 1.

²¹ Jeffrey C. Alexander, *Neofunctionalism and after* (New York 1998); Hanna Ojanen, 'The EU and NATO: Two competing models for a common defence policy', *JCMS* 44:1 (2006) 58.

²² European Defence Agency, *European - United States Defence Expenditure in 2005* (Brussels 2006),

²³ European Defence Agency, *European - United States Defence Expenditure in 2005* (Brussels 2006),

²⁴ Stephen J. Coonen, 'the widening military capabilities gap between the United States and Europe: Does it matter?', *Parameters* (Autumn 2006) 67,

NATO

Between the end of 2005 and the beginning of 2007, many changes initiated during the Prague Summit of 2002 were in the course of implementation and consolidation. During the Prague Summit, the member states in making NATO ready for the 21st century, agreed on three major issues: the creation of a new military structure consisting of Allied Command Operations (ACO) and ACT, defining new capabilities for the future forces through the establishment of the NATO Response Force (NRF), and enlargement where seven members would join NATO.²⁵ ACT was founded on 19 June 2003²⁶, the NRF became fully operational in October 2006,²⁷ and on 29 March 2004 seven East-European countries joined NATO as a member.²⁸ These events resemble considerable ambitions that have characterised NATO since the fall of the Warsaw pact in 1991 in its need to transform itself to confront the threats of the 21st century.

²⁵ Frank Hye, 'Demystifying Transformation', presentation *Taking Stock* (the Hague 14-15 December 2005) 17,

²⁶ SHAPE / NATO website: <http://www.shape.nato.int/docu/update/2003/06-june/e0618a.htm>,

²⁷ Bernd Riegert, 'NATO's Rapid Response Force Finally Ready for Action', *Deutsche Welle* (30 September 2006),

²⁸ NATO website: <http://www.nato.int/docu/update/2004/03-march/e0329a.htm>,

Riga Summit and Comprehensive Political Guidance

Box 2.

Why NATO transformation?

The breakdown of the Warsaw Pact in July 1991 and eventual dissolving of the Soviet-Union in December 1991, meant that NATO lost its adversary. Built for a bipolar world, NATO as an alliance for defence of the transatlantic region subsequently lost its immediate reason for existence. The United Nations in the beginning of the 1990's controlled hotspots in the world through peacekeeping operations, rendering NATO redundant.

With the fall of Srebrenica in July 1995 as a low climax, peacekeeping operations under the UN-flag increasingly became regarded as ineffective, NATO re-emerged as a tool for countering instability and violence in the world. The transformation from peacekeeping to peace-enforcing operations, for which NATO was materially and institutionally better equipped, gave the Alliance a new meaning for existence. After 9/11 and the invoking of article 5 of the North Atlantic Treaty, NATO was back on track as an important actor in providing collective security for its member states. From a collective defence organisation, NATO evolved within fifteen years to an institution that provided collective security via cooperation for military operations and humanitarian assistance.²⁹

With a newly defined role and coping with new challenges from the traditional transatlantic scope towards a new evolving security environment with asymmetrical and global threats and risks, NATO launched NRF and ACT during the Prague Summit in 2002. The NRF acts as an expeditionary high readiness force to react to threats all around the world,³⁰ while ACT is in charge of the transformation process of NATO by being "NATO's forcing agent for change, leading the continuous improvement of Alliance capabilities to uphold NATO's global security interests".³¹

The main events for NATO since December 2005 were the Riga Summit of 28-29 November 2006, the drafting and publication of the Comprehensive Political Guidance (CPG) and the continuing ISAF mission in Afghanistan. Both the Riga Summit and the CPG were initiated after the Prague Summit as a next step in the transformation process of NATO. Riga was announced as the 'Transformation Summit' and the CPG was created to "provide a framework and political direction for NATO's continuing transformation for the next 10-15 years."³² Looking at the Riga Summit declaration and the CPG not much has changed and not many new initiatives have been issued. No new members, no firm conclusions on the transformation of the NATO (the verb 'evolve' was used more than 'transformation') and no specific capability improvements were presented. Even before the Riga Summit analysts were sceptical about the

²⁹ Rob de Wijk, 'Transatlantische betrekkingen', *Internationale veiligheidsstukken in Nederlands perspectief* (Nijmegen 2005) 71,

³⁰ NATO website: <http://www.nato.int/issues/nrf/index.html>,

³¹ ACT website: <http://www.act.nato.int/content.asp?pageid=200>,

³² NATO Heads of State and Government, 'Comprehensive Political Guidance' (29 November 2006),

outcome of Riga and the CPG as a new guidance for NATO. The CSIS issued as a primer for the Riga Summit the paper ‘Transforming NATO (...again)’ which stated “...that a number of critical strategic issues will not be on the Summit agenda.”³³ Topics such as the NATO-EU, NATO-Russia relationship and some of the toughest issues related to the military transformation of NATO, like ACT, would receive only modest attention.³⁴ No new changes or breakthrough developments were reached to react to the changing developments in the ISAF mission. While NATO is coping with a number of problems, reiteration rather than solutions seemed to dominate NATO at the Riga Summit and as reflected in the CPG.

NATO struggles with a number of problems. As former Spanish Prime Minister José María Aznar states: “What really endangers the cohesion of the Alliance and provides the key to whether the organisation really has future is the loss of the organization’s *raison d’être*, the lack of a mission that can be shared by all of the NATO’s members.”³⁵ Additionally, the ACT-led ongoing transformation of NATO has been a slow and hard process since 2004, leading some conclude that ACT is failing. “Transformation is in trouble, defence planning has not much changed as it should and the gap between member states and ACT in Norfolk is only growing.”³⁶ The ISAF mission in Afghanistan also shows that operations have their own set of problems. As the United States uses ‘coalitions of the willing’, and other member states use national caveats during NATO missions, e.g. Germany in ISAF, the cohesion of NATO seems to be doubtful. Through a coalition of the willing, the US keeps NATO well into its own agenda.³⁷

NATO-EU

NATO-EU relations are strained. Despite the Berlin Plus agreement, signed on 17 March 2003³⁸, NATO still does not know how to cope with EU’s ambition to create an autonomous expeditionary military force. The strategic partnership between the EU and NATO has failed to make much progress beyond the already existing ground operational collaboration. This failure lies partly in specific political and procedural blockages and in the temptation for both organisations to establish influence and a separate security role internationally.³⁹ An example of the resulting uncertainty in decision-making poses a potential challenge to forces with multiple assignments at the time of a global crisis. As the force unites cannot be utilized by both NATO and the EU simultaneously, a cooperative division of labour between EU and NATO is needed. However as an officer of the Dutch / German Corps HQ has stated in January 2007: “that is a multi-facetted question in which a clear answer can’t be given.”⁴⁰ It would be useful to sort these questions out before a full-scale competence clash erupts

³³ Julianne Smith, *Transforming NATO (...again?)*, CSIS (November 2006) 5,

³⁴ Julianne Smith, *Transforming NATO (...again?)*, CSIS (November 2006) 5,

³⁵ Fundación para el Análisis y los Estudios Sociales (FAES), *NATO: An Alliance for Freedom* (2005) 11,

³⁶ Stephan de Spiegelerei, ‘Transformation in Trouble’, *Atlantic perspective* 7 (2006) 21,

³⁷ John R. Schmidt, ‘Last Alliance Standing?’, *The Washington Quarterly* 30:1 (2006-2007) 105,

³⁸ http://www.nato.int/shape/news/2003/shape_eu/se030822a.htm.

³⁹ Dunay, Pál, Zdzisław Lachowski, ‘Euro-Atlantic security and institutions’, *Sipri Yearbook 2006: Armaments, Disarmament and International Security* (2006) 43,

⁴⁰ Visit of the authors to 1 GE/NL Army Corps HQ in Muenster, 31 January 2007.

between NATO and the EU. Signs of this fight are already emerging in the NATO and EU assistance operation to the African Union in Darfur. "The priorities are profoundly wrong if NATO and the EU let their turf battle come before protecting the lives of civilians," said Peter Takirambudde, Human Rights Watch's Africa director.⁴¹

NATO-EU relations are further strained by a dispute concerning one of the recent members of the EU, Cyprus. Turkey does not recognise the government of Cyprus and will not allow NATO to exchange information with the EU. Formal discussions between NATO and the EU concerning Afghanistan and Kosovo are also not permitted.⁴² Thus, no formal talks and no dialogue exist. It should be mentioned that while collaboration at the staff-level between the organisations is evolving, cooperation at higher levels of NATO-EU relations is less prominent. With regard to the absence of collaboration at a higher level, FEAS warns that: "The worst thing NATO can do, apart from doing nothing, is to allow its members to continue to regard the organisation as nothing more than a forum in which they are permitted to make disparate and intermittent commitments; that is to say, a NATO à la carte."⁴³ Despite the warnings, NATO does not seem to react. Are these signs of an emerging stalemate and maybe even a 'Frozen conflict' between NATO and the EU?

Transatlantic relations

While the problems between NATO and the EU in effect resemble a strained transatlantic relationship, it remains increasingly defined by the bilateral EU-US partnership. The 2005 Sipri Yearbook stated: "In 2005 there was a further shift in the EU-NATO-US triangle towards a more active EU-US dialogue, signifying US recognition of the growing role played by the EU in security matters and perhaps NATO's waning salience in policy making."⁴⁴ The creation of the ESDP and EU Battlegroups broke the monopoly of NATO as an actor in international conflict resolution. On 11 May 2006 this shift was confirmed by the US State Department which stated that "...the European Union and the United States are working together as never before. This strategic partnership is producing results worldwide, in support of freedom and democracy, advancing prosperity, and building global security."⁴⁵ Increasingly the EU and the US are shifting focus from the traditional role of interdependent economic partners, to a new role as strategic partners separate from NATO. This led Gerhard Schröder in the beginning of 2005 conclude that "NATO was no longer the forum for top level strategic discussions between Europeans and Americans", causing a stir at the Munich Security Conference.⁴⁶

⁴¹ Human Rights Watch, *NATO and the EU must end squabble over Darfur Airlift* (Brussels 9 June 2005),

⁴² Charlemagne, 'Berlin Minus', *The Economist* 382:8515 (2007) 34,

⁴³ FAES, *NATO: An Alliance for Freedom* (Madrid 2005) 53,

⁴⁴ Dunay, Pál, Zdzisław Lachowski, 'Euro-Atlantic security and institutions', *Sipri Yearbook 2006: Armaments, Disarmament and International Security* (2006) 43,

⁴⁵ Principal Deputy Assistant Secretary Kurt Volker, [Remarks](#) at the Conference on "New Instruments of International Governance: Transatlantic and Global Perspectives," (Vienna 11 May 2006),

⁴⁶ Charles Grant, Mark Leonard, 'What new transatlantic institutions', *CER Bulletin* 41:2 (2005) 1,

As the down falling role of NATO sets in – due to the aforementioned problems – the EU is gaining importance as a strategic security actor for the USA. Is the EU-US relationship a new forum for strategic security issues? In the previous part of the discussion paper we have seen that the problems of the EU with its military and security ambitions are twofold. On the one hand the EU lacks internal cohesion to raise one voice concerning the ESDP, while on the other the EU lacks the capability and the technology to create an autonomous military force to embody this ambition. Political cooperation within the EU remains a difficult task, with member states not willing to give up sovereignty on a terrain that involves national security, thus creating a lack of internal cohesion at EU-level. Due to the absence of EU's political cohesion, individual member states bond together in blocks to promote their own interests. The negotiations of the 'EU3' (Germany, France and the United Kingdom) with Iran are an example of a Europe that integrates at different speeds. Some Member States are ready to talk and integrate on political levels, while others integrate on a more economic basis. This tendency further intensifies the picture of a divided Europe on political and military issues. As such, a military-level EU-US dialogue becomes difficult.

Furthermore, does the capability and technological gap between the EU and the US increasingly put a strain on cooperation and security and military issues? The US feels the need to react to global threats like 9/11 and the proliferation of Weapons of Mass Destruction (WMD). While the EU has political and military ambitions, it stands divided as the US takes advantage of the division in countering global threats by cooperating with those individual countries prepared to assist America in its fight. Faced with a divided NATO or EU, the US utilizes 'coalitions of the willing' as evidenced in Iraq.. Three concepts dominate American discourse on transatlantic relations: partnership, unilateralism or the emergence of a truly multipolar world.⁴⁷ So, in what way are the transatlantic relations evolving and which concept will be on the lead in the future?

Conclusions

The previous sections have focused on the developments and decisions of the EU and NATO since the 'Taking Stock' conference of December 2005. As issues of the technological and capability gap of the European defence capacity have already been examined, the following concluding section will analyse what has become of the recommendations that were made at that time.

EU

Shortage of military capabilities

Considering the published Defence Expenditure of 2005 the differences between the EU and the USA in military capabilities are still considerable. This is attributable not only to the fact that the defence expenditures of the USA are significantly higher, but also as a result of fragmented, nationally inspired military output and a significantly lower percentage of investment on the

⁴⁷ CSIS, 'Concepts and Realities in Transatlantic Security Relations', *Second Colloquium* (18-19 May 2006).

European side. Although the European Commission and the EDA undertake efforts (as can be seen in attachment A on page 21), to diminish this gap between Europe and the USA, ultimately the national governments are responsible for improvement. The anticipated Capability Development Plan – which will entail establishing the baseline of shortfalls and their relative priority from the Headline Goal 2010 exercise, collating a database of Member States' current defence plans and programmes and lessons for future capability from current experience – could be a fundamental initiative in filling the capability gap between Europe and the USA.

Fragmentation of European defence efforts

Most speakers of the December 2005 'Taking Stock' conference noticed shortcomings in funding of defence investment, pooling of resources and assets, enhancing effective investments, rules of the European defence trade, and cooperative defence Research & Technology. Since then essential improvements have been reached by the EU in a number of these fields. Steps were taken towards a common Defence Technological and Industrial Base, by agreeing in outline the sort of DTIB which the EU should have and a set of actions to help identify key technologies and core industrial capabilities targeted by Europe. Action was also taken to support the new market by enhancing security of supply and security of information across national borders.

Since July 2006, the EDA's voluntary Code of Conduct on Defence Procurement has brought competition into the area of European Defence Procurement. The Code of Conduct voluntarily invites Ministries of Defence to advertise their procurements on the EDA website and welcome bids from across Europe. The new European Commission guidelines on defence contracts were another move towards creating a more effective defence equipment market in Europe. The European Commission is also planning a number of initiatives to improve competitiveness, starting with a project to map the EDTIB and provide decision makers with accurate data on the economic situation of defence industries at the EU level. Furthermore, the Commission outlined a proposal for a Defence Procurement Directive, which could complement the EDA's Code of Conduct on Defence Procurement. Both initiatives aim at opening up markets by introducing more transparency and competition.

As to cooperative defence Research & Technology, the Joint Investment Programme was introduced, which will look into how new technologies could help provide better protection for the armed forces. Moreover, five EU governments have agreed on a joint research initiative called ESSOR, aimed at strengthening European technical capability in the area of Software Defined Radio (SDR). The previous are perhaps small, but innovative steps towards solving the lack of common investment and R&T and eventually of fragmented European defence efforts.

Vision on Europe's future defence needs

The Long-Term Vision for EU Defence Capability and Capacity Needs provides the foundation of the required vision of the EU on future defence. The LTV is an outlook to the future nature and context of ESDP operations, essential for decision-taking on Europe's longer-term defence capabilities and

capacities. After the ‘European Security Strategy’ of 2003, which in fact is the EU’s political strategy, the LTV might be considered both as EU’s Defence White Book and its Strategic Vision, which clearly means another stage in creating a complete volume of security documents for the EU. In 2007 additional fundamental documents, longer-term strategies in three main areas of capabilities, research and industry, will be developed: a Capability Development Plan, a European Defence R&T Strategy and an EDTIB strategy. Such documents are essential for a comprehensive vision on future defence needs. This includes not only a military capabilities perspective, but also a need for a common defence strategy from an economic and business perspective that may speed up development of the European Defence industry. The actions of the EDA in regard to the EDTIB and the EBB II can be seen in this light.

As for cooperation between the EU and NATO in capability improvement, developments are not abundant. Some, including Dr. Julian Lindley-French, consider de-conflicting as the main objective for improving cooperation, whereas NATO SG De Hoop Scheffer would like to go further, aiming at combining different policy instruments of EU and NATO. With the LTV, the EU has its long-term vision, while NATO’s Comprehensive Political Guidance might be considered as the corresponding document of the Alliance. However, there is no sign yet of a joint effort towards a shared Long Term Vision of both organisations. Likewise, the desired cooperation between EDA and ACT also seems far away.

Outlook

Both the EDA and the European Commission have stressed that survival of an autonomous European defence industry is at risk without a radical change - to create a genuine market on a continental scale. They have also mentioned the necessity of encouraging investment and overcoming the defence industry sector’s fragmentation along national lines. EDTIB can be revitalised if effective research planning is increased, if EDTIB is long-term rationalised and if cooperation and not replication is seen as the way forward. However, considering all these ‘ifs’, the key issue at stake is the political will of the Member States. The question is, how long can the EDTIB survive if Europe continues to postpone the well-acknowledged vital reforms.

NATO

Regarding NATO, is the lack of outspoken conclusions and results of the Riga Summit and in the CPG, seemingly divergent of priorities between NATO, the US and the EU? Is this a question of inability, political ignorance or of diminishing influence of NATO as the central forum of transatlantic relations? Is NATO, as Gerhard Schröder in 2005 stated, “no longer the forum for top level strategic discussions between Europeans and Americans”? As we look at the transformation of NATO the question can be raised whether NATO operations have become a primary driver for NATO’s transformation.⁴⁸ Is this the case or is ACT – if no real dialogue exists on a political level – still the

⁴⁸ Diego A. Ruiz Palmer, ‘The enduring influence of operations on NATO’s transformation’, *NATO review* (Winter 2006): “Alliance operations have become a primary driver for the continuous adaptation of NATO’s military capabilities, command and force structures, and consultation, planning and decision-making processes.”

main driver of NATO's transformation? Can ACT on a functional/technical level cause a break-through in the transatlantic stalemate or can this only be done by political actors?

An assessment on NATO's policy towards a combined effort with the EU for strengthening Europe's military capabilities, however provides evidence of positive developments. NATO Secretary General Jaap de Hoop Scheffer's January 2007 call for a new NATO-EU chapter should be valued as a constructive move. The SG of NATO rightly stated that the challenges of our times demand a comprehensive approach to security, in which military and civil means are employed together and in a coordinated way. He envisaged binding the institutions together in such a way that the various instruments of both can be used together and as effectively as possible. The reason for this is that it is becoming increasingly clear that the military and non-military dimensions of security must go hand in hand. There is no security without development, and no development without security. NATO and the EU have specific capabilities that can ultimately promote positive change in crisis regions but only by working together. De Hoop Scheffer further mentioned that emphasis should be placed on small steps that are closely geared to the operational reality. He outlined four instances in which the EU and NATO can implement a real strategic dialogue: Kosovo's final status, Afghanistan, military capabilities and political dialogue.⁴⁹ Such an approach of small steps seems more promising than extensive political statements without follow-up, as has often been the case the past years.

Transatlantic relations

NATO and transatlantic relations are now confronted with a problem. NATO seems to not be the platform where Americans or Europeans want to talk about strategic problems.⁵⁰ Furthermore, NATO Secretary General De Hoop Scheffer has recognised the reasons that prevent closer cooperation between NATO and the EU. The first is the well-known differences of opinion that arise from the differing memberships of NATO and the EU. This leads to formal wrangles over security agreements, exchange of information or the format of meetings. The second reason is that some deliberately want to keep NATO and the EU at a distance from one another. For this school of thought, a closer relationship between NATO and the EU means excessive influence for the USA.⁵¹ But also in the bilateral EU-US relations political and military cooperation is difficult. It could be concluded that due to the inability of NATO to continue its transformation process and the minor changes at Riga and in the CPG, it does not react agile enough to its internal and external challenges. The first part of this discussion paper argued that in Europe things are changing. At a time when EDA (the natural counterpart of ACT) is beginning to focus on how to overcome the military technology gap through development of the EDTIB, NATO, ACT and the US remain mainly silent. The EU in its transatlantic relations is also facing some problems but is increasingly trying to solve its imperfections. The EU is not ready yet to take

⁴⁹ <http://www.nato.int/docu/speech/2007/s070129b.html>.

⁵⁰ Charles Grant, Mark Leonard, 'What new transatlantic institutions', *CER Bulletin* 41 (April-May 2005) 1.

⁵¹ <http://www.nato.int/docu/speech/2007/s070129b.html>.

on a range of security tasks currently performed by NATO. First, the EU has to balance the relationship with the US by overcoming its internal fragmentation and bridging the military capability and technological gap between the EU and the USA.

While the EU is tackling the difficult hurdles of overcoming its internal fragmentation and bridging the military capability and technological gap, the EU-US bilateral dialogue cannot do so, precisely because of these obstacles. NATO, however, should be a platform for the US and the European members of the NATO, but has its own set of problems which can increasingly be described as a stalemate and maybe even as a 'Frozen conflict'. On both transatlantic levels (NATO / EU-US bilateral) dialogue on the important security issues seems to be for the most part absent. All together many efforts are being taken to bridge the gap in the capability gap between the EU and NATO from a defence technological perspective. Such efforts however cannot prevent an increase in the capability gap between the EU and NATO. Is this due to an absence of political will and stated otherwise: only words, no deeds? The fact remains that on low levels there is a lot of interaction between the actors and those initiatives for cooperation are thriving, but that high-level commitment is mainly absent. Perhaps the speech of Jaap de Hoop Scheffer on 29 January 2007 creates a real sense of urgency and highlights the start of a substantial 'new NATO-EU chapter'.⁵²

⁵² Jaap de Hoop Scheffer, 'NATO and the EU: Time for a new chapter', *Speech* (29 January 2006).

Attachment A: Major events on the European technological and capability gap, November 2005 – March 2007

Date	Actor	Event
21 November 2005	EDA	Agreement of EDA's participating member states on a Code of Conduct on Defence Procurement
09 February 2006	EDA	Speech by Javier Solana on 'Research & Technology: An imperative for European Defence'
15 May 2006	EDA	Capabilities Improvement Chart I/2006
20 September 2006	EDA	European governments gear up to address DTIB
20 September 2006	EDA	Characteristics of a strong future European DTIB
03 October 2006	EDA	Long term vision for EU Defence Capability and Capacity Needs
13 November 2006	EDA	Collective investment and research programmes
13 November 2006	EDA	Annual report of the EDA to the EU Council
13 November 2006	EU Council	Council Guidelines for the EDA in 2007
13 November 2006	EDA / SDA	Challenges for the EDTIB
20 November 2006	EDA	European defence expenditure in 2005
28-29 November 06	NATO	Riga Summit
29 November 2006	NATO	Comprehensive Political Guidance
07 December 2006	EDA	EDA welcomes European Commission clarification on Defence procurement
14 December 2006	EDA	EU governments agreed on the principles of a Capability Development Plan
29 January 2007	NATO	NATO SG calls for a new NATO-EU chapter
01 February 2007	EDA	Conference on 'Making the EDTIB capability-driven, competent, competitive and truly European'

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Introduction by Dr. Hilmar Linnenkamp, Deputy Chief Executive EDA

Dear ladies and gentlemen,

On behalf of the European Defence Agency (EDA) I would like to thank Dr. Marcel de Haas for his discussion paper and the invitation extended to us for this Clingendael Conference. When addressing the technology gap between the European Union (EU) and its transatlantic partners it is important to remind ourselves of the goals of a common European defence strategy written down in the European Security and Defence Policy (ESDP). The ESDP nowadays looks already like a clouded old house, and the EDA would like to make it clearer, effective, well-heated and therefore protected from the sun.

Thank you very much for the occasion to speak on the achievements and goals in the programs of the EDA. We subsequently thank Dr. Marcel de Haas for raising a number of very challenging questions concerning the development of the European defence environment and at the end of the working paper summarising the continuing challenges.

I would like to address three parts of EDA's work:

1. **Strategic topics.** Such issues are in their first form only a piece of paper, a common understanding of the discussed subject. The European Defense and Technology Industrial Base (EDTIB) is an example of such a strategic topic. These issues are not yet transformed into action, where it must ultimately lead to, because strategies and papers cannot fill the existing transatlantic gap. You would need to have many papers for the transatlantic gap to be filled! But without a common understanding on matters you can achieve nothing for then you will always keep debating on the propositions of the topics, such as the contents of the Research and Technologies (R&T) gaps. The first part will therefore consist of the strategic subjects of the EDA.
2. **Concrete topics and projects** where the Agency has made progress, together with the Member States.
3. **European Union (EU) – North Atlantic Treaty Organization (NATO) relations** and the kind of cooperation we are doing with NATO and NATO bodies. Naturally, it will be interesting to hear what Dr. Jamie Shea will say on the same topic from a NATO perspective.

Strategic topics

First, as a form of introduction, one important remaining gap or shortfall that has been identified in the discussion paper is the concreteness of the longer-term Strategic Action Plan. The question is pertinent, but in fact we are dealing with it in the context of the Capability Development Plan (CDP). The CDP is this miraculous effort of the Agency to put the gaps and shortfalls together. The question is whether the CDP will be the panacea and solve all the problems. Although in my opinion not a panacea, the CDP is however a well-structured effort to make the main players in the Brussels arena to concentrate on the most important subjects.

The CDP consists of four parts. The first part is the traditional capability development work of the European institutions on the Headline Goal 2010 and carried out mainly by the EU Military Committee and the EU Military Staff in their routine functions. We hope that by the end of this year the Headline Goal 2010 assessment and evaluation will produce some priorities for the future by addressing the risks that are associated with the identified shortfalls in the Capabilities Development Charts. But one can easily understand that the year 2010 is relatively unimportant for the longer-term decisions that the EU and the Member States should make, and decisions made now are of no influence of the 2010 goals. Most of the defence budgets are fixed and there is no room for changing priorities in the short-term. The range of freedom and progress of the development of the Capabilities Development Plan is rather limited.

That is why in a second strand the Agency strives to make the Long-Term Vision (LTV) document practical and important for defining long-term priorities for capability development among the Member States of the EDA. We try to derive from the LTV a concept of the world in which the ESDP will find itself in the future. The LTV involves the anticipation of the security environment in 2020-2025 in which ESDP will have to act. The LTV is a complement to the European Security Strategy (ESS). The LTV and the ESS together are an important basis for the future orientation of the ESDP efforts. The CDP is in a way the practical outcome of the intellectual process that began with the ESS, leading to the LTV, and will end up in a number of priority setting documents from the CDP. This longer-term planning will also take into account technological innovation and the “push-factor” of technology.

A third part of the CDP deals with a short to medium-term effort in trying to identify cooperative opportunities by exchange information about national plans of forward looking armaments and procurement plans. With the exemption of some projects like the A400m, this effort has to a great extent failed in both NATO and WEU contexts. On the whole it has not been possible to make the exchange of information practical and beneficial. The Agency (EDA) is in the third strand of the CDP trying to get relevant information from the Member States on their forward plans. Our interest is to get the Member States to indicate important elements of their forward capability planning that they want to share with other Member States. It is very much a symbol of the voluntary character of the ESDP and the intergovernmental character of the EDA to build on what Member States offer. For achieving success political will is a prerequisite, and here also lies the problem. But: political will is an elusive concept, because at the end it are the deeds that count.

The fourth part of the CDP is the lessons learned. Looking at the Command Control and Communications conundrum in all operations, everybody has his stories of how many telephones a commander in the field needs in order to communicate with upstairs, downstairs and sideways entities. Regardless of a sense of urgency little progress has been made within the EU. It takes an enormous amount of time and effort in areas where technology overtakes the intentions of the soldiers to create a common perspective. So, the CDP is a complex operation, composed of more than one element, orientated to the medium and the long-term and tries to harness the willingness and the preparedness of Member States to put their intellectual and finally their (non-)military capabilities together. For the Agency the CDP is currently the single most important project for the future.

Furthermore is the CDP also typical to the NATO-EU relationship which I will address later. The negative assessment made by Dr. Marcel de Haas in his discussion paper is a bit unfair to reality. We do have a close information exchange on specific subjects with, for example, the Allied Command Transformation (ACT) of NATO. We have had mutual invitations for seminars and symposia, we have exchanged papers on an informal basis and we know of each other's focus and interests. ACT had for example the ability to commend in an early phase on the LTV, although – I note – mirror-wise the EDA didn't have the opportunity to comment in an early stage on the NATO's Comprehensive Political Guidance (CPG), issued at the Riga Summit in November 2006. But it would be unfair to say that there is no exchange and mutual benefit at a conceptual level.

To continue now with the first part, which concerns strategic topics of the Agency, I would like to answer the legitimate questions raised in the discussion paper. As an overview I would like to tell you first a bit on the Code of Conduct implementation (CoC), second the Joint Investment Project (JIP) as an important project of Research and Technology (R&T) and third about the EDTIB-strategy included the not yet ready European Defense Research and Technology strategy. These three strategic agenda items, called together the vertical agenda, try to create a focus on the capabilities area, R&T area and the Industry and Market area as opposed to the horizontal agenda. In the latter projects are produced and this I will address later on.

Code of Conduct (CoC)

The Code of Conduct, which started on 1 July 2006, has been accepted by the Member States as the most important forum in creating cross-border transparency of possible defense procurement. The CoC is not yet an instrument of producing many cross-border contracts - the proof of the pudding - but the offers for contracting are to be found within the CoC and outside of Article 296 of the European Communities Treaty. The defense offers are placed on an Electronic Bulletin Board (EBB), open to all defense contractors so that everybody can see what the demand of the defense ministries of the Members States is. The EBB now handles an estimate 10 billion of defense contracts, roughly consisting about 40-50% of the defense procurement in Europe. These figures indicate that the CoC is a success because it has been accepted as *the* forum for defense procurement in Europe.

Next to that a second forum is created, the Electronic Bulletin Board 2 (EBB 2), handling industry-to-industry transactions. In contrast to EBB 1 which handles government-to-industry transactions, EBB 2 handles industry-to-industry transactions. The EBB is a Europe wide forum to make the European Defense Procurement market more transparent and induce more competition. EBB 2 has also been accepted by large numbers of defence industries in Europe and is an additional instrument to make the European Defense Equipment Market (EDAM) more transparent, competitive and prone to consolidation. All in all the CoC is quite a success but needs further acceptance and practical importance for concluding contracts in the future.

Joint Investment Program (JIP)

The JIP has been agreed upon in May 2007 and was signed by the ministers of 19 EDA Member States plus Norway. For the first time Member States have put some money into a pot without knowing upfront where the money goes. JIP signals the reversal of the usual year-long negotiations about *juste retour*. It is a pot of 55 million - not revolutionary but significant enough - to be spent on R&T projects related to force protection. It was clear that for the first JIP a politically correct subject was needed. The daily threats, such as IED's in Afghanistan, underline the importance of force protection. The JIP is still in its starting phase. It involves inviting almost 300 European defense companies, research institutions and universities to make proposals. Part of the conditions for funding projects is that during the selection of bidders consortia will be preferred that include a diversity of bidders, such as a combination of small- and medium enterprises, universities and research institutes. The Agency sees the JIP as a big step forward in comparison with previous undertakings.

The European Defense Technology and Industrial Base (EDTIB) strategy

The EDTIB strategy has been accepted by the Ministerial Steering Board in May 2007. The core of the strategy is that the EDTIB firstly must answer to the capability needs of the European forces, secondly must be technological competent and thirdly economically competitive worldwide. In order to realize such an EDTIB Ministers have agreed that there is a need for some important steps which haven't been initiated yet. These steps are, firstly, more consolidation, work-sharing and interdependency of European defence companies. Second, there is a need for more focus on Centers of Excellence, meaning a constructive destruction of non-Centers of Excellence. You cannot only promote the strengths without deleting the weaknesses. Third, there is a need for more integration into the wider security landscape. At some point the Agency was thinking to rename the EDTIB the European Security Technological and Industrial Base, meeting the need for more integration in the wider European security industry. At the practical level, France and the United Kingdom came together in saying that there is a need for less dependence on non-European sources for key defense technologies. Currently, the Agency is working on implementing the EDTIB strategy. This will be presented to the Steering Board in autumn 2007. It was relatively easy to convince the Member States to accept the EDTIB as a concept, but to make practical steps implementing the EDTIB will involve hard work and that is where it really becomes interesting whether intentions will become reality.

Concrete topics and projects

Answering to the many questions posed by Dr. De Haas: some of the concrete topics and projects that EDA is involved in are Unmanned Air Vehicles (UAVs), the 21st Century Soldier, Network Enabled Capabilities, Software Defined Radio (SDR) and Maritime Surveillance. These are projects that have one thing in common; the Agency works on such areas not in a traditional defence-only cooperation way. If you look at UAVs, NEC and SDR, all these subjects are important in the civilian world as well. R&T efforts in this area are carried out by the European Commission. The Agency is there to complement this civilian effort - partly financed in by the Commission - to make best use of defence money and to prevent the money is spent twice on the same research. So, we need transparency with the European Commission's R&T work. These projects are typically military-civilian overlapping R&T areas. The Agency is making best use of the limited defence technological funds for it. These are projects, for which we have the support of the Member States, and where we are working to make best use of a comprehensive perspective. These subjects also give me a good reason to talk on the third part, namely EU-NATO relations, for most of these projects are dealt with by both the EDA and NATO.

EU/EDA-NATO relationship

For EDA the basic point of departure of the relationship between the EU and NATO is that wherever there are NATO standards we will not invent them or add others to it. We work on the basis of NATO standards, for reasons of interoperability, and it is absolutely necessary that all European efforts do not ignore but make use of such NATO standards. On the other hand, the Agency is adding value: NATO is not in the position to harmonise such European R&T work with the civilian world. It is up to the EDA to carry out complementing activities to the European Commission's work, something NATO cannot do. What we find most important in the cooperation between the EU and NATO is that there is good exchange and coordination at the staff level. An example is the Chemical-Biological-Radiological-Nuclear (CBRN) protection area. We concentrate on the biological threat, while NATO is concentrating on the chemical threat. This is not coincidence, but a result of informal coordination between the EDA and NATO staffs. Also, within the EDA, separate countries which are member of both organisations contribute. The Netherlands, for example, leads one of the working groups concerned with Maritime Surveillance. The Agency is also taking advantage of the involvement, commitment and political will of the Member States.

I would like to finish by reminding you of an interesting hypothesis included in the discussion paper which is of more general significance in the EU-NATO relations, namely the neo-functionalist perspective. According to this perspective policies eventually would flow, if actors would cooperate through their institutions (respectively EDA and ACT) on technical levels. The hypothesis is optimistic, but also a bit dangerous in two regards. First, it is not true that the EU and NATO do not work together on a technical level and, secondly, it is too easy to believe that policy would automatically follow technical or basic cooperative endeavours. I have my doubts on this and I would offer to turn it around and say that technical cooperation is the first step

of willingness by the policy makers to let things happen in a positive sense. We would only be able to do technical cooperation in EU-NATO contexts if there is not at least a silent agreement by our governments to let us cooperate on a technical level. Furthermore, I would like to see in the discussion paper recognition of the fact that problems on the EU-NATO agenda is more the result of the schizophrenic behaviour of countries, members of both the EU and NATO, than by the overloaded institutional actors like the EDA or the NATO International Staff on whom much is always blamed if things go wrong. For it is the Member States' responsibility to act consistently in both organisations.

With that I would like to close. Thank you for your attention.

Introduction by Dr. Jamie Shea, Director Policy Planning, SG NATO

Speaking points

My talk will consist out of two parts. First, I will elaborate on how to approach capabilities from a strategic perspective. Second, as requested, I will offer some comments on the Clingendael paper. Before continuing, I would like to highlight some caveats, in order to avoid misunderstanding. I would warn against:

- approaching capabilities from a narrow technological perspective
- detaching capability development from strategy
- tailoring capability development to the needs of industry alone
- reducing NATO transformation to what is going on at ACT

Moreover, I want to stress that it would be most dangerous to measure the success of our capability development process in terms of input, such as planning tools, policy papers, codes of conduct, or, as far as NATO is concerned, the Comprehensive Political Guidance. I am confident that our military forces currently deployed in Afghanistan, Kosovo, Bosnia, Lebanon, and elsewhere, regardless whether this is under NATO, EU, or indeed a UN flag, will agree on one thing: it is output that matters. I am convinced that in Afghanistan, the Taliban do not read our policy papers. But what does make a difference in the field is the coherent, forceful application of the different forms of power – not only military power – that our nations can bring to bear as part of a collective effort of the international community to project security in order to allow the reconstruction of a devastated country.

Now, if we want to build capabilities that can make a difference in today's and tomorrow's environment, we must gain a better understanding of a “new capability paradigm” that is unfolding. This new paradigm is characterised by four main features:

1. **Broad approach** towards capabilities. It should combine all assets, military, diplomatic, civilian, that can generate effects that contribute to the desired end-state as defined at the political-strategic level. The poppy fields in Afghanistan, for example, are of strategic significance. They have a direct

impact on the security situation and on the prospects of reconstruction. While military power is able to eradicate poppy cultivation, this is not a solution to the problem, and certainly not a stand-alone option without offering development, such as alternative crops and livelihoods.

2. **Flexibility.** Dealing with an evolving risk environment requires a flexible capability response. Our traditional acquisition cycle – typically 2 decades between identification of a requirement and fielding of the capability – is still too much geared towards dealing with a stable Cold War situation of symmetrical challenges. Our military commanders who are faced with the challenge of countering IEDs in Afghanistan, for example, cannot wait for lengthy acquisition processes. This is not necessarily an issue of acquisition: combining efforts in the fields of logistics, training etc might also add value to existing national capabilities, as the current UK helicopter initiative in NATO makes clear.

We have conducted peace support operations in the Balkans with our Cold War kit. At present we are conducting stability operations with our peace support equipment. The UK initially deployed to Afghanistan with soft-skinned vehicles! And if we are not vigilant, in a decade we will be trying to apply Afghanistan-tailored solutions to a dramatically different contingency. We need to break through this vicious cycle by making our acquisition cycles and our lessons-learned process more flexible and capitalising on the technological innovation that is so typical of the Western world.

There are some innovative approaches that allow for swifter integration of new technology. These would include a spiral development of capabilities (through a flexible design allowing to capitalise on technological innovations throughout the capability development process), but also a modular approach (modular platforms that benefit from interfaces in order to integrate evolving weapon systems and sensors).

At the same time, NATO is diversifying its scope of operations to include assistance to third parties (African Union), security sector reform (Bosnia and in the future also Kosovo), maritime security operations (Active Endeavour), and of course stabilisation and reconstruction (ISAF). This wide range of operations, combined with a watchful eye on future challenges (energy security, missile defence, new forms of Art 5 collective defence, etc.), provides a challenging context for capability planners. It is fair to say that ESDP remains mainly focused on peace support operations and therefore cannot provide a comparable context for capability planning.

3. **Long-term planning.** Making capability development more flexible does not mean the end of **long-term capability planning**. Strategy can be changed with the stroke of a pen, but strategic-level capabilities cannot. Therefore capability planning must continue taking into account those contingencies that may not unfold in the immediate future, but leave little or no margin for error if they should materialise. Examples would include the combination of ICBM and WMD in the hands of rogue states, the re-emergence of large-scale conventional threats, or cyber defence.

It is important that “short-term fixes” to capability shortfalls complement rather than replace longer-term capability planning. In this way, we not only avoid a short-term tactical defeat, but – more importantly – we also avoid strategic surprise and defeat in the long term. This underlines the importance of the work undertaken by ACT on the Future Security Environment and the Long-Term Vision developed by the EDA.

4. **Cost-effectiveness.** Finally, capability development should become far more cost-effective. National budgets would not have limited the scope and intensity of a massive confrontation between NATO and the USSR. But, for today’s “operations of choice”, financial controllers in our capitals represent the biggest caveat on NATO’s operations. It is astonishing that in today’s environment of stringent budgetary ceilings, nations remain extremely reluctant towards multinational cooperation (e.g. the NATO C17 initiative), although such cooperation would generate important economies of scale. We need to bring far more efficiency to capability development. Consider these examples:

- there are currently 23 different European programmes for the development of a future Armoured Personnel Carrier.
- in Afghanistan we have seen the deployment of 15 different blue force tracking systems, which in most cases are not interoperable.
- not to mention the fragmented nationally organised logistics deployed in support of our operations

The recipe is quite simple: more international cooperation and more common funded programmes. Equally, we need to optimise our national efforts through sharing expertise. A model for this could be the Defence Against Terrorism programme at NATO, where we build on specific niche capabilities at the national level (precision air drop, countering MANPADs, detection of explosives, etc.) The challenge is, however, to combine multinational, cooperative approaches with a timely delivery of the required capability. Unfortunately there are not a lot of success stories to be told here.

Let me now turn to the Clingendael paper prepared for this seminar. My comments are to be seen against the background of **this new capabilities paradigm that favours a broad approach towards capabilities, combines the challenge of flexible response with long-term planning, and seeks cost-efficiency and economies of scale through international cooperation.** Again, I would like to make four points:

1. My first point has to do with the **NATO-EU relationship**, which received quite some attention in the discussion paper.

We should stop considering capability development as a zero-sum game between NATO and the EU. This simply makes no sense. The reality is that nations have only one single set of forces. I know that it is a cliché, but

it remains true as ever. So if the EU makes progress on the capabilities front, then this must come to the benefit of NATO and vice versa.

When we look at NATO operations and ESDP missions, one comes to the conclusion that these are not mutually exclusive, but rather complementary in nature. The same can be said about the NRF and the EUBG (different level of ambition, different approach, etc.) Most ESDP missions deal with civilian aspects of a security situation (e.g. police mission Kosovo, police training in Afghanistan...). Moreover, when talking about capabilities, we should avoid reducing the EU to its ESDP dimension. This links up with the point I made earlier about the broad approach towards capabilities.

As reflected in the Comprehensive Political Guidance, NATO has made a deliberate policy choice not to develop capabilities strictly for civilian purposes. At the same time the CPG recognises that the EU is able to mobilise a wide range of military and civilian instruments. The conclusion is as simple as it is straightforward: the focus of the NATO-EU debate should be on improving cooperation on the planning and the conduct of operations, capitalising on the strengths and added-value that the respective organisations have to offer.

2. Second, if we want to measure success, we **need to seek more opportunities for cooperation** between NATO and the EU.

We should refrain from falling into the trap of measuring progress through the lens of our respective bureaucracies. What we need is a more output-oriented approach towards capability development. For instance, we should seek better synergy between the NRF and EUBG, going beyond mere de-confliction of troop contributions. We can try to define common basic building blocks for rapid response capabilities. The Battle Groups could become an important building block for the NRF land component. We could also seek better synergy between the command structures, for example by identifying a common command structure that could be used both for the NRF and the EUBG. At committee level, we should go beyond the mere exchange of information. What we need is a shared framework for coordinated capability development. A practical example is CBRN protection: NATO is more focused on chemical aspects, the EU on biological.

3. My third observation has to do with the **capability gap between the United States and Europe**.

My attention was caught by the text in Box 1 on page 11. The title of this box reads as follows: “the capability gap is in fact a technological gap”. I agree that there is a huge technological gap between both sides of the Atlantic. And I even wonder if bridging the technological gap is an achievable objective. But, again referring to the broad approach towards capabilities, the capability gap is far more than just a technology gap. Moreover, this gap is not just a transatlantic issue: we also see important differences within Europe. National defence expenditures within Europe

fluctuate between 1 and 3 per cent of the GDP. As a result, dissimilarities within Europe are almost as important as between Europe and the United States.

Apart from the technological gap, there is a gap in strategic awareness and preparedness to act. The paper refers to Schröder's comment in Munich that NATO no longer is the transatlantic forum for discussing strategy. In fact, there is very little real strategic debate taking place at all: maybe not in NATO or at least not sufficiently, but neither elsewhere, and certainly not within the EU-US dialogue, as the paper seems to suggest.

4. As my fourth and last point, I would argue that we should not lose sight of the value of our **operational experience** gathered in Afghanistan and elsewhere.

As the paper rightfully points out, NATO operations have become a primary driver for NATO's transformation. In that context, one should not underestimate the value of **concrete capability programmes** developed under the NATO framework. A good example is the friendly force tracking (FFT) system to support ISAF. As mentioned earlier: there are about 15 different national blue force tracking systems deployed, which in most cases are not interoperable. NATO decided to field an NATO FFT system of more than 700 units for ISAF HQ through common funding. At the same time we developed an initial standard for meeting "quick-win" interoperability with national FFT systems deployed. This is "transformation in action". It makes a strong case for a collective approach towards capabilities.

The same could be said about the C17 initiative, Allied Ground Surveillance, and Theatre Missile Defence. Although these programmes are often hobbled by financial and political concerns, they provide a platform for better interoperability, a sound combination of collective and national assets, and provide opportunities for common logistics, training, and deployment. That is why, despite the financial difficulties and usual debates about technology sharing and industrial participation, we continue to pursue these programmes.

Conclusion

Good cooperation between NATO and EU is important in the area of capabilities, but we should not lose sight of the ultimate goal: field what we need today, and plan for tomorrow.

Author biographies

Dr. Marcel de Haas (1961) is a Lieutenant-Colonel (Royal Netherlands Army) and seconded to the Clingendael Institute as Senior Research Fellow on military doctrine, strategy and security policy of the Netherlands, NATO, EU, Russia & CIS. As a Russian studies scholar he holds a Ph.D. of the University of Amsterdam and a MA of Leiden University.

Dr. Hilmar Linnenkamp (1944) is Deputy Chief Executive of the European Defence Agency of the EU. He studied Economics, Sociology and Political Sciences at Bonn University and obtained a Ph.D. in Sociology. Previously, he was posted in a number of positions at the German Ministry of Defence.

Jochem Meijknecht (1984) is a Master's student of International Organisations / International Relations at Groningen State University and has been an intern at the Clingendael Security and Conflict Programme from November 2006 until February 2007.

Dr. Jamie Shea (1953) is Director of Policy Planning in the Private Office of the Secretary General of NATO, responsible for advising and assisting the Secretary General, senior NATO management, and the Council in addressing strategic issues facing the Alliance. He has a D.Phil. in Modern History from Oxford University.

