

2017: A turning point for European Defence?

Half way through 2017 optimism about the European Union's future has replaced the doom and gloom that dominated on New Year's Eve. The elections in the Netherlands and in France have shown that populist parties continue to attract many voters, but neither in The Hague nor in Paris have their leaders entered the government offices. In Germany, Chancellor Angela Merkel is most likely to remain in power after the national elections in September, with or without the Social Democrats. With pro-European political leaders in power in both Berlin and Paris the question is not if they will push the EU forward but rather how and in which direction. The second half of 2017 will be decisive for President Macron and Bundeskanzler Merkel to steer Europe's course on many current issues, ranging from a further reform of the Eurozone to immigration and countering terrorism. The 'to do' list now also includes defence. European leaders have concluded that the geostrategic summer holiday is over. Europe has to become serious about arranging its own security and defence. During his second visit to Europe – to Poland and the G-20 Summit in Hamburg in early July – President Trump made an attempt to polish away the cracks over the American NATO commitment. However, the American political leader remains unpredictable. Certainly, Washington will continue to push Europe to increase its defence expenditure and to build up more military power.

It seems that many elements now come together to conclude that Europe is at the cross-roads in making a quantum leap in security and defence cooperation: continued instability and conflict in the Eastern and Southern neighbourhood; a stronger American call for true transatlantic burden-sharing; renewed impetus from *Mercron* (Merkel-Macron), the Franco-German motor bloc of European cooperation; the June European Council decision to launch permanent structured cooperation (Pesco) in the second half of 2017; and, last but not least, the appearance on stage of the European Commission as an active player in promoting and financing collaborative defence research and capability development through the European Defence Fund. The key questions are: what will *Mercron* look like in terms of security and defence; can Pesco be the framework for a game changer; can we expect a real European Defence Union or is more union in European countries' defence efforts the more likely result? In short, will 2017 be a real turning point or just another year of slow progress?

Mercron: more Merkel or more Macron?

Both President Macron and Bundeskanzler Merkel want to shift gear to speed up European defence cooperation. There is no doubt that Paris and Berlin face a busy period in preparing a blueprint, to be finalised and presented after the German elections in September. For the same reason the European Council of 23-24 June gave the member states a three-month period to produce a proposal on Pesco criteria and commitments. It has to see the light of day by the end of September. Naturally, France and Germany have a great interest in the active participation of other European countries in a Pesco proposal, be it with a different intake. Paris is aiming for an ambitious Pesco in order to make it as effective as possible. Berlin puts inclusiveness up front, fearing a split among EU member states in case of too ambitious criteria for joining the core group. Diplomats have found the compromise: the Franco-German Summit Conclusions of 13 July refer to an "inclusive and ambitious" Pesco.¹ In the coming months this compromise language will have to be turned into a list of concrete goals and timelines. So, the key issue is what to expect from *Mercron* in terms of Pesco criteria for a European defence ambition level, for defence spending benchmarks and for collaborative programmes.

1. European ambition level

French and German attitudes on 'what Europe should be able to do' are closely related to national security interests and priorities but are also influenced by history, geography and culture. French politicians, military leaders and think-tank experts have left no doubt that instability and turmoil in Africa, more particularly in the wider Sahel area, is of primary concern to the nation. The series of terrorist attacks in Paris and Nice have underlined the external-internal security nexus, which has drawn the military into increased deployments both within the country as well as in Africa. The French armed forces are overstretched and Paris expects from other European partners that they will assist the country in its efforts to counter terrorism at its roots, to intervene in conflict areas across the Sahel zone and to contribute to stabilisation operations. Only a few countries have replied to the call from Paris. Contributions have been limited in quantitative terms (company-size, a few helicopters), but also with regard to the scale of the use of force (mainly at the lower end).

In Mali, the Netherlands provided a niche intelligence capacity to MINUSMA, the UN-led operation, reinforced with a few armed and transport helicopters. Germany took over from the Netherlands in 2017, but at a comparable small scale. Other European nations are providing military experts for the EU's training missions in Mali and other African countries. More recently, France has asked its partners to assist – financially or otherwise – the 5,000 to 10,000 military strong African counter-terrorism force which has to be built up from scratch by the G5 (Mauritania, Mali, Burkina Faso, Niger and Chad). Again, reactions have been lukewarm at best. In fact, so far the biggest financial contribution (€50 million) is coming from the European Commission. The July Franco-German Summit launched the proposal for 'An Alliance for the Sahel'. This Alliance, open to all EU member states and international partners, will step up the support to the G5's own efforts to increase security and stability in the short-term and to social-economic development of the Sahel area in the medium to longer-term.²

Germany seems ready to increase its contributions to assist the G5, both financially and through other forms of support such as training local police and armed forces. But the question is still unanswered if Berlin will participate in future interventions comparable to the French Operation Serval in 2013 in Mali to stop extremist groups from taking over the country. For France, Europe will have to set a more ambitious level for 'the most demanding operations' – the term mentioned in the Pesco criteria list – and this will have to encompass intervention-style missions with a particular focus on Northern Africa. The quantitative level is more likely to be the brigade – capable of operating on its own with all required combat and support units – than the battalion-sized Battlegroup on which the EU has focussed its military operational planning efforts since 2004.

Furthermore, air power will have to be part of the package – a taboo in the past as the EU planned its operations on land predominantly for a benign environment. Will such criteria receive great support from Germany? Perhaps on paper, but less likely in practice. However, contrary to the past, Pesco will turn a German signature into a contractual commitment. Berlin can no longer escape its obligation when the shots are called. Naturally, a decision to make troops available for crisis management operations will still be the Bundestag's responsibility, but the political pressure will be way higher and there is a price to be paid for refusal. While German political leaders – Christian Democrats like Defence Minister Ursula Von der Leyen rather than Social Democrats – have been arguing for a more assertive role for their country in conflict management and the use of military force, large parts of the German Parliament and society still resist such 'militarisation'.

So far, this has resulted in serious caveats on the use of force by the Bundeswehr in crisis management operations. It also explains why the NATO call for reinforcing capabilities for territorial defence in view of the re-emerged Russian threat has been welcomed in Germany. The return to giving priority to NATO's Article 5 deterrence and defence posture does not raise serious political objections in Berlin. For that reason (as well as others) German defence planners have quickly responded. The Bühler Plan – named after the responsible defence planner in the German General Staff – foresees a return to heavy armoured units, grouped in divisions. It steers the German Land Forces away from expeditionary tailored military structures. The *Division Schnelle Kräfte* (DSK) is

the only sizeable land force unit that will be capable of participating in rapid response operations, far away from the home country. As the Dutch 11th Air Mobile Brigade has been integrated into the DSK command structure there might be a particular interest in The Hague (and Paris) to involve the Netherlands actively in defining a new European defence ambition level which opens up rather than closes the door for German participation. Most probably deeper defence integration with other partners than just France – such as in the DSK with the Netherlands – can make it easier for Berlin to participate in high-end crisis management operations as a German contribution is embedded in a standing multinational formation. A national fear of involvement in warfare outside Europe could perhaps be replaced by a readiness to share the burden with other partners.

2. Defence spending benchmarks

Also with regard to defence spending levels France and Germany might face difficulties in agreeing. The NATO target – 2% of GNP to be spent on defence – was politically agreed upon at the Wales Summit in 2014. But the Declaration refers to the “aim to move towards” the 2% spending guideline by 2024. Putting the same defence spending target in a Pesco criteria list will turn it into a legal commitment. France can accept it, as the 2024 Wales deadline seems to be attainable from a current (2017) level of 1.8% GNP. For Germany, it will be a great challenge, especially financially – raising defence spending from approximately €39 billion (2017) to €55-60 billion in seven years’ time. More importantly, there will be strong political objections in the country. In the words of Jan Techau, the Director of the diplomatic think tank of the American Academy in Berlin: “When I listen to the debates in the Bundestag, it always strikes me how deep this (fear of Germany taking its responsibilities) rests. Especially now it is about defence and the NATO 2% target. A large part of the German population has fundamental objections. Politicians are aware of this. Policies are not based on strategic thinking, but reflect old fears.”³ Earlier this year, the German government set 1.5% GNP as the intermediate target, resulting in a defence budget of €42.3 billion by 2021. That would leave a considerable gap to be filled in the three remaining years including 2024 – an unrealistic next step as the absorption capacity of the German Armed Forces has its limits in terms of extra personnel and equipment. The safe way out could be to leave the (legally binding) Pesco deadline for reaching the 2% norm open by referring to the NATO 2024 milestone of political intent.

Other spending benchmarks might focus on research and technology (R&T) spending and on collaborative procurement. The benchmarks that were agreed upon by the European Ministers of Defence in 2007 in the Steering Board of the European Defence Agency, applicable to all EU member states together, would be the minimum for a European defence core group.⁴ Setting higher spending criteria, in particular for collaborative expenditure, might be quite difficult. Such benchmarks – for common research & technology (R&T) spending (20%) and for collaborative equipment procurement (30%) – were agreed upon in 2007 in order to increase cross-border investment. In reality European collaborative R&T spending went down from a peak of 16.6% (2008) to 8.6% in 2014 and collaborative equipment procurement was still under 20% in 2014.⁵

Here, the proposal of the European Commission on the European Defence Fund might help to trigger collaborative investment by the member states. Like EDA the Commission is demanding from member states that they form consortia for their R&T and procurement investment. The difference with the EDA measure is that the Commission has a reward if one adheres to the principle: money. In the time frame 2017-2019 the Preparatory Action will deliver € 90 million for defence R&T. The experience will be used to move to much higher spending levels for the time frame 2021-2027: € 0.5 billion annually. Additionally, € 1 billion will be made available to support European defence industries in bridging ‘the valley of death’ from R&T to more expensive development and production.⁶ Member states will also be offered financial incentives to join collaborative programmes. The European Defence Fund might be the game changer that triggers more collaborative European defence R&T followed by procurement.

3. Collaborative programmes

If more spending can be expected and if European capitals are willing to invest more together, on what will they spend the money? The answer should logically be: on the well-known European shortfalls such as intelligence and strategic reconnaissance (ISR) including unmanned systems, air-to-air refuelling (AAR), high-end combat capabilities including precision munitions, force protection and space-based capacities such as satellite communications. Some programmes are already up and running, proving that progress has been made in the past, even at a slow pace: the European next generation Remotely Piloted Aircraft System (RPAS), led by France, Italy and Germany; the AAR Pooling & Sharing project, led by the Netherlands with Belgium, Germany, Luxembourg and Norway as participants, buying all together seven A330 Multi-Role Tanker Transport (MRTT) aircraft; or the Government Satellite Communications (GovSatCom) programme which addresses the need for guaranteed access to SatCom for civilian and military government users – a good example of a dual use project.

The list of shortfalls is such that there is large scope for new programmes under the Pesco umbrella. However, for France and Germany the industrial-economic factor will certainly come into play. Neither of the two countries will accept that industrial development and production in the other nation will take place without a return elsewhere within its national borders. Industry will have to be part of any construction to launch new large collaborative programmes. So far, consolidation has only been possible – to a certain extent – in the air and space industries. At the July Franco-German Summit five of the eight announced joint armaments projects were related to the aerospace sector.⁷ It will be more difficult in the land and naval sectors, producing predominantly military platforms. The launching of a holding company for Kraus Maffei Wegmann and Nexter, the German respectively the French producer of heavy armoured vehicles, offers a chance for balancing development and acquisition programmes for the next generation tanks and armoured infantry vehicles.⁸ In the naval sector talks between the French and German shipyards have produced no substantial results. In the past the French have teamed up with Italy (FREMM frigates) or have concentrated on non-European buyers, such as Australia (submarines). The German Navy and the German shipyards seem to concentrate more on Nordic partners (such as Norway) or neighbouring Poland.

In other words: it will not be easy to use the Franco-German motor bloc for launching big procurement programmes that will deliver in the near future. Most of the national equipment modernisation programmes for the 2020s have already been taken. Many of the joint projects announced at the July Franco-German Summit will only deliver in the more distant future. Furthermore, the national defence industrial and economic interests make it difficult to rationalise equipment production. Deals involving several programmes will have to be struck in order to balance losses in production lines in one programme with gains in another. Such deals are inherently complicated and involve many non-defence sector actors. Their agendas are very different from those actors dealing with improving European defence. Increasing interoperability and standardising equipment across borders clashes with national interests of keeping know-how, labour and jobs on national territory. Again, the European Commission might step in to assist in this difficult transition process from a nationally based defence industry to a true European Defence and Technological Industrial Base (EDTIB) by rewarding cross-border industrial cooperation with financial incentives – which is the purpose of the European Defence Industrial Development Programme.

A present for Xmas?

Although launching a European core defence group is no longer theory and will become reality in the second half of 2017, several obstacles still lie ahead. First and foremost, building on the July Franco-German Summit Conclusions Paris and Berlin have more work to do in the coming months. Bridging the Rhine river by arguing for both an inclusive and ambitious core group is diplomatically a way out of conflicting priorities. The real challenge now lies in defining the criteria for the most demanding operations, defence spending benchmarks and new collaborative research and procurement programmes. While such criteria will have to be defined by the French and German Defence Ministries a broader effort is needed. Why? Firstly, the strongest opposing forces are outside the defence sector, either in political circles (the German Parliament) or in other ministries such as Finance or Economic and Industrial Affairs which want to protect national production lines.

This calls for the regular involvement of Heads of State and Government to steer the process and to overcome the stove-piped attitudes of conflicting Ministers and their staff. Fortunately, the European Council will continue to take a close look at European defence matters on a regular basis.

It is crucial to keep it as *Chefsache* also in the more distant future. Secondly, other European countries, willing to subscribe ambitious yet realistic criteria, may provide the broader context in which the Franco-German motor bloc might run more smoothly. It implies that not only declared PESCO proponents such as Italy and Spain but also smaller countries with excellent international defence cooperation records – Finland and the Netherlands come to mind – should be closely involved in the design phase of a European Defence Group. That requires an open door in Paris and Berlin, but equally a proactive attitude in capitals like The Hague – something which is currently lacking, unfortunately. However, if it all comes together under Franco-German leadership, 2017 might be the turning point with a big present being delivered before the end of the year.

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¹ *Conseil franco-allemand de défense et de sécurité*, Paris, 13 Juillet – Relevé des conclusions.

² *Une Alliance pour le Sahel*, Proposition de la France, de l'Allemagne et de l'Union européenne pour le Sahel avec l'Europe et les principaux partenaires internationaux pour y intervenir davantage et mieux, Conseil des Ministres franco-allemand, 13 Juillet 2017.

³ 'Top voor Merkel onplezierige koorddans', Interview Leon Mangasarian, Jan Techau, *De Volkskrant*, 6 juli 2017 (translation into English by the author).

⁴ The EDA 2007 collective benchmarks are: 2% defence R&T spending of total defence expenditure and 20% collaborative defence R&T spending of total defence R&T expenditure; furthermore 20% of total defence expenditure to be spent on equipment procurement and 30% collaborative procurement spending of total equipment procurement expenditure. The 20% benchmark is also a spending target in NATO, but the Alliance has no spending guidelines on R&T or collaborative equipment procurement.

⁵ EDA Defence Data. Unfortunately, EDA has not published data on more recent years.

⁶ The so-called European Defence Industrial Development Fund, proposed by the European Commission on 7 June 2017 as an additional element of the European Defence Fund.

⁷ Future combat aircraft, maritime patrol aircraft, Eurodrone, combat helicopters, satellites.

⁸ The Franco-German Summit Conclusions mention the next generation of combat and combat support vehicles. In 2018 the study phase will be concluded and a road map will be established for the next phase.