

*The Franco-British Treaty, the European
Union's 'Pooling and sharing' and
NATO's 'Smart Defence':*

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How can the different initiatives in terms of pooling capabilities be coordinated?

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Two years ago, the European Union (EU) and NATO pledged to pool their capabilities along the lines of bilateral initiatives like the Franco-British Treaty. The pooling and sharing of capabilities is essentially a response to cut-backs in defence budgets of Western countries and should also help to redress capability shortfalls. The operation in Libya, initiated by the French and British, could not have taken place without US capabilities in terms of air-to-air refuelling, drone observation, maritime surveillance as well as their stockpile of smart munitions, which goes to show that the question of capability shortfalls is a first and foremost a European rather than a NATO issue.

However, the concept of pooling and sharing is not new. As soon as the Common Security and Defence Policy came into operation on January 1st, 2003, the Europeans detected capability shortfalls despite the European Union's unambitious objectives (to deploy 60,000 men within 60 days for one year). From then on, the goal was to reduce capability shortfalls by coming up with joint projects. The European Defence Agency's (EDA) 'Capability Development Plan' (CDP) was ratified in December 2006, well before the economic crisis. The CDP is a methodology which aims to redress the capability gaps within a framework of 26 nations (Denmark is not part of the CSDP).

When the economic crisis erupted, the results of

the EU's capability plan remained unsatisfactory. Whether it be due to the unwillingness of nations or the lack of real incentive to pool, none of the capability gaps described in the Headline Goal (defined at the launch of the CSDP), have been filled. No cooperative programme has been launched since the early 2000s. The only success is the implementation of strategic transport capability pooling thanks to the European Air Transport Command based in Eindhoven, which mainly relies on sharing the A400M fleets of the seven member countries of this programme.

At the time of the Belgian presidency of the European Union in the second half of 2010, the EU tried to give the process of pooling capabilities a new lease of life. During the Ghent Ministerial Meeting of September 2010, the EU Member States decided to make an inventory of capabilities able to be pooled (the Ghent Initiative). A German-Swedish Food For Thought Paper was released in November 2010, describing the type of pooling and sharing capabilities that had been developed during the French presidency of the EU in the second half of 2008.

Meanwhile, the Franco-British Treaty signed on November 2, 2010 establishes the principle of a Franco-British cooperation in the field of defence which should lead to pooling capabilities within a bilateral framework.

At NATO level, during the February 2011 Verkunde security conference, the NATO Secretary General introduced the concept of 'Smart Defence', i.e. the possibility for NATO nations to join forces to jointly purchase equipment; NATO's version of 'pooling and sharing'.

What is the result of these three initiatives (Franco-British, EU and NATO) today and how can they be structured?

I / THE DIFFERENTES INITIATIVES

1.1 The Franco-British Treaty

1.1.1 Types of pooling

The Franco-British Treaty aims to explore all kinds of possible synergy in defence issues between the French and British, i.e.:

- pooling forces in a joint Franco-British military force;
- pooling industrial capabilities with the incorporation of the missile sector in MBDA;
- pooling existing national capabilities: air-to-air refuelling, maintenance of A400Ms, Watchkeeper tactical UAVs (Unmanned Air Vehicles), carrier task force;
- creating future joint capabilities by cooperative programmes such as future MALE UAVs, future UCAVs (unmanned combat air vehicles: a very long term project), submarine drones, future submarine sonars, satellite communication.

1.1.2 Form of pooling

In this Treaty, armament cooperation is conceived within a bilateral framework, which may prove to have limitations. Indeed, in some cases it would be preferable and possible to envisage cooperation within a European framework when the bilateral

framework does not allow for sufficient economies of scale (e.g. drones). Furthermore, cooperation limited to two countries runs the risk of structuring the consolidation of the defence industry at this scale only. Thus the market is too small to ensure the viability of the defence industry at Franco-British level alone, even though these two countries now account for 55% of defence spending in Europe. This principle of bilateral cooperation has been established for practical reasons, considering that cooperation in terms of armaments with more than two countries was a failure. However, this is not proven: the success of a cooperation depends on the rational operating rules used to structure it¹.

1.2 The process of capability pooling at the EU level

After the first stage of the Ghent process, the defence ministers of the EU Member States agreed on December 30, 2011, on an initial list of areas for which they were willing to engage in cooperation to pool their capabilities. These areas are:

- helicopter training program ;
- maritime surveillance networking (MARSUR);
- European Satellite Communication Procurement Cell (ESCPC);
- Future Military Satellite Communications ;
- Medical field hospitals;
- air-to-air refuelling;
- Intelligence Surveillance Reconnaissance;
- pilot training ;
- smart munitions;
- European Transport Hubs ;
- Naval Logistics and Training.

These European projects either refer to existing capabilities (training of helicopter pilots and fighter aircraft, naval logistics, medical field hospitals) or future ones requiring development (air-to-air refuelling, satellite communication, smart munitions).

(1) Cf "Lessons learned from European defence equipment programmes", by Jean-Pierre Darnis, Giovanni Gasparini, Christoph Grams, Daniel Kehoane, Fabio Liberti, Jean-Pierre Maulny and May Britt Stumbaum, Occasional Paper n°69, October 2007, The European Institute for Security Studies, Paris.

For the moment, the projects are under consideration. At the Foreign Affairs Ministerial Meeting on March 22, 2012, the EDA Steering Board issued a declaration on the future capabilities of air-to-air refuelling which will consist of existing capabilities, future capabilities to be acquired and the leasing of refuelling capabilities. This declaration of intent implies no future financial commitment for the moment.

1.3 NATO's 'Smart Defence'

The Smart Defence initiative comes in the wake of the Europeans' Ghent Initiative and the Franco-British Treaty. Smart Defence has several specific characteristics:

1.3.1. Classifying projects according to the date by which a result can be expected and the area in which pooling occurs

The projects are classed from 1 to 3. Class 1 projects are those where a quick result is expected. Class 2 and 3 projects are longer term projects (medium and long term).

The capability pooling projects are organised in large capability groupings, i.e.:

- Intelligence, Surveillance, Reconnaissance ;
- Sustainment ;
- training and preparation of forces;
- Force protection;
- Effective engagement;
- Ballistic missile defence.

1.3.2. An operating rule based on participation and funding

Participation is on a voluntary basis. One country is responsible for leading each pooling project. This practice was adopted in 2002 by the EU when taskforces were set up to redress capability shortfalls under the Headline Goals of 2003.

As for the funding issue, it's not yet been settled.

NATO Member States are supposed to tackle this issue after the Chicago Summit in May 2012. For now, Smart Defence provides for funding rules to be determined on a case by case basis. The rule that only those States involved in a project actually fund it, should normally be maintained. Nevertheless, the temptation to share costs in a broader context is huge, particularly for the most cost-intensive projects. This is to some extent the case for the Air Ground Surveillance (AGS) programme and the United States will certainly try to apply it to missile defence.

About 20 projects were selected before the Chicago Summit and were included in the defence package adopted in Chicago.

II / COMPARATIVE ANALYSIS OF THE DIFFERENT INITIATIVES

2.1. Overlapping of initiatives

The same pooling themes can be found in various forums. Therefore, air-to-air refuelling is just as present in the Franco-British and European Union initiatives as it is in NATO.

2.2. Mainly European shortfalls

The military operation in Libya, carried out within the framework of NATO, could have been conducted within a Franco-British or a European framework with regard to command or planning. However, the Europeans lacked capabilities that only the Americans possessed: air-to-air refuelling, ISR UAVs, as well as some command capabilities. Redressing capability shortfalls is thus essentially a European problem. The issue of pooling capabilities within a NATO framework is therefore not primarily related to capabilities.

At NATO level, pooling can be justified for two reasons:

- Formalising a better share of the burden between Europeans and Americans. However, this objective could be met by pooled European contributions that would be available for NATO operations;
- Pooling "Article 5" capabilities on collective security, as this is a NATO-specific mission or those that exceed the funding capabilities of the EU or the U.S. alone (as is the case for missile defence).

2.3. Any proposed pooling of future capabilities is subject to the issue of funding

At present, there is virtually no financial commitment on future equipment projects discussed in the various forums. The only financial commitments on pooling projects focus on:

- NATO C2 missile defence;
- the NATO AGS programme for participating countries.

Even the contracts to reduce risks on the MALE UAVs and on the UCAV demonstrator under the Franco-British Treaty have not yet been the subject of formal notification.

It is therefore imperative that the nations set their priorities for funding as part of their financial defence planning, consistent with what could be a multilateral joint redressing of capability shortfalls. This could be one of the objectives of the next French military planning law to be drawn up in the first half of 2013: formalising joint commitments within bilateral frameworks or through the EU. Only a measure such as this would demonstrate an integration of the defence policies of the European nations.

2.4. Any pooling capability must take into account the imperatives of sovereignty

The pooling of capabilities must take into account the imperatives of sovereignty. The Member States need to answer two questions, both individually and collectively:

- Which capabilities do the States want to keep for national missions and not share?
- To prevent pooling being reduced to the bare minimum, what arrangements can be made when a country does not want to participate in a group mission even though it has pooled some of its equipment, whether it be in a NATO or European context? What are the financial rules applicable in the event of using military equipment and might the implementation of a constructive abstention rule be envisaged which allows the use of a capability even if a country does not want to participate in an operation even though it is the collective owner of this capability?

2.5 Is pooling capability possible in contexts other than NATO or the EU?

Recent operations, such as the International Security Assistance Force (ISAF) in Afghanistan or the operation in Libya, have shown that military operations tended to be set up on an ad hoc basis, even if NATO or the EU generally provided the backbone of these types of operations in command and planning terms. However, it is difficult to envisage planning military forces in peacetime beyond the frameworks of NATO and the EU. Both of these organisations are politically orientated and each is based on country-specific fundamentals of the member nations which cannot be shared in other countries. As far as the Atlantic Alliance is concerned, these fundamentals are collective defence while the EU is a political union liable to integrate different policies on a basis which may extend to federation. We cannot, therefore, come to agreements in peacetime with non-member countries of NATO or the EU without undermining the very status of these organisations and slurring their image to non-members.

On the other hand, there is no reason not to consider such agreements that would be reactivated in times of crisis subject to the consensus of all parties thereto.

To conclude, we therefore note that if the pooling of initiatives is on the increase at various levels, such initiatives do tend to overlap. But there are no clear and shared rules making it possible to decide between competing initiatives and streamline the processes of pooling and sharing capabilities. The current situation is therefore unsatisfactory on a political level, as proven by competition on the pooling of air-to-air refuelling capability between NATO and the EU and the irritation engendered in Germany by Franco-British cooperation. This situation is not satisfactory on an economic level either, for example, with regard to the risk of competition on UAV programmes, or the obligation for some NATO nations to fund missile defence when this capability is not perceived as a priority for other countries.

A coherent tool for pooling and sharing capabilities therefore needs to be implemented, which is not the case at the moment. To achieve this, it would be necessary to lay down a number of rules to facilitate a more logical approach and secure political and economical cohesion in the different pooling and sharing capability initiatives.

III / What rules should be adopted for the future pooling of capabilities?

Four rules could be adopted.

Rule 1: Priority given to initiatives involving a few countries over those taken in a broader framework

Initiatives at bilateral level, like the Franco-British Treaty, offer greater prospects of success than initiatives taken in a broader context. This is for two reasons:

- The fewer partners in a cooperation, the simpler it is to manage and the greater the likelihood of achieving positive results within a reasonable time-frame. This is particularly true for armament cooperation;

- It is easier to find common interests between two countries than with a large number of countries. The French and British have a similar idea of the use of military force, which makes the prospect of pooling more efficient. On the other hand, the French and Germans no doubt share closer industrial interests in the area of land or naval weapons;
- Redressing capability shortfalls, identified as an essentially European problem, must prioritise the EU framework over NATO on cohesion issues of EU capability tools.

Rule 2: Support for pooling initiatives in a broader context when it seems more promising in terms of redressing capability shortfalls, streamlining the use of public funding and industrial consolidation

This rule might at first seem at odds with the first one. However, it is the rule of subsidiarity applied to the issue of military capabilities. In some cases, capability shortfalls cannot be overcome bilaterally for operational, financial or industrial reasons. This rule represents the limit of Franco-British cooperation as it was originally conceived in the Treaty of Lancaster House, which excludes any other cooperation. Some areas of bilateral cooperation are too restrictive, forming an obstacle to economic optimisation and, moreover, have conferred an anti-European image upon the Franco-British Treaty.

It would therefore seem preferable to tackle the process of redressing the capability shortfalls of MALE UAVs in a European rather than a Franco-British context. The capability gap is indeed common to all European countries. The number of MALE drones needed for France and the UK remains limited and export capabilities are restricted. The mistake committed 20 years ago with the Rafale, Eurofighter and Gripen aircrafts should not be repeated with the MALE drone. The EU cannot afford to allow intra-European competition in this field. On an industrial level, a single kind of drone would also improve the structure of the defence industry

while conversely we risk creating unnecessary competition in economic terms if we have several types of MALE UAVs in competition with each other.

Rule 3: The harmonisation of all initiatives (bilateral, EU and NATO)

To avoid the overlapping of the various pooling and sharing capability initiatives, it is necessary to define a rule of consistency between all initiatives with the following ranking:

- Level 1: Consistency of defence systems within a national framework. This rule is intended to avoid the lack of accountability of Member States which tend to rely on NATO and no longer make an effort at national level;
- Level 2: Consistency of national defence systems with a bilateral or trilateral framework;
- Level 3: Consistency of bilateral or trilateral initiatives with a European framework;
- Level 4: Consistency of pooling at European level with a NATO framework.

This rule of consistency and subsidiarity must allow pooling initiatives to be placed at the right level. It is of no use in particular to pool everything at NATO level if defence systems are not aligned at national or at European level. Therefore, the role of NATO in terms of pooling and sharing should only be a two-pronged one:

- Check the consistency of pooling initiatives between level 3 (EU) and level 4 (NATO);
- Implement pooling projects that exceed the capabilities of the three lower levels (e.g. missile defence).

Rule 4: Adoption of one clear rule for capability pooling

The principle of pooling and sharing capabilities works on a two-pronged approach:

- The nations agree to fund a capability as a contribution to defence which will be part of a broader framework;

- For nations with a defence industry, the fact that the funding of a joint capability must also boost industrial activity needs to be taken into account. States only commit themselves to projects that add value to their defence industry. This attitude cannot be criticised if it is part of a common and consistent approach to redressing capability shortfalls and if it does not result in industrial overcapacity: the notion of fair return must be avoided so as not to create overcapacity; industrial consolidation in armaments cooperation should be sought instead.

Leading on from this:

- A nation cannot be asked to make a financial contribution to a capability that it did not wish to develop, whether it be for programme funding, support or logistics. Otherwise, it would undermine the first three rules described above which are intended to rationalise capability pooling initiatives both politically and economically. Only the use of a common capability in operation may lead to joint funding;
- Cooperation on equipment capabilities should lead to a fair and rational division of the industrial benefits.

Rule 5: Specific rule for pooling on major equipment programmes that require shared funding of the overall capability.

Very large programmes, such as the missile defence programme, pose a specific problem. They involve all members of NATO due to their scale and require funding that may be beyond the financial capabilities of the NATO nations if the deadlines which were set by the Americans in the 'European Phased Adaptive Approach' (EPAA) are met (deployment spanning from 2012 to 2020). Therefore, the missile defence programme today presents two risks:

- Reverse priorities in terms of redressing capability shortfalls: for Europeans, it is more crucial to redress the shortfalls of air-to-air refuelling and ISR than prioritising missile defence;

- To have a programme whose funding would be disorganised and would not respect the collective nature of the programme. We already see the effects of this disruption in that the interim capability which will be declared operational at the Chicago Summit will be with an American C2 and not a European C2 which creates a situation where the United States have control of a defence system that would normally be shared between Europeans.

It is therefore imperative that the funding mechanism of the missile defence programme complies with rule no. 3, which requires that at any time, there be consistency between all levels of the defence system (national, bilateral, European and NATO). Therefore, it is necessary for NATO nations to agree on bridging capability gaps as a priority in accordance with this rule of consistency if we are to avoid a disorganised funding mechanism that would undermine the consistency of defence systems at national or European level. Thus, redressing the gap of air-to-air refuelling at European level seems to now take priority over missile defence at NATO level.

CONCLUSION

Pooling and sharing is undoubtedly linked to the economic crisis, but has significant political implications. While there is no shortage of ideas on pooling capability at all levels, it has to be admitted that the achievements are limited. One cause of the current poor results is that the participants have not laid down rules which would help to prioritise pooling capabilities, both in terms of sectors and the countries involved. The division of roles between what has yet to be determined at national level and what needs to be shared in the various sectors remains to be defined. But the pooling capability will have important political consequences. Nations must determine the degree of sovereignty that they are willing to delegate to international organisations and this cannot be decided solely by factors of military efficiency, as the use of military force is primarily a political act. ■

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