

#22

# EUROPEAN PREFERENCE, STRATEGIC AUTONOMY AND THE EUROPEAN DEFENCE FUND

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Report

## ABSTRACT

It was the aim of this paper to ask three authors from different backgrounds how they saw the connections between two notions, strategic autonomy and European preference, and the European Defence Fund (EDF), the European Commission initiative currently submitted to the European Council and the European Parliament for approval. These three authors were chosen for their diverse origins. The first of them, Vincenzo Camporini, vice-president of the Istituto Affari Internazionali (IAI), was successively Chief of Staff of the Italian Air Force and of the Italian Defence General Staff. He expresses the military man's point of view. The second, Dick Zandee, is Senior Research Fellow at the Dutch Clingendael Institute. Lastly, Keith Hartley is a British economist at the university of York who has worked for many years on the defence industry.

It would inevitably be reductive to synthesize their arguments: their viewpoints are also those of individuals, not of representatives of institutions. And yet a number of general lines of argument emerge. Though Vincenzo Camporini stresses that Europeans' efforts should contribute to strengthening the European pillar of NATO and that the European Union will still have to depend on some NATO resources going forward, he nonetheless takes the view that there is a recurrent capability shortfall on the Europeans' part and that a certain level of strategic autonomy is required to enable constructive dialogue to take place within the alliance. For that reason, Europeans must make their own contributions, including with regard to the most demanding scenarios.

He refers, for example, to satellite surveillance capabilities as a way of acquiring autonomy in this field, of target identification capabilities and different enablers such as airborne early warning aircraft with tactical command and control capabilities, as well as precision guided munitions. Lastly, General Camporini takes the view that the European Defence Technological and Industrial Base (EDTIB) is a building block of that strategic autonomy and that the European Defence Fund can reinforce it, provided that states strive toward the reconciliation of their operational needs in the way that is required to develop cooperation and help strengthen the EDTIB.

Dick Zandee and Keith Hartley both question the very notion of strategic autonomy. As Zandee sees it, it is inadequately defined from a political standpoint, for want of a definition of common interests and a common security and foreign policy. He does, however, note that the EU Global Strategy has defined a number of shared interests. These have to be promoted and defended by using all available EU instruments in a 'joined up' approach. The EU's military instrument, however, lacks credibility. Therefore, EU strategic autonomy is very much dependent on developing credible military forces to back up the joined up approach.

Lastly, he takes the view that Permanent Structured Cooperation (PESCO) might actually lead to a broader definition of strategic autonomy for the countries who will be part of it, assuming they will develop capabilities to enable them to conduct the high-end missions of the Common Security and Defence Policy (CSDP).

Lastly, Keith Hartley wonders about the cost of this strategic autonomy. He sees it as necessarily having a cost. Vincenzo Camporini also takes the view that defence funding will have to be increased if the aim is to build this strategic autonomy. Hartley deplores the absence of measuring tools relating to the cost of this strategic autonomy itself, to the concept which isn't defined at the EU level—an analysis he shares with Dick Zandee—and also to the positive effect of strategic autonomy, which cannot be assessed either in terms of the defence of EU interests or in economic or employment terms.

Overall, though no one challenges the basis of the European Union and its member states' thinking on strategic autonomy or the resolve to develop such autonomy, the difficulty of defining the scope of that strategic autonomy represents a handicap when it comes to assessing how this relates to the European Defence Fund. For Keith Hartley, European preference is undoubtedly a way to acquire that strategic autonomy, while the European Defence Fund is mainly, as he sees it, a way for Europeans to achieve more efficient defence spending. In Vincenzo Camporini's view, the European Defence Fund ought to be mainly directed at financing the equipment required for developing the EU's strategic autonomy, which itself would lead to European preference in this field.

As Jean-Pierre Maulny sees it, the European Defence Fund creates by its very nature a European preference, since its aim—particularly with the European Defence Industrial Development Programme—is to develop the EDTIB within the framework of the EU's industrial policy instruments. For that reason, the eligible entities can only be European. It is, however, necessary to reconcile this principle with the need not to close down cooperation on armaments with other countries, so as to take advantage of the most high-performance equipment. In doing so, two conditions must nonetheless be respected: non-European economic entities must not be able to receive monies from the European Defence Fund, and EU member states, together with the companies that participate in such cooperation, must have control of the technologies developed with EU funds. Lastly, Jean-Pierre Maulny takes the view that priority funding must be given to the most strategic capacities through the European Defence Fund, particularly in the case of the member states that will join PESCO, this being necessary to develop the EU's strategic autonomy.

## EUROPEAN PREFERENCE, STRATEGIC AUTONOMY AND EUROPEAN DEFENCE FUND: AN OPERATIONAL POINT OF VIEW

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BY *VINCENZO CAMPORINI* / Vice-President, IAI

### Introduction

The conflicts of the nineties in the Western Balkans revealed in all evidence the evanescence of the military capabilities of the European countries. Notwithstanding the critical interest to act effectively in order to stabilize a region on their doorstep, and with the clear impotency of the United Nations, as tragically demonstrated in Srebrenica, the intervention by the United States appeared to be the only way out and it was beseeched through the call on NATO. The awareness of this European inability was combined with the usual, long standing claim by the American leaders about the need to drive towards a more equitable burden sharing for the common defence. Against this background, two political events opened new opportunities: the conditional opening by the US Secretary of State Madeleine Albright to the development of European military capabilities and the agreement between Blair and Chirac at Saint-Malo on Dec 4<sup>th</sup> 1998.

One year later the leaders of the EU countries approved the Helsinki Headline Goal (HHG), calling for the Union to be capable of deploying and sustaining for at least one year in a non permissive environment a ground force of 60,000 troops, with the required naval and air support, within a range of 4,000 kilometers from its borders.

Since then many years have gone by, a 'strategic concept' has been issued, new goals have been indicated, but in terms of real, useable capabilities we have not gone very far; on the contrary, initially with the intention of exploiting the so called 'peace dividend' and later strangled by the worldwide economic crises, the large majority of the European member states, and indeed the most important ones, have significantly reduced their defence budgets, without any effort to rationalize the outlay in a concerted effort.

A glaring evidence was given in the spring 2011, when France backed by UK and by a reluctant US attacked Libya: the Europeans had totally insufficient ISTAR (Intelligence, Surveillance, Target Acquisition, Reconnaissance) capabilities, their firepower was limited and after only a few days they ran out of ammunitions: eventually the campaign was successful, but only because the US, although no longer participating kinetically, continued to provide all the data required to operate and the resupply of armament and because Gaddafi's armed forces were really a paper tiger.

But the lesson was not learned until Federica Mogherini took over the post of High Representative (HR) from Lady Ashton.

## A new momentum

The document on the EU Global Strategy was bravely issued by the HR on June 28<sup>th</sup> 2016, just five days after the unexpected results of the referendum in the UK on the so called Brexit.

It was initially intended to update and replace the Solana's "A Secure Europe in a Better World" issued in December 2003 and only marginally updated in 2008. Since then, the world scenario has dramatically changed and the initiative by the HR was long overdue.

The document itself is by far too long and too detailed to be defined as a Strategy Statement, but the decision to draft it with the full involvement of all the member states had as a consequence the inclusion of all the specific sensitivities; nevertheless, its complexity helps as guide when the stage is reached of defining all the requirements, also in terms of military capabilities.

Unlike it happened with other political statements which had only symbolic effects, as soon as the Global Strategy was issued work started on identifying concrete measures to implement principles and remedy the shortfalls and now with the definition of the European Defence Fund (EDF) an instrument has been created to stimulate defence industries in the EU countries, with possible far reaching effects on the political willingness to integrate in a more effective and efficient way individual military instruments.

From the operational point of view, the first thing to achieve is the identification of the overall capabilities the Union needs, starting from the question "What for?", and the answer cannot be just the updating, once more, of the HHG, since this was specifically designed against the so called Petersberg Missions<sup>i</sup>, leaving the task of common defence to NATO, as if NATO is an entity separated from its member states.

In all evidence, the first operational objective to be aimed at is the buildup of well integrated forces, with the full array of instruments required to effectively constitute the European pillar of the Alliance, capable of sustaining any form of risks and threats, at least long enough to allow the full potential of NATO as a whole do be displayed successfully. This implies that the Europeans will have to enjoy collectively a reliable situational awareness in real time, will possess enough forces in numbers and quality, with the all the different specialties, for all the foreseeable levels of intensity, from the most benign to the highest one, with the only exclusion of nuclear forces; they must also be able to sustain logistically those forces with the proper variety of supplies

Another area where the Union contribution will be not only welcome, but required, will be the control of the Sea Lines of Communication (SLOC), across the Atlantic, in the

Greenland/Iceland/UK gaps (GIUK) and in the Arctic area, which are essential for granting an effective common defence.

The other strategic vital interest which drives the definition of military requirements is the projection of stability at and around the Union borders. This will require assets and forces of a different type, usable to control the territory, to provide training to local forces in agreement with the local authorities: for the scope of this chapter we can assume that these capabilities are already in the hands of the EU governments, although special care must be paid on the issue of interoperability and on the standardization of equipment as well of procedures.

An open question remains the issue of the appropriate chain for Command and Control (C<sup>2</sup>), including the related communication network: creating and maintaining such a structure would be not only very costly financially and in terms of qualified manpower, but would represent exactly the type of unnecessary duplication which the Europeans were suggested to avoid. This does not mean that for C<sup>2</sup> the Union should rely only on the implementation of the Berlin Plus agreement<sup>ii</sup>; as a matter of fact, given the variety of EU missions, with tailored mixtures of hard power and soft power, of civil and military assets, the availability of a properly manned and equipped Headquarters will be necessary for the Union, but the texture of the command chain can easily be shared, as it happened in the recent past in the Balkans<sup>iii</sup>, including the communication networks, with the proper and required redundancy, to which the Union can contribute substantially, thus enhancing the resilience of the defence systems.

## What is required?

Having set the scene, it is now possible to identify what is missing on the EU members side, indicate measures to correct some of the deficiencies and make an evaluation whether the policies and instruments implemented by the EU authorities and institutions are suitable to the final scope of a more capable and safe Europe.

From what it has been said, the list of the required capabilities and of the related missing equipments and weapons systems is quite long and extensive and it has been described in particular thanks to the efforts of the European Defence Agency with its Capabilities Development Plan<sup>iv</sup>, which, however, does not take into account some of the most important and expensive systems and equipment such as heavy armored vehicles, warships, combat aircraft and the indispensable elements and functions for an effective Command and Control: in fact, although as it has been already said much reliance should stay in the availability of the NATO structures, it is a political must to have a certain degree of autonomous capability, which would also greatly help in the constructive dialog with

the Atlantic Alliance, as well as providing the credible capability to sustain the initial effort even in the most demanding scenario.

And here we have a full list, starting from satellite surveillance in all the spectrum (visible, infrared, radar etc.), with the required persistence on the area of interest<sup>v</sup>, continuing with 'targeting elements' capable of identifying targets serving an effect driven doctrine; any operation, at any level, even the simplest in the most benign environment requires a number of enabling assets, such as airborne early warning aircraft with tactical command and control capabilities (what is available today has been developed in the US and in Israel; in Europe only Sweden has some limited technological capabilities). Precision Guided Munitions (PGM) are also an indispensable element and it is no secret that the large majority of this type of armament is developed and produced outside Europe. Mobility is a key capability for military operations both on the ground and in the air as well as on the sea, and in this field on one side a strong effort for standardization is required, on the other side an effort for efficiency is needed.

One can go on with a fairly extensive list, but it is a generally shared vision that a concerted and consistent effort must be made by the decision makers and by the industrial environment to grant the level of autonomy called for by the EU Global Strategy, coherently with the conclusions of several EU summit Council.

Altogether this will require a lot of money and one point must be clear from the very beginning: a real, capable European defence will not be cheap.

Sometime ago it was fashionable to speak about the "the costs of non Europe in defence" and detailed studies were performed by several think-tanks and by the European Parliament<sup>vi</sup>, inducing the idea that an integrated defence system in Europe would allow significant savings for national budgets, making available more funds for social needs. The truth is the opposite, since the message which was to be passed is that the yield of the outlay for defence in Europe is unacceptably low due to the fragmentation of structures, the weight of the overheads, the lack of standardization and the final result is the one which has been described, the political cost being the ineffectiveness of national defence instruments when viewed as a whole. Thus, the choice would be between spending less money, maintaining the present level insufficient capabilities or increasing this level, spending more than what is spent today.

In this scenario a quantum jump can be possible only with the concurrence of several factors; among these, three are relevant for the scope of this paper: availability of fresh money, multinational concurrence on specific procurement programs, willingness to invest from the industrial side.

Let us consider the second element: a number of systems which are now in service are becoming or are already obsolete and many platforms of earlier generations are unable to operate in connection with the new ones; this is true, for example, for the main battle tanks (MBT), which in the post Cold War era have been neglected as unfit for the new strategic situation, but each nation's ambition to privilege its own industrial base has in the past led to countless indigenous systems, produced in very small numbers, at a unit price much higher than what could be possible if the nations had agreed a common design, with common equipment and components and establishing a common logistic. But to do so, the proper quality and quantity of incentives must be in effect in order to overcome protectionist temptations; with those in place it would be much easier to convince military staffs to jointly write common operational specifications, with no room for 'national variants'<sup>vii</sup>, for the present many unfulfilled requirements, which many nations cannot afford to develop and procure singularly.

Just to name a few: a new maritime patrol and antisubmarine air system, with the proper mix of surveillance drones and fixed and rotary wings aircraft, including the dedicated, specific command and control environment; a new family of armored vehicles, starting from an up to date MBT; an anti-missile system capable of matching the growing threat from several mid size countries.

The decision to launch new programs requires the willingness of the industrial world to engage in new high tech endeavors, which on the other hand needs the clear and granted availability of the required funds (and we are talking of billions of Euros). The mechanism is very simple: any entrepreneur would invest his resources where there are more chances of profitability; if no perspectives of work and profit are in sight, he would divert his resources to other fields.

## **The virtue of the new EU initiative**

Till no long ago, the idea that the Union could take care of military issues was rejected by the Commission, on the assumption that all this would rest in the inter-governmental area and in all evidence this attitude was not conducing to significant progress. The defence market remained fragmented, with very resilient protectionist barriers in place, interoperability was a concept never fully implemented, economies of scale were never considered.

Now, the decision to create the European Defence Fund, with the specific implementation mechanism, has the ambition to overthrow the present unsatisfactory situation and has the potential to do so.



In fact, offering significant incentives for financing European programs means that the likelihood of common multinational operational requirements, leading to common Research and Development (R&D) programs and eventually common procurements gains odds.

It goes without saying that these operational requirements must consistently be aimed at filling the capability gap which have been already alluded to: surveillance, including space, delivery means, logistic systems at large, etc., allowing a 'European preference', which is often at present only wishful thinking.

Also, the same fact will ease the relationship between the single national industries, which will have to put aside their traditional rivalries and find profitable areas of cooperation, possibly exploring the opportunities for specializing their capabilities; this is essential if the final objective is, as it should be, an efficient and advanced European industrial complex, where diseconomies generated by fragmentation and overcapacities tend to disappear and where the benefits of an healthy competition would enhance the technological level, without jeopardizing high value jobs. In a way, as a side product, the present technology dependency from the US industrial complex will be substantially eroded, allowing the European countries to be less concerned about the obstacles on technology transfers and US regulations such as the ITAR regime<sup>1</sup>.

All this is by no means a low hanging fruit, but unless the proper mechanism of incentive are put in place, very little progress can be made, as it has been seen in the last decades, and this is exactly the scope of the EDF, no matter how complicated its implementation may be.

And since the scope of this paper is delineating the operational side of the issue, how can the final objective and desired result be summarized?

Since we cannot yet hope for a full integration of the military instruments of EU countries, we should aim at an effective standardization for at least some of the specific operational capabilities, with the same equipment: this would mean significantly lower acquisition costs, but more than that, it would mean the real possibility to have the same training schemes and possibly common training facilities; this would enhance the amalgamation of military operators from the lower seniority levels, which in turn would mean that, in case of emerging crises, future coalitions would be much easier to form and manage with a more effective operational effectiveness at a much lower overall cost. Another natural consequence would be the harmonization of logistic systems, at least for the standardized

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<sup>1</sup> "International Traffic in Arms Regulations" is a set of regulations, implemented by the US State Department, to control the transfer of military related goods, which indirectly allows US control on other countries' export of equipment containing parts of US origin.

equipments, and possibly the full integration of this logistics: again, with significantly lower costs and simpler management of any type of operation, be it inland or out of area. The next natural step would be the fusion of some national units between likeminded member states, which is far more than the present agreements on multinational headquarters, such as the Eurocorps.

It can be therefore concluded that the decision to create the EDF may have far deeper consequences than the required support for the European high technology industrial base and the reduction of the barriers that till now have impeded the implementation of a single market for defence products, because it may trigger more important political consequences: a progressive integration of the single national military instruments to a point where non overlapping foreign policies will become impossible to implement and the participating countries will be much closer to becoming a real Union.

## **EUROPEAN PREFERENCE, STRATEGIC AUTONOMY AND EUROPEAN DEFENCE FUND: A STRATEGIC POINT OF VIEW**

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*BY DICK ZANDEE / Senior Research Fellow, Clingendael*

### **Introduction**

Europe is at a crossroads. How many times has this bold expression been used? Probably too often, but post-2014 fundamental choices can no longer be avoided. That year marked a historical turn with the Russian annexation of the Crimea and the birth of the Islamic Caliphate in Syria and Iraq. Growing instability around Europe's external borders, a less reliable partner on the other side of the Atlantic Ocean and Brexit are other key challenges begging for a common response. As many have said: the strategic holiday is over. Europe has to define its key interests and base its external policies on geopolitical realities, naturally without sacrificing the norms and values which the European Union stands for.

With the EU Global Strategy (EUGS) of June 2016 the Union has turned to a geostrategic approach to world affairs. Security of the Union has been made a top priority and as the EUGS defines: "An appropriate level of ambition and strategic autonomy is important for Europe's ability to promote peace and security within and beyond its borders." Since mid-2016 several implementation and action plans have been launched to provide substance to the EU's role in security and defence, and on how to realise the capabilities needed to underpin the Global Strategy. The European Commission has entered the stage with its proposal for a European Defence Fund, a new step which opens the door for the EU to fund member states' military capabilities. Another breakthrough is the launch of a core

group under the permanent structured cooperation provisions of the Treaty, which will happen before the end of 2017.

The train is moving quickly. Nevertheless, the question remains in which direction. European security and defence cooperation should serve the objective of strategic autonomy, but what does that mean in terms of a level of ambition and underpinning capabilities in operational, industrial and economic terms? This article focusses on the strategic autonomy-related objectives and what these imply for the EU's security and defence efforts in general terms. Further elaborations of the operational, industrial and economic aspects are provided in three other contributions to this publication.

## What is strategic autonomy?

Strategic autonomy is often (mis)interpreted as 'creating a European Army'. However, such an Army – leaving aside whether it can or should be created – would be a tool, not the objective of strategic autonomy. The same applies to a European Defence Union: it can be the vehicle to reach autonomy, but it is not equal to strategic autonomy. In many publications and seminars, the issue of strategic autonomy is discussed. Yet, it is difficult to find a definition of what it means. One of the rare definitions comes from the Indian scholar Arunoday Bajpai. He states that strategic autonomy refers to “a foreign policy posture, whereby a nation maintains independent outlook and orientation in foreign affairs with respect to the issues defining her core interests.”<sup>viii</sup> An Ares report of 2016<sup>ix</sup> concludes that “strategic autonomy must be a European goal that transcends the States' interests, allowing Member States to better ensure their safety.” However, the report defines this goal only in terms of military capabilities and key technologies required to become autonomous. For sure, these two elements are crucial in realising strategic autonomy – but, again, what does the latter mean?

Applying Bajpai's definition to the EU level, strategic autonomy would imply that the Union has an external policy posture, whereby it maintains an independent outlook and orientation in its external relations with respect to the issues defining the Union's core interests. The two key terms are 'independent' and 'core interests'. The first implies that Europe is able to act on its own, if needed. The latter begs the question of what the EU's interests are. One could argue that the sum of the national interests of all EU member states would constitute the European interests. The problem is that national interests show a wide variety. For example, Eastern European countries are primarily concerned about Putin's Russia, while Southern European nations have more worries about the negative fallout of the turmoil and instability in the Middle East and Northern Africa. The Ares report therefore stated that European strategic autonomy cannot be defined on the basis of the national interests of EU member states. It would lead to the lowest common

denominator – just as we have seen over the past couple of decades with developing common European military capabilities: too slow and too little.

The EUGS mentions four ‘shared interests’: (i) promoting peace and security, which has internal and external dimensions as security outside and inside Europe are closely interwoven; (ii) prosperity, requiring an open and fair international economic system and sustained access to the global commons, taking into account Europe’s economic dependency on trade and the need for undisturbed delivery of natural resources; (iii) fostering resilience of the Union’s democracies and respecting and promoting its norms and values; and (iv) promoting a rule-based global order with multilateralism as its key principle. Naturally, the EU will need all the instruments at its disposal to promote and defend these interests independently. This requires a ‘joined up’ approach as defined in the EUGS. Security is not just a matter of defence: the geostrategic approach implies that trade and energy policies, development aid and other EU instruments are also used to enhance a secure Union. On the other hand: political, diplomatic and economic power are – in geostrategic terms – dependent on military backup. While the EU is strong in trade policy, development aid, economic-financial assistance or sanctions, it is weak in military power.

At the end of the day, however, the Union’s interests can only be safeguarded if it has credible military forces at its disposal. Peace and security on Europe’s doorstep might require military interventions in case no other tools can prevent or stop bloody conflicts, genocide, serious violations of human rights or international terrorism. Ultimately, sustained access to the global commons could for example necessitate military action, as has been the case with the successful EU anti-piracy operations off the coast of Somalia. Thus, EU strategic autonomy can only be realised if the required military forces are available to provide a credible backup to political, diplomatic and economic action, and, if needed, to be deployed in support of such action. European strategic autonomy is as strong as its weakest link. Thus, strengthening European military power is the key to strategic autonomy.

### **What level of ambition?**

The EUGS and the Implementation Plan on Security and Defence refer to a new level of ambition with specific emphasis on the need to be able to operate at the high end of the spectrum. This specific reference, which has been repeated in Council Conclusions, is an indirect acknowledgement of the fact that Europe does not have all the capabilities required to act autonomously across the whole use of force spectrum. It also reflects the changing nature of conflict with higher intensity levels of violence as shown by Islamic State and other extremist actors. Finally, the call for high-end European capabilities is a

recognition that, in more than 15 years of capability improvement, European countries have not succeeded in closing the military gaps that were already identified at the turn of the century. A step change is needed.

The EU Military Committee will have to assess ‘what is needed’ in military terms to realise the EU’s new level of ambition. The results will feed into the review of the European Defence Agency’s Capability Development Plan, to be completed in the spring of 2018. Taking into account that the United Kingdom will still be at the table, it is unlikely that the EUMC will agree on a high-end force posture for the Union as in the British view this should solely be a NATO matter. Even if the UK were to remain aloof – in anticipation of its formal exit from the EU, earliest in March 2019 – several other member states would still object to planning for high-end EU military capabilities. They will oppose such an EU force posture for political reasons – out of a fear that it might be detrimental to NATO – or because they prefer the EU to be primarily a soft power. As we have seen before in comparable situations, a vague compromise will likely be the outcome.

High-end capabilities will then have to be realised by the core group, to be launched under the Treaty’s provisions on permanent structured cooperation (Pesco), as announced in the European Council Conclusions of June 2017. Pesco participants have to commit to ‘the most demanding missions’ and, thus, to realising the required military forces through capability development projects. Together, these countries – or, perhaps more likely a subgroup thereof – should be able to deploy military forces capable of operating across all levels of the spectrum autonomously. That would be the logical consequence of translating European strategic autonomy into European military capabilities. If Pesco were not to provide such an operational high-end capability the only option left would be to constitute ‘coalitions of the willing’ when required. However, this would not change the current situation. It would also imply that EU member states are not willing to live up to the ambition level as expressed in the EU Global Strategy.

Atlanticists may argue that such a European military force posture will be in competition with NATO. The mistake in their reasoning is the lack of any distinction that is made between the international organisational frameworks for operations and the delivery of military capabilities by nations. Neither NATO nor the EU has military forces. The member states (and other countries) make them available to these organisations once there is political agreement to launch an operation under the overall umbrella of one of them. If in the EU – including in a Pesco core group – member states commit themselves to develop capabilities for the most demanding missions, then those capabilities will also be available to NATO. In fact, European strategic autonomy in military terms is the solution to fair burden-sharing within NATO, which has been asked for by the United States since the days of President Kennedy. It is not damaging NATO, it is in NATO’s interest.

## Realizing strategic autonomy

Now comes the difficult part, that is the realisation of European strategic autonomy in terms of military capability development. The military shortfalls are well known. In short, Europe lacks adequate numbers of high-end spectrum forces and is missing sufficient enabling capabilities in areas such as intelligence and strategic reconnaissance, air-to-air refuelling, interoperable and networked command & control systems as well as adequate stocks of precision-guided munitions. For attaining strategic autonomy, European countries will have to invest seriously in land, air, sea, cyber and space-based capabilities. Predictably, this will not be realised within a few years; it will take decades and require sustained financial resources.

The European Defence Fund that has been proposed by the European Commission is a most welcome contribution. It should be fully used in the financial volumes that have been proposed by the Commission – 1.5 billion euro annually post-2020. However, the bulk of the money for defence equipment programmes has to come from the member states. Thus, commitment to financial defence spending targets is essential. The NATO 2% GDP criterion is politically helpful, but is disputable in terms of its effect. It only measures input, while the real aim should be to improve capability output, based on European military shortfalls. The EU should fill this gap by using both the existing benchmarks agreed in 2007 by Defence Ministers in the EDA Steering Board<sup>x</sup> and perhaps by developing new output measurement targets. For example, timelines and milestones could be set for solving the various military shortfalls. Under Pesco the core group of participating member states should commit themselves to such benchmarks. Progress towards realising these benchmarks, as well as in projects and programmes, has to be monitored, assessed and discussed. EDA's Coordinated Annual Review on Defence (CARD), which has been agreed in the spring of 2017, can form the starting point, but in the more distant future a more elaborate system of accountability should be developed.

Another area would be the long-term certainty of available financial resources. Member states' defence budgets have an annual cycle, in most cases based on a four to five-year defence plan. Multi-annual defence budget agreements would help to overcome the negative effects of budget cuts – often the result of short-term political or financial-economic changes.<sup>xi</sup> A duration of ten years would provide financial stability and ensure defence programme execution without interruption due to a sudden lack of money. It would also correspond to the duration of the EDF under the Multi-annual Financial Framework of the European Commission, ending in 2027.

## Turning at the cross-roads

Words on strategic autonomy now have to be turned into deeds. The new threats and challenges in and outside Europe, the increasing American pressure on Europe to take more responsibility for its own security, the outcome of the elections this year in France and Germany in particular, and the willingness of the European Commission to make its tools available for developing European defence capabilities – all these factors have created a situation of ‘now is the moment, now is the time’. The EU has the unique opportunity to realise a step change in solving one of its key deficiencies, the lack of autonomous military power across the full spectrum. It will be up to the leading nations, with the active participation of small and medium-sized member states, to take the right turn at the cross-roads.

## EUROPEAN PREFERENCE, STRATEGIC AUTONOMY AND EUROPEAN DEFENCE FUND: AN ECONOMIC POINT OF VIEW

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*BY KEITH HARTLEY / Emeritus Professor of Economics, University of York*

### Introduction: the policy issues

Strategic autonomy is often assessed from the perspective of politics, strategic studies, the military and industry. It is not usually assessed from an economics perspective; but economics can offer valuable and original insights into the understanding of strategic autonomy. Economists approach the issue by identifying the aims of policy and the costs and benefits of alternative policies, with a socially-desirable policy requiring benefits to exceed costs. This approach outlines general principles, starting with definitions.

### What is strategic autonomy? Definitions and policies

One definition suggests that strategic autonomy is the ability of a nation state to pursue its national interests and its preferred foreign policy without being constrained by any other states (Devanathan, 2015). But this definition does not identify the national military and defence industrial capabilities required for strategic autonomy; nor does it focus on external and internal threats (e.g. terrorism) and the need to provide security, protection and peace for a nation’s citizens.

Europe defines its strategic autonomy in terms of its ability to act and co-operate with international and regional partners wherever possible while being able to operate autonomously where and when necessary (EU, 2016; Artega, F., et al, 2016). Europe’s

view of strategic autonomy has four related components, namely, its Implementation Plan on Security and Defence which forms part of a wider package including its Defence Action Plan, the EU-NATO Joint Declaration and Permanent Structured Cooperation (PESCO) which allows a group of like-minded Member States to pursue defence co-operation within the EU without awaiting approval from all Member States. Various options for a future European Defence and Security Union have been outlined ((EC, 2017).

Whilst the notion of European strategic autonomy often arises in various EU policy papers, it has not been a central feature of policy and a comprehensive definition has not been provided. The few references to strategic autonomy enable some limited interpretation of the concept. For example, it has been claimed that a strong, competitive and innovative European defence industrial base will provide Europe with strategic autonomy (EC, 2016). Elsewhere, there are references to promoting Europe's strategic autonomy in 'critical and key technologies' which are defined to include artificial intelligence, biotechnology and supercomputing as well as vague references to technology, skills and industrial manufacturing capacities. Further references to Europe developing multinational military capabilities in strategic transport, UAVs, maritime surveillance, satellite communications and cyber capabilities provide more specific content to the concept of strategic autonomy.

An economic perspective on strategic autonomy can contribute to greater understanding of the concept. It starts by identifying what it is and whether there are alternative methods of providing autonomy; the scope for European preference; and the opportunity for a critical evaluation of the concept. An economics approach seeks to identify the myths, emotion and special pleading associated with strategic autonomy: these need to be subject to critical assessment, identifying the costs of policy.

## **The economics of strategic autonomy**

As a starting point, strategic autonomy is defined as the national military and defence industrial capabilities needed for an independent foreign policy. Such autonomy provides military, strategic and economic benefits. Military benefits include the ability to provide defence equipment designed specifically for the requirements of a nation's armed forces. Strategic and political benefits include the ability to pursue an independent foreign policy, the security of supply and re-supply in conflict and continued access to support. Further political and strategic benefits include the possibility of being able to influence the foreign policy of importing nations.

Economic benefits claimed from a national defence industrial base include jobs, technology, spin-offs and balance of payments contributions from exports and import-savings. Such benefits need justification in terms of market failures in jobs, technology



and foreign currency markets. The alternative use value of resources has also to be considered: would the resources used in defence industries make a greater contribution to GDP and social welfare if they were used elsewhere in the economy?

The military and industrial capabilities needed for achieving strategic autonomy have to be defined in much more detail. Both concepts have to be 'operationalised' to become more than vague 'wish lists.' Which industries are 'key; and 'critical' and why? How will these industries be retained over time and who will pay? Military capabilities can be defined in terms of air, land and sea forces, their numbers and technologies and their operational availability for extended overseas operations. US military forces are one possible benchmark for specifying the necessary military capability for strategic autonomy. The US effort might be given an index number of 100 against which individual European Member States and the EU as a whole might be assessed. Military staffs are the relevant experts for making such judgements.

Similarly, defence industrial capabilities can be defined in terms of domestic or national firms able to supply a complete range of modern air, land, sea and communications systems for their national armed forces. This definition embraces research, development, production and life-cycle support of all types of defence equipment. Again, the US defence industrial base can be used as a possible 'benchmark.' Industrial experts can provide judgements on both existing and 'target' defence industrial capabilities of EU Member States and the EU as a whole and their positions relative to the USA. Currently, France and the UK are two EU Member States with both the military and defence industrial capabilities approaching strategic autonomy: neither have achieved the complete autonomy represented by the US model.

There are different interpretations and possible measures of strategic autonomy. For example, there is a notion of absolute or complete independence and there are alternatives of lesser independence providing less autonomy. Nations will differ in their willingness to pay for varying amounts of independence and the willingness to pay will vary with their views about the threats they face and their willingness to accept and pay for varying degrees of risk (c.f. insurance policies and maximum security prisons).

## European preference

Europe has to determine its willingness to pay for strategic autonomy. European preference is a means of achieving such autonomy and it applies to the procurement of defence equipment. Preferential purchasing involves nation states and the EU as a whole exercising a preference for 'buying European' in acquiring defence equipment. It is the equivalent of imposing tariffs on imports of such equipment.

Preferential purchasing reflects a defence industrial strategy which supports the industrial capabilities needed for national sovereignty and strategic autonomy. Here, the view is often expressed that some capabilities needed for national sovereignty must be protected. However, such views remain vague and need to be more specific: which capabilities are needed for national sovereignty and why are they needed? For example, nations with a submarine-based strategic nuclear force might require that national firms be retained for the supply of highly specialised metals.

The economic benefits of European preferential purchasing appear attractive in providing jobs, scale economies, tax revenues, spending on national R&D and the contribution to retaining a national skills base. But there are two problems with such claimed benefits. First, they are not costless. Preferential purchasing means that lower-cost suppliers are available in world markets and that purchasing governments are willing to pay a higher price for the range of benefits from 'buying European.' Preferential purchasing also risks potential efficiency losses for national defence industries through the loss of possible competition. Either competition will be reduced or where only a monopoly supplier is available, it will need to be treated as a regulated firm which raises new policy problems (e.g. determination of prices and profits). Second, there are often alternative and lower cost methods of achieving such economic benefits. For example, more jobs might be created through building homes, hospitals, schools and roads.

Both the military and industrial capabilities needed for strategic autonomy involve costs. A world-wide military capability requires costly modern equipment and trained military personnel available for extended overseas operations. For example, in 2016, the UK allocated some 2% of its GDP to defence which provides a world-wide military role. In comparison, in 2016, France's defence share of GDP was 2.3%, Italy's share was 1.5%, Germany and The Netherlands shares were 1.2% and Sweden and Switzerland shares were 1.0% (SIPRI, 2017). Comparing these shares with the UK suggests that the costs of the UK's world military role might be some 0.5% to 1% of its GDP.

Similarly, European defence industry capabilities involve possible additional costs through purchasing from higher cost suppliers. For example, if buying American equipment is least-cost, it might be represented by an index number of 100. European preferential purchasing might mean similar equipment costing, say, 125 to 150+ which suggests cost penalties of some 25% to 50+% as the price of buying European equipment. The actual magnitude of any additional costs will need to be estimated. Also, it has to be recognised that when comparing European and US arms, *identical* equipment is never available (e.g. comparisons of US F-15 and Eurofighter Typhoon). Furthermore, there will be some equipment where Europe has a competitive advantage and will be the lowest-cost supplier. There are more fundamental measurement problems.

## Measurement problems

The economics perspective of cost-benefit analysis is simple to present but complicated to ‘operationalise.’ Assessing strategic autonomy and European preference requires the measurement of both benefits and costs. Benefits are difficult to measure since there are no measures of the value of defence output. Instead, there are references to peace, protection and security, but no indication of the values of these benefits. Typically, defence output is measured by assuming that inputs equal outputs which provides no indication of whether defence is a worthwhile investment (do its benefits at least equal its costs?). Some improvements in measuring defence outputs have been achieved where countries focus on defence capabilities, but without money values, an army capability (e.g. numbers of soldiers and tanks) is not comparable with an air force or naval capability (e.g. numbers of combat aircraft; numbers of warships and submarines).

Cost data are more readily available and can be used to place money valuations on defence outputs. For example, if an army capability costs, say, Euros 10 billion, is society willing to pay Euros 10 billion for such a capability (do benefits exceed costs)? It is also relevant to ask whether there are alternative and lower cost solutions for achieving various levels of strategic autonomy? Examples include collaborative programmes, licensed production, work-shares and mothballing of plant and equipment. A study of the UK submarine industrial base found that considerably smaller design teams would retain the design skills needed for the industry and that an industrial capability could be retained through purchasing prototypes and technology demonstrators as well as through receiving limited production orders. Each option involves costs as well as benefits. For example, the apparently attractive option of ‘mothballing’ industrial capacity is not costless: the mothballed facilities need to be secured and protected and when ready for use, a labour force will have to be recruited and trained.

## The European Defence Fund

In 2016, the Commission adopted the European Defence Action Plan to achieve greater European defence cooperation and support the competitiveness of Europe’s defence industry. This Plan proposed the establishment of a European Defence Fund (EDF: EC, 2017a). European defence industry is characterised by insufficient levels of investment in development and fragmented procurement of 178 different weapons systems in Europe compared to 30 in the USA. The European Defence Fund will solve the problems by promoting greater efficiency in national defence spending, maximise innovation, lower the risk of duplication, promote interoperability and standardisation between the armed forces. The Fund will provide financial incentives to achieve its objectives. It also imposes specific requirement on collaborative projects, requiring at least three companies from at

least two Member States. Whilst the European Defence Fund appears impressive and attractive, there is a concern that the rhetoric might dominate the policy debate. Fine and attractive words are no substitute for a radical evaluation of the claims and assertions made by the new policy (EC, 2017a; 2017b). A critical appraisal is needed (Hartley, 2017).

Any economic critique starts from the methodology of economic policy which requires answers to questions about the aims of policy; its costs; and whether there are lower-cost alternatives? EU Member States have to ask *who* is maximising *what* for the benefit of *whom*? Whilst the aim is strategic autonomy, it is not clear how this relates to the *military and security* threats facing each and all Member States and whether the beneficiaries are EU defence industries in each Member State or national citizens (e.g. what might benefit citizens might not benefit defence industries). At a more practical level, there are challenges in using EU political mechanisms to identify EU collective choices. There are, for example, no voting mechanisms which allow EU citizens as voters to express their preferences for European strategic autonomy, European preferences and the EDF. Instead, there is a concern that EU defence policy will be dominated by producer interest groups and fail to reflect the defence preferences of EU citizens.

There is a more fundamental problem concerning the EU military response to threats. Much of the focus is on EU defence industries; but there is a need to construct an EU military force capable of extended overseas military operations. Such a force requires an established military headquarters, an ability for overseas deployment and the willingness of EU states to collectively deploy the force. These issues are not covered by the European Defence Fund. Instead, the Fund focuses on industrial issues and the problem of trying to achieve the efficient industrial outcome of an idealised but non-existent Federal European state comprising independent nation states. The task of creating an EU military force capable of extended overseas operations remains to be addressed.

## Some recommendations

Recommendations for the EDF include:

- Allow industry to determine their preferred industrial organisation for collaborative projects. Industry has the knowledge, experience and the incentives to select efficient solutions. This approach also applies to the selection of SMEs for collaborative projects.
- The Commission focus on its Financial Toolbox should be regarded as an input and not an output indicator.
- The EDF focus on defence industries does not address the EUs military capabilities for extended overseas deployment. This requires Member States to commit military forces to the EU.

## Conclusion

Economics offers an alternative approach to formulating an efficient EU defence policy based on at least two economic principles. First, the sharing of costly and specialised military assets amongst Member States (including costly training and life-cycle support). A start has been made for some equipment (e.g. strategic airlift) although the principle requires trust between Member States (i.e. that all states will turn-up in the event of a conflict). Other examples include aircraft carriers; nuclear-powered submarines; and strategic air tankers. Second, the identification of market failures reflecting collective goods or club goods where markets would fail to provide the socially desirable level of defence activity. Examples include collective anti-missile defence and space surveillance and communications systems provided for the whole of the EU.

Overall, it is the contention of this section that economics has a valuable contribution to exploring the concepts of strategic autonomy, European preference and the European Defence Fund. There remains considerable scope for clarifying the notions of strategic autonomy and critical technologies, their costs and the burden-sharing issue of who will pay.

## **EUROPEAN PREFERENCE, STRATEGIC AUTONOMY AND EUROPEAN DEFENCE FUND: A KEY FACTOR TO BUILD A EUROPEAN STRATEGIC AUTONOMY BASED ON A COMPETITIVE EDTIB**

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*BY JEAN-PIERRE MAULNY / Deputy Director, IRIS*

## Introduction

The European Commission's proposal to launch a European Defence Fund within the framework of the European Defence Action Plan is a genuine game-changer for the CSDP and, particularly, for European armament policy, which is one of the strands of that common defence policy. For the first time since the Treaty of Rome came into force in 1957, the European Union will finance actions in the service of EU defence policy and the defence policies of its member states from its budget. It will be companies that conduct research into defence technologies and manufacture armaments that will benefit from this Fund. The essential questions that arise are: what objectives is the European Defence Fund to serve? which armament programmes should be funded and which entities should benefit from it and how?

## **The Objectives of the European Defence Fund: Reconciling the Objectives of Strategic Autonomy, Development of EU Military Capabilities, and Support for EDTIB with a European Defence Industrial Policy**

The core issue that arises today with regard to the European Defence Fund is: What objectives are the European Council and European Parliament seeking to pursue with it. Two main questions have to be addressed: what are the projects and technologies that are to be financed, and for what missions; and what are the economic entities that should be able to benefit from European funds?

Two factors add an additional level of complexity:

- PESCO is a complicating factor since, as Dick Zandee points out, it was initially a means for developing the capabilities that would enable the EU's high-end missions to be carried out, thereby defining a sort of 'strategic autonomy plus', which went beyond the scope of 'strategic autonomy for the 27'.
- The vehicle used by the European Commission for the European Defence Industrial Development Programme (EDIDP) is also a complicating factor. It is meant to enable the EU to develop an industrial policy in the defence field, and the funding that will be given to defence companies will be delivered through the industrial policy tools that enable the EU's industrial competitiveness to be enhanced, as laid down in article 173 of the Treaty on the Functioning of the European Union (TFEU).

The vehicle used for the capability window of the European Defence Fund must therefore take the form of grants, financial instruments or public procurement to the defence industry, a mechanism synonymous with the application of the European Preference principle, since only the European industrial fabric should be allowed to benefit from subsidies under article 173 of the TFEU.

As all the countries of the EU must be able to benefit from the EU's industrial policy tools, the risk is that the European Fund, in its capability window with EDIDP, will transform itself into a modernization fund for the fabric of the European defence industry, particularly in those countries where the industry is least developed, instead of being focused on the development of the military industrial and technological capabilities associated with the notion of strategic autonomy. In that case, European preference might not be synonymous with strategic autonomy and would be diverted from its purpose. And yet, an insertion of the DTIBs of the countries that are non-members of the Letter of Intent (LoI) group into the European value-chain is a necessity if the aim is to create cohesion around the stated objectives of strategic autonomy. It is for the European prime

contractors here to identify the companies in the countries which are non-members of the LoI group that they will bring into the cooperative programmes, following a simple application of the principle of cost-effectiveness, knowing that it is high-technology equipment that the member states of the EU will need to acquire.

Contrary to this view, some countries, reasoning primarily in terms of the development of military capabilities, want the cooperative programmes involving countries—and hence, companies—outside the EU to be able to have access to the capability window, the EDIDP, of the European Defence Fund. The United States comes to mind here, as also does the United Kingdom, once that country has left the EU.

### **Deciding on the Beneficiaries of EDF: European Preference as a Consequence of the Objectives of EDF and not as a Separate Objective**

It is necessary, then, to find a balance between these two objectives of the European Defence Fund, given that those objectives may be diametrically opposed. So far as the operational aspect of strategic autonomy is concerned, it is generally accepted that it is necessary to develop the capabilities required for enjoying decisional autonomy, as well as all the enablers that make it possible to carry out the operations the European Union has to conduct on its own. That strategic autonomy must also have a forward vision to it and must apply to all emergent or breakthrough technologies, particularly when a country cannot aspire to develop those technologies alone, as well as to the industry sectors producing critical components for which security of supply appears necessary. This latter mission should be fulfilled by the research window of the EDF in the form of the European Defence Research Programme (EDRP). All cooperation with other EU countries ought to be able to benefit from the European Defence Fund on two conditions:

- That economic entities located in the EU but controlled by non-European entities cannot have access to the European Defence Fund (control being understood here mainly in terms of rights of ownership and control over the technologies developed). The objective must remain the development of the European DTIB, that is to say, the DTIB based on European soil and in control of the technologies it develops.
- That access to the technologies developed in part thanks to the European Defence Fund should be specified in the framework of the cooperation agreements governing the cooperative programme made between states and between companies. In this case, it will be necessary to avoid any export restrictions arising from third countries. Provisions will also have to be made to regulate third-country companies' rights of use of the technologies developed in part through the

European Defence Fund within the framework of cooperative programmes involving third countries.

By proceeding in this way, a European preference is put in place that is limited to the principle that monies from the EU Defence Fund can go only to European economic entities. This does not prevent cooperative undertakings with non-EU countries benefiting from these funds, the priority goal being to develop the military capabilities required for the security of the member states of the EU and its citizens. However, this type of cooperation, by differentiating between the rights granted to EU member or non-member states and to European or non-European economic entities taking part in the cooperative ventures, makes it possible to fulfil the desired objective of strategic autonomy, without being deprived of the benefits of contributions from other non-EU states or companies to develop the most effective defence equipment.

Though it may be laid down in principle that every cooperative programme can be eligible for the capabilities window of the European Defence Fund, it is necessary to set stronger rules for programmes that will be developed within the framework of PESCO. If we respect the initial coherence of PESCO, the cooperative programmes developed within that framework must be associated with the most demanding scenarios—those linked to high-end missions and ‘first-entry’ capability in operations. This could include the future European fighter aircraft, on which France and Germany have committed to initiate thinking, a maritime patrol aircraft designed for ocean surveillance missions, or a European anti-missile defence capacity. Programmes developed within the framework of PESCO may also include equipment that is traditionally bought off-the-shelf abroad because it is not built in the EU—particularly from the USA. There must also be a connection here with the Coordinated Annual Review on Defence (CARD). The principles outlined above regarding access to the European Defence Fund ought to be able to apply to the PESCO cooperative programme. The 10% bonus granted by the European Defence Fund to PESCO programmes seems to be a good incentive for states to sign up to this form of cooperation with enhanced obligations. Two points remain that are essential if the strategic autonomy objectives are to be fulfilled.

- The programmes eligible for PESCO must be ones that fulfil the objectives of creating strategic autonomy with regard to the most demanding missions. The EU must eventually be able to engage autonomously in conflicts like those we saw in the Balkans in the 1990s. It must also be able to play a meaningful part at the very beginning of a major operation in coalition with the USA, either within NATO or in an ad hoc coalition.
- The objective of taking part in a cooperative programme, identified today as a criterion to be met for participation in PESCO, seems too unambitious for the



development of genuine strategic autonomy. There is a danger that this unambitious objective will ‘lower the sights’ of PESCO, particularly as states may tend to propose cooperative programmes that are of limited significance for achieving strategic autonomy. If this criterion were kept as it is currently, it would at least be necessary to plan for a re-evaluation of PESCO participation criteria over time, if we genuinely wish to integrate European defence policies in the long run. PESCO would have to become an evolving concept, enabling the objective of integrating the EU member states’ national defence policies to be pursued, without it being necessary at some later date to design a new institutional instrument for the integration of defence policies.

## Conclusion

At all events, an ambitious PESCO, coupled with rational rules of access to the European Defence Fund—that is to say, rules that enable the European DTIB to be developed with the aim of achieving strategic autonomy, without, however, creating a Fortress Europe—and combined also with a CARD to which the member states will adhere fully, should lead to increasing the EU’s military capabilities, enhancing the competitiveness of a strengthened EDTIB, and developing the kind of strategic autonomy required to make the EU a fully-fledged actor in international relations. ■

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<sup>i</sup> [www.weu.int/documents/920619peten.pdf](http://www.weu.int/documents/920619peten.pdf) Chapter II, para 4.

<sup>ii</sup> [http://www.europarl.europa.eu/meetdocs/2004\\_2009/documents/dv/berlinplus\\_/berlinplus\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/berlinplus_/berlinplus_en.pdf)

<sup>iii</sup> One contingent problem must be clarified: the Berlin plus agreement identifies as the commander of EU missions the Deputy SACEUR, who is always a British officer: the Brexit makes a revision necessary.

<sup>iv</sup> <https://www.eda.europa.eu/what-we-do/eda-priorities/strategies/capabilities>

<sup>v</sup> What is available today does not a sufficient frequency of 'revisitation'; also the 'ground segment', the SatGen in Torrejon, is totally unable to cope with the dynamics of military operations.

<sup>vi</sup> , [http://www.europarl.europa.eu/RegData/etudes/etudes/JOIN/2013/494466/IPOL-JOIN\\_ET%282013%29494466\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/JOIN/2013/494466/IPOL-JOIN_ET%282013%29494466_EN.pdf)

<sup>vii</sup> Exactly what happened with the Tornado program: after only a few years, the German, Italian and UK aircraft looked alike only from the distance, but the difference between them was such that common training was no longer doable.

<sup>viii</sup> [www.quaro.com/What-is-meant-by-Strategic-Autonomy](http://www.quaro.com/What-is-meant-by-Strategic-Autonomy)

<sup>ix</sup> Felix Artega, Tomas Jermalavicius, Alessandro Marrone, Jean-Pierre Maulny, Marcin Terlikowski, *Appropriate level of European autonomy*, Ares Report #6, November 2016.

<sup>x</sup> In November 2007 the EDA Ministerial Steering Board agreed on four financial benchmarks to apply collectively to EU member states: (i) 2% of the total defence expenditure to be spent on defence research & technology (R&T); (ii) 20% of the total R&T expenditure to be spent collaboratively (involving at least two European countries); (iii) 20% of the total defence expenditure to be spent on equipment procurement (the same target exists in NATO); (iv) 35% of the total equipment procurement to be spent collaboratively (involving at least two European countries).

<sup>xi</sup> See: Anne Bakker, Margriet Drent, *Multi-year Defence Agreements in the Netherlands*, Clingendael Report, June 2016.

## #22 - Report

# EUROPEAN PREFERENCE, STRATEGIC AUTONOMY AND THE EUROPEAN DEFENCE FUND

BY

**VINCENZO CAMPORINI** / Vice-President, IAI

- *European preference, Strategic Autonomy and European Defence Fund: an operational point of view*

**KEITH HARTLEY** / Emeritus Professor of Economics, University of York

- *European preference, Strategic Autonomy and European Defence Fund: an economic point of view*

**JEAN-PIERRE MAULNY** / Deputy Director, IRIS

- *The European Defence Fund: a key factor to build a european strategic autonomy based on a competitive EDTIB*

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**DICK ZANDEE** / Senior Research Fellow, Clingendael

- *European preference, Strategic Autonomy and European Defence Fund: a strategic point of view*

**November 2017**

*The views expressed here are solely those of the authors. They do not reflect the views of any organization.*

## ARES GROUP

*The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.*

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