PeSCo

THE SPANISH PERSPECTIVE

By

Felix ARTEAGA
Senior Analyst, Real Instituto Elcano (RIE)

September 2018

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

Almost a decade after its adoption in the Lisbon Treaty, Member States have launched the permanent structured cooperation (PeSCo) to reaffirm their commitment to European defence. Spain has always been a strong supporter of the European integration process in general and of the development of a Common Security and Defence Policy (CSDP) in particular. This paper strives to explain the Spanish vision regarding the inclusive or exclusive approaches to PeSCo; analyse Spain’s prominent role in the decision-making process together with Germany, France and Italy; and finally assess the projects with Spanish participation, the operational, industrial and financial interests behind them as well as PeSCo’s impact on national defence planning.

Keywords: PeSCo, Common Security and Defence Policy, Framework Nations Concept, European Defence Fund, European Defence Technological and Industrial Base, Spain.

Spain is a leading advocate of the European Union (EU) integration process, including its security and defence dimensions. Successive governments and defence authorities have therefore supported key initiatives to promote either reinforced cooperation or the permanent structured cooperation (PeSCo) outlined in the EU Treaty of Lisbon. Spain’s political and social support for EU integration presents itself as a strategic culture that tends to frame relevant Spanish defence policy decisions in multilateral—especially European—frameworks, to avoid controversies that could threaten the baseline consensus on defence matters throughout the European decision-making process.

Accordingly, and despite the stagnation of the Common Security and Defence Policy (CSDP) in general and PeSCo in particular, Spain has been involved in successive attempts to relaunch and deepen European defence. After several failures, the December 2012 European Council gave new impetus to European defence, including the European Defence Technological and Industrial Base (EDTIB). The Conservative government of Mariano Rajoy supported this Council request to promote the industrial sector’s competitiveness and rationalization. To this end, the European Commission and the High Representative, Federica Mogherini, developed a mandate that led in December 2013 to the first council in five years dedicated to defence issues (Defence Matters). At that time, Spain supported the need for a balanced development between strategy, capabilities and industry in the CSDP.

Spain was also involved in devising the European Union Global Strategy for Foreign Policy and Security of June 2016, an off-shoot of this new impetus did not explicitly refer to PeSCo. However, it pointed to enhanced cooperation between Member States which ‘if successful

1 Aurora Mejía: Spain’s contribution to Euro-Atlantic Security, ARI 60/2017 20, Elcano Royal Institute, July 2017, p. 3.
and repeated over time’, could lead to a more structured form of cooperation, making full use of the Lisbon Treaty’s potential. The process that led to the PeSCo notification in December 2017 was not the result of a repeated exercise of enhanced cooperation but of a successful and accelerated process of interaction between July and December in which Spain had greater prominence than initially expected.

NATIONAL PERSPECTIVE ON PeSCo: WHAT EXPECTATIONS?

Spain’s interest in PeSCo stems from the double expectation that it will allow European defence to advance and that Spain will be part of the vanguard of countries that make the decisions.3 Spain saw the Franco-German PeSCo proposal as an opportunity to unlock the Common Defence and Security Policy (CSDP) and progress towards European integration. Regardless of PeSCo’s final outcome, it was an opportunity to seize the momentum and take a “historic” step towards a common defence, a lesson learned by Spain as a pioneer of enhanced cooperation initiatives such as Schengen and the euro.

The United Kingdom’s departure from the EU enabled Spain to approach the core of European defence. Until then, it barely influenced decision-making processes under the control of France, Germany and the United Kingdom. The Brexit reinforced Franco-German leadership, although both countries soon discovered that they needed the agreement of other close collaborators if they wanted to mobilize a sufficient number of Member States to achieve a higher level of autonomy and ambition for the CSDP and PeSCo more specifically.

The Spanish Government became aware that it would be forced to increase its role in the EU. The Foreign Affairs Minister, Alfonso Dastis, declared in November 2016 that Spain wanted to be within the core of countries “at the forefront of European defence”.4 In a March 2017 meeting with the leaders of France, Germany, Italy and Spain at the Palace of Versailles, President Mariano Rajoy highlighted Spain’s goodwill when he stated that Spain was "prepared to go even further in terms of integration, alongside those who want to continue in this integration process” 5

Consequently, the Defence Minister of Spain met with her colleagues from Germany, France and Italy on the sidelines of the Franco-German Council of 13 July 2017 to define PeSCo’s common principles in a joint letter with the support of other European countries.6 Spain’s entry into PeSCo’s core led to the country playing a greater role in its development. For

instance, prior to the December 2017 Joint Notification, Spain took part in the preparation of the guiding principles, the access criteria and PeSCo governance.

**ASSESSMENT OF THE DIFFERENCES BETWEEN PeSCo IN THE LISBON TREATY AND THE DECEMBER 2017 AGREEMENT ON PeSCo**

Spain has always favoured an inclusive approach to develop PeSCo’s Protocol outlined in the Lisbon Treaty. This preference arises from the desire to efficiently manage the challenges of enhanced industrial cooperation and a reinforced European Defence Agency, defined as the two other priorities under PeSCo according to the Spanish Presidency of the European Council’s conclusions in 2010. On the road towards the December 2017 Agreement, Spain witnessed the competition between the French and German approaches to PeSCo. On the one hand, and per the ambitious criterion of Art. 42 (6) TEU, the French asked for an exclusive PeSCo restricted to the more willing and able Member States. On the other hand, the inclusive German approach aimed at increasing the number of participants by avoiding overly demanding entry criteria to PeSCo.

Spain has accompanied the evolution of both approaches into the final mix of “inclusivity” and “modularity” approved by the 14 November 2016 Council of Foreign and Defence Ministers and endorsed by the December 2016 European Council. Contrary to the EU Treaty’s provisions and its Protocol 10, which were intended to provide an operational instrument for the CSDP, the Council adopted a more pragmatic and incremental approach. This line of action ensured firstly, that a majority of Member States were committed to European defence and secondly, that PeSCo mechanisms will facilitate the strategic autonomy and level of ambition required by the CSDP in the long term.

**WHAT TYPES OF PROJECTS FOR PeSCo?**

Overall, the approved PeSCo projects do not correspond to any prior evaluation of the CSDP’s strategic context and requirements. The adopted projects do not seek greater European strategic autonomy but rather ensure maximum participation. Given PeSCo’s rapid launch, from July to December 2017, the chosen projects and the selection criteria should not be used as references for the future. They do not address collective shortfalls nor do they provide the strategic enablers that European strategic autonomy requires.

Spain has followed its pattern of participating in as many EU initiatives as possible. As of March 2018, Spain leads one project (system of command and control for CSDP missions/operations), participates in 11 projects (military mobility, medical command, medical care, etc.).

---

7 Minister of Defence, Carmen Chacón, Diario Sesiones nº 133, Congreso de los Diputados, 5 July 2010, p. 4.
maritime surveillance, port surveillance, energy operational function, logistics hubs, EUFOR CROC, training mission competence, cyber response teams, cyber information sharing and disaster relief capability) and is observer to 5 (secure software defined radio, training certification, maritime drones, land vehicles and indirect fire support). Spain’s level of participation in each PeSCo project depends on their relevance to national military and industrial priorities. Spain leads the Command and Control system for CSDP operations because it adds value to the participants’ strategic autonomy and Spain has the appropriate technological capacity to develop the project. Spain is just as a member of projects that reinforce PeSCo’s operational dimension PeSCo, without adding significant value to the Spanish technological and industrial base. When projects do not correspond to any particular operational or industrial priority, then Spain participates only as an observer.

Most of the selected PeSCo projects are devoted to capabilities rather than the operational dimension, an unbalanced outcome that constrains Spain’s potential contribution to PeSCo. Indeed, in the operational field Spain is already punching above its weight as it is a top-ranking contributor to CSDP missions and operations. Spain is the only country that has participated in all EU missions/operations and one of the countries that contributes the most troops (30%), commanding a dozen missions over the last decade.9 Regarding PeSCo, Spain already contributes to the EU’s Battle Groups, multinational units such as EUROCORPS, EUROGENDFOR or the above-mentioned EUFOR CROC project. Thus, going forward, Spain will have no difficulty fulfilling PeSCo commitments of deployability, interoperability and availability of forces laid out in the Joint Notification.

**LINKS BETWEEN PeSCo AND FNC**

PeSCo could increase the likelihood of autonomous EU military operations led by a volunteer Member State or a group of Member States under the Political and Security Committee’s political control and strategic direction, and the responsibility of the Council.10 The Framework Nations Concept (FNC) and the PeSCo Concept both recognize the need to promote the European Union’s strategic autonomy, progress in PeSco will, therefore, benefit the European troops’ interoperability and deployability in CSDP missions and operations.

However, achieving this mutually reinforcing relationship will be difficult in the short-term. PeSCo incentives to facilitate the force generation process are still insufficient. Additional contingents will face the same problems as the battlegroups unless the EU overcomes structural obstacles related to funding, decision-making and capability shortcomings. Small PeSCo-related advances on military mobility, certification of battlegroups or optimizing EU multinational structures may help reinforce FNC developments, but PeSco’s impact on EU strategic autonomy might not be felt for a long time.

The variety and quantity of operational defence groupings are increasing, be they force

---

formations, docking stations or frameworks of deployment. Spain does not contribute forces to any bilateral formation with European or third-party countries, with the exception of the occasional battlegroups, nor to any FNC hub, hence its interest in joining EUFOR Crisis Response Operation Core (CROC), a PeSCo project led by Germany with the participation of France, Italy, Cyprus and Spain. The project aims to combine the PeSCo opportunities with the best German practice of Framework Nations Concept within NATO. If successful, the EUFOR CROC will provide the CSDP with considerable land force to support the deployment of battlegroups or lighter units on the ground and supply Spain with firsthand knowledge of the FNC.

Another hub, on the margins of PeSCo, is French President Emmanuel Macron’s European Intervention Initiative (EII). In June 2018, Spain signed the Letter of Intention, which initially gathered 8 countries, and now 9 since Finland joined the initiative in September 2018,12 which will align “as closely as possible with PeSCo” per German Chancellor Angela Merkel’s request.13 The EII can contribute to UN, NATO, EU or ad hoc coalition deployment frameworks and its membership is open to countries like Denmark and the United Kingdom.

Legal, operational and financial constraints condition Spanish participation in joint initiatives due to mandatory prior approval by Congress to deploy troops abroad, reluctance to transfer the military authority without restrictions on combat operations, and the exponential growth of maintenance and operation expenditures respectively.14 Nevertheless, FNC and EII have considered such constraints. Thus, a more significant contribution by Spain to FNC, PeSCo or EUFOR CROC could, in time, help Spain lead CSDP missions instead of just contributing troops or commanding operations as it has done up to now.

LINKS BETWEEN PeSCo AND THE EUROPEAN DEFENCE FUND

The expectations generated by the European Defence Fund have been a game changer for PeSCo. After the interim common funding for research and technology (90 million EUR) and development (500 million EUR) until 2020, the Commission’s proposal for the next Multiannual Financial Framework for the 2021-2027 period includes 4.1 billion EUR and 8.9 billion EUR for research and technology (R&T) and research and development (R&D) respectively. Though common funding will not cover all the PeSCo projects nor all of their associated costs (acquisitions are excluded); Spain expects some return in compensation for its participation in collaborative projects addressing a defence shortfall (up to 20%) plus an additional 10% bonus for PeSCo projects.

12 Belgium, Denmark, Estonia, Germany, the Netherlands, Portugal, Spain, and the United Kingdom.
14 Such costs represented around 18% of the Spanish defence expenditure in 2014 according to the European Defence Agency, National Defence Data, June 2016, p. 24.
The economic stimulus package introduces a new variable to current military planning as cooperative projects that allow Spain access to European funding will be given priority. On the contrary, the development of capabilities not eligible for EDF/PeSCo funding will become less of a priority within the military headline goal. Therefore, Spain is expected to contribute to European cooperative projects eligible for EU funding according to the selection criteria of the Member States (CDP, CARD) and the regulatory criteria of the European Commission and the European Parliament.

Under PeSCo, Spain is committed to regularly increasing its defence budget in real terms. This commitment is easier to comply with than a specific percentage such as the NATO “2% of the GDP” target, given Spain’s low starting point (less than 1% of GDP) and the fact that the Spanish economy is growing faster than its defence outlay. Spain realizes it cannot achieve the 2% goal in the medium term and will raise the share of expenditure allocated to research and technology to 2% with difficulty. However, it fulfils other PeSCo benchmarks such as allocating 20% of defence spending to investment or increasing its "collaborative" equipment procurement (one of the highest for Spain, now over 60% according to the EDA). What is even more worrisome are the likely difficulties to co-finance research and development projects. In so much as the common budget can only finance part of the military capabilities, it is up to Member States to supplement that percentage with national contributions. However, Spain currently lacks a Multiannual Programming Law that facilitates long-term investments, so it may have difficulties in joining EU research and development projects requested by the armed forces and the industrial sector.

LINKS BETWEEN PeSCo, EDF, EDTIB AND THE NATIONAL INDUSTRY

Defence authorities and the industrial sector are aware that the new EU initiatives will significantly impact the European Defence Technological and Industrial Base (EDTIB) and the national DTIB. Concerning the former, ongoing initiatives will reinforce and rationalize the European defence market, a process in which there will be winners and losers to improve the EDTIB’s global competitiveness. Regarding the latter, Spanish companies will have to compete with other European industries to join the winning consortium in future research and development programs. Many of these Spanish companies fit the proper size, expertise and degree of internationalization to compete at the EU level, though not all of them do. The industrial sector and the defence authorities hope that the most competitive segment of the national industrial sector, comprised of medium and small companies, can survive the European defence market restructuring. They are aware that not all companies will be able to take advantage of European initiatives and funds, but they believe that both the national and European defence technological and industrial bases will be more

---

15 The Conservative government informed NATO that it would only reach the 1.53% of GDP in 2024 (from 0.92 in 2014) and the new Socialist Government has confirmed the Secretary General of NATO that the 2% target will not be met in “Cospedal anuncia que España duplicará el gasto militar en siete años”, El País, 24 January 2018 and “Sanchez evita comprometerse a elevar el gasto militar tras la carta de Trump”, El País, 4 July 2018, respectively.
competitive by the end of this process.

Spain has made a significant effort to coordinate its contributions to the Commission’s European Defence Action Plan and European Defence Fund. In February 2017, the country established an Interministerial Group under the leadership of the Ministry of Defence (General Directorate for Armament and Material, DGAM) with the participation of the Ministries of Foreign Affairs, Industry and Economy, together with the main industrial associations (TEDAE and AESMIDE). Its purpose is to influence the ongoing decision-making process to shape an open and fair model of governance for EU collaborative research and development programs. The desired outcome would prevent a potential Franco-German duopoly in the decision-making process. Additionally, it would avoid the exclusion of medium and small size companies, which are predominant in Spain, from the European market and common funds.

Defence authorities are doing everything they can to inform research and development stakeholders of the risks and opportunities presented by European initiatives. To that end, the DGAM is in close connection with an ecosystem made up of industries, technology centres, universities and think tanks which are very responsive to the Preparatory Action on Defence Research calls for proposals. Defence “voices” have clearly stated that the Ministry of Defence will continue to support the Spanish technological and industrial base, although the EDTIB will be the natural venue for military capabilities associated with the European strategic autonomy in the long-term.

**LINKS BETWEEN PeSCo AND COORDINATED ANNUAL REVIEW ON DEFENCE**

Under the EU's new defence capability development policy process, EU input now influences national defence planning through the EU's strategic guidance (Global Strategy), political commitments (Council conclusions) and financial incentives (PeSCo projects and EDF funds). The Coordinated Annual Review on Defence (CARD) complements the EDA’s capability development plan (CDP) concerning the NATO Defence Planning Process (NDPP), as the High Representative will render its assessment of National Implementation Plans into an Annual Report to the Council and Member States. Consequently, European governments could be criticized by their people and parliaments if their implementation plans do not match PeSCo commitments, especially if European defence is used to justify an increase of national defence budgets. Furthermore, PeSCo partners may protest against any partner’s withdrawal from a particular project which adds further accountability to the CDP compared to the NPDD.

Therefore, the national defence planning system in Spain will need to be adjusted to include European input before CARD’s first complete implementation starts in 2019 for several

---

16 Spanish participation in the consortia that attended the 2017 Preparatory Action call of the European Defence Agency was the third in importance according to the General Subdirectorate for Planning, Technology and Research of the DGAM, Ministry of Defence. [http://www.tecnologiaeinnovacion.defensa.gob.es/es-es/Paginas/Inicio.aspx](http://www.tecnologiaeinnovacion.defensa.gob.es/es-es/Paginas/Inicio.aspx)

17 Daniel Fiott, EU defence capability development, Brief nº 6, EUIS, June 2018, p. 3.
reasons. On the one hand, a preeminent country must drive the development of a compliance culture by leading with examples and, on the other, it is in Spain’s interest to take advantage of the EU’s financial and industrial incentives and to integrate its national military requirements and procurement into European wide frameworks.

**IMPACT AND COHERENCE OF PeSCo ON SUB-REGIONAL INITIATIVES**

Spain does not take part in sub-regional initiatives. Despite its geographic position at the South of the European Union, bordering the Mediterranean, North Africa and the Sahel, neither Spain nor West Mediterranean countries have created any sub-regional initiatives to cope with sub-regional risks, although they foster a great number of bilateral defence relationships. Without such groupings, EU Southern countries cannot benefit from the potential contribution of PeSCo initiatives towards minilateral defence cooperation.

**CONSEQUENCES OF PeSCo AND OTHER EFFORTS REGARDING CSDP GOVERNANCE**

The Council just approved the precise governance rules for PeSCo on June 25 (Decision CFSP 2018/909), it thus remains too early to assess their impact on CSDP governance. The implementation roadmap is subject to an experimental process of successes and errors, which will be assessed in the medium term to provide valuable lessons. In general, CSDP governance depends on the attitude of Member States towards their commitments, and on the evolution of internal dynamics of drivers such as PeSCo, CARD and EDF.

Initial decisions on projects have not been complicated, which shows that the political level is well designed, but their governance could be complicated in the future with regard to the selection criteria for projects, the participation of third-party countries or the evaluation of national implementation plans. In the same way, the proliferation of PeSCo projects will complicate the ability of the Member States, EEAS, EUMS, EDA and PeSCo Secretariat to assess which projects should be given priority and to preserve the principles of ambition and inclusiveness. Last but not least, the governance of CARD or EDF could become problematic if their implementation does not enforce the compliance and the coherence of national commitments as well as a balanced distribution of returns among Member States.
#27

Policy Paper

PeSCo: THE SPANISH PERSPECTIVE

BY
Felix ARTEAGA / Senior Analyst, Real Instituto Elcano (RIE)

September 2018

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.

CONTACT [Pilots]:
Jean-Pierre Maulny, Fabien Carlet, Pierre Colomina, Olivier de France, Sylvie Matelly
ares@iris-france.org
+33 (0)1 53 27 60 60

www.iris-france.org/ares
#AresGroup