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PeSCo

THE CYPRUS PERSPECTIVE

By

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February 2019

*The views expressed here are solely those of the author.
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Policy Paper

ABSTRACT

This paper aims to shed light on the Cypriot perspective when considering Permanent Structured Cooperation (PeSCo), as it was agreed with the Joint Notification to the Council and the High Representative of the Union for Foreign Affairs and Security Policy by the then twenty-three EU Member States in December 2017¹. Through PeSCo, Cyprus aims to contribute to the fulfillment of the Union's level of ambition that was defined in the EU Global Strategy in 2016¹. Nicosia's objective is to develop military capabilities via joint procurement projects with the involvement of its small and medium size enterprises. Although the country acknowledges that it may be too early to evaluate the outcome of the first round of the PeSCo projects, it is in general satisfied with the direction and implementation process of the projects which it is a member of. According to the national approach, third parties could get involved in the initiative, provided that they meet the necessary requirements.

Keywords: PESCO, Common Security and Defence Policy, European Defence and Industrial Base, CARD, third-party participation, Cyprus

NATIONAL PERSPECTIVE ON PESCO: WHAT EXPECTATIONS?

The national perspective on PeSCo is widely shared across the country's government bodies. It is believed that the impetus for PeSCo emerged from the evident need to increase the availability, deployability and interoperability of the armed forces of EU Member States. Nicosia expects PeSCo to have positive effects in those areas and would also help Cyprus overcome capability shortfalls.

According to the Cypriot approach, PeSCo offers an opportunity to contribute to the continent's strategic autonomy, defined as the implementation of the Common Foreign and Security Policy (CFSP) and in particular the Union's Level of Ambition, outlined in the 2016 EU Global Strategy. Meeting the Union's Level of Ambition is in fact defined as a national priority. Furthermore, through PeSCo Cyprus aims to facilitate the development of its defence capabilities by participating in multinational procurement projects and involving its small and medium sized enterprises (SMEs) in the defence sector. The development of military capabilities is of particular importance as it would allow the state to alleviate some of the effects that the 1992 arms embargo has inflicted on the country.

In light of the Turkish invasion of Cyprus in 1974, the international community imposed an arms embargo on the island, with the US having in place restrictions to this day on the export of offensive materiel that includes manufacturing licenses, technical assistance agreements as well as technical and commercial military exports¹. The public narrative as it has been encapsulated by the President of the Cypriot Republic, along with other government officials, has highlighted how PeSCo could enable them to mitigate the negative impact that those restrictions have had on the country's military capability.

According to Nicosia, PeSCo is a step in the right direction when considering European defence and security. However, for it to work, there are two integral elements that need to be in place. First of all, for PeSCo to be successful and the development of defence capabilities to be achieved through the evolution of joint PESCO projects, ongoing political commitment is necessary from all participating states. In addition, Cyprus highlights that

¹ Department of State, 2011. Amendment to the International Traffic in Arms Regulations: Updates to Country Policies, and Other Changes, Vol. 76, No 152

in order for PeSCo to prove its worth, it must be strategically communicated to EU citizens. For instance, governments should highlight the involvement of SMEs and the funding they have received by the relevant EU mechanisms, like the EDF. Furthermore, they should emphasise PeSCo's impact on security both internally, in terms of Europeans' security, and externally with regards to stabilisation of areas outside the continent's borders.

ASSESSMENT OF THE DIFFERENCES BETWEEN PESCO IN THE LISBON TREATY AND THE DECEMBER AGREEMENT ON PESCO

PeSCo institutionalization

PeSCo was established according to Protocol 10 and Article 42 (6) of the Treaty on European Union attached to the Treaty on European Union and to the Treaty on the Functioning of European Union. With regard to the government perspective, the way in which permanent structured cooperation was interpreted by the Joint Notification to the Council of the EU and the High Representative of the Union for Foreign Affairs and Security Policy/Vice President of the European Commission (HRVP) was satisfactory.

According to the national perspective, the involvement of the HRVP, the EU Military Committee and other EU bodies, like the European Defence Agency (EDA), in accordance with Protocol 10, is welcomed and desirable. Cyprus does not oppose PeSCo's institutionalisation, but instead considers the participation of institutions a tool in the evaluation of the projects and an enabler that would facilitate cooperation among the participating states.

For Nicosia, cooperation among the participating states should remain focused on the fulfillment of the set goals, noted in the Notification. Cyprus considers that the inclusive approach implemented gives an opportunity for all participating Member States to develop their defence capabilities and create synergies, potentially giving rise to economies of scale, and thus to the lowering of costs.

Third state participation to PeSCo

Third states could exceptionally be invited to participate in individual PESCO projects. Cyprus is in favour of third party participation in PESCO projects, if such participation would be an added value to the project, mainly in terms of expertise. Indeed, from a national point of view, third party participation should be conditioned by the ability of third party states to secure a Security Agreement with the EU, an Administrative Arrangement with the EDA, as well prove that they share EU common values and their alignment to the CFSP. In particular, Mr Savvas Angelides, the state's Defence Minister referred to a Security Intelligence Exchange of Classified Information of those states with the EU and a technical arrangement with the EDA².

Judging by Nicosia's requirements in the draft decision establishing "the general conditions under which third States could be invited to participate in individual PESCO projects"³, most of them are being addressed. For instance, third parties would be invited to participate in projects, following a unanimous decision by all participating project Member States. Additionally, similar to what Cyprus desires, they would have to formally sign an administrative agreement with the EDA and a secure information exchange agreement, as well as share the values of the CFSP. Nevertheless, third parties will not be obliged to formally sign up to uphold PeSCo's commitments and will be unable to place limitations on the future use of jointly developed capabilities under PeSCo, a point that clashes with the Defence Minister's view on making the technologies and capabilities developed within the framework available to the EU and all its members⁴.

WHAT TYPE OF PROJECTS FOR PESCO?

According to the Cypriot perspective PeSCo projects should focus on the development of defence capabilities that are required to meet the Union's Level of Ambition with a view to the most demanding missions, as they were defined in the EU Global Strategy that was

² [Cyprus Mail, 2018. Defence Minister sets preconditions for third country participation in PESCO programs](#)

³ [Exit, le Royaume-Uni pourra participer à la PESCO. Vers un accord sur la participation des pays tiers](#)

⁴ [Cyprus Mail, 2018. Defence Minister sets preconditions for third country participation in PESCO programs](#)

adopted in 2016. The PESCO National Implementation Plan, which will be reviewed in the framework of the annual budget, will assist in the implementation of the commitments agreed and recorded in the Plan. According to Cyprus, it is important to develop national military capabilities that are in line with the EU Capability Development Plan and the Requirements Catalogue 2017 (RC17). In this way, Nicosia expects to take advantage of the synergies and thus of the potential economies of scales. When deciding upon projects, Cyprus is not obliged to consider the NATO Defence Planning Process, since it is not a Member of the Alliance. Nevertheless, in an effort to avoid duplication Nicosia appears willing to bear it in mind should it also address its requirements.

Despite the fact that government officials acknowledge that for PeSCo to yield the anticipated results a long time is required, Cyprus was pleased with the first round of PeSCo projects that was agreed in December 2017. Cyprus participates in a number of projects within the framework depending on its financial and operational capabilities. Nicosia is a participating member in the following nine projects in total, signing up for five in the first round of projects adopted in March and three additional projects, as they were adopted in December 2018. The country is ranked among the top eight states in terms of participation⁵, with around sixty percent of the Member States statistically taking part on average in just over 7 projects.

Table 1: Cyprus's participation in PeSCo projects

EUFOR Crisis Response Operation Core (EUFOR CROC)
Network of logistic Hubs in Europe and support to Operations
Military Mobility
Upgrade of Maritime Surveillance
Cyber Threats and Incidents Response and Information Sharing Platform
Joint EU Intelligence School
EU Beyond Line of Sight (BLOS) Land Battlefield Missile System
One Deployable Special Operations Forces (SOF) Tactical Command and Control (C2) Command Post (CP) for Small Joint Operations (SJO)- (SOCC) for SJO

⁵ Italy is leading with France, Spain, Greece, Germany, Netherlands and Belgium following.

Although the consolidated report on the implementation of the PESCO Projects is still pending, Cyprus believes that the projects it participates in are developing in the right direction. In general, the state argues that the nature of the projects adopted respond to its expectations. On a national level, Cyprus was content with the inclusion of projects on forces' preparation as well as on the maritime and cyber domain. For example, in light of disputes sparked by oil and gas exploration in the area, projects in the maritime domain are of particular importance to the island. On a European level, Nicosia believes that the two rounds of projects satisfy some of the defence capability needs that were identified in Requirements Catalogue 2017 (RC17), the Progress Catalogue and the Capability Development Plan, like for example *Military Mobility, Cyber Cooperation and Harbour Protection*⁶. The RC17 identifies the military capability requirements for CSDP stemming from the EU Level of Ambition as agreed by the Council in November 2016. In Cyprus's view the projects should address European shortfalls and avoid duplication, upholding in other words the single set of forces principle of NATO. The MoD has echoed that the technologies and capabilities developed within PeSCo should be available to the EU Member States⁷.

PeSCo and the Cyprus's Defence Industrial Base

Cyprus has little in the way of domestic defence industry, with no ability to design and manufacture modern equipment for its armed forces. Nevertheless, the country seeks to incorporate its national SMEs in the development of collaborative military capability projects with other EU members. According to the Cypriot MoD one of the most prominent national R&D centres is the KIOS Research and Innovation Centre of Excellence at the University of Cyprus. KIOS conducts multidisciplinary research and innovation in the area of Information and Communication Technologies (ICT) with emphasis on the monitoring, control, security and management of critical infrastructure systems.

Although the government anticipates that PESCO would benefit its national defence industry, the effect would be marginal given its size. Given the absence of credible large national companies to lead on capability projects, it could be challenging for the national

⁶ [2018 EU Capability Development Priorities, EDA Europa](#)

⁷ [Cyprus Mail, 2018. Defence Minister sets preconditions for third country participation in PESCO programs](#)

industry to get involved even though the European Defence Fund (EDF) encourages their participation through additional funding. Nevertheless, by participating in joint projects, Cyprus would, at the very least, have the opportunity to learn from other participating Member States and thus enhance its own capacity.

LINKS BETWEEN PESCO AND THE EDF, CARD AND FNC

According to the Cypriot perspective, PeSCo should be connected with the European Defence Fund (EDF), the Coordinated Annual Review on Defence (CARD) and even the Framework Nation Concept developed with NATO (FNC). According to Cyprus, the EDF should be linked with PeSCo because it is a mechanism that could act as an enabler for project development. Similarly, Cyprus believes that CARD should also be linked with the endeavour, since it assists in identifying opportunities for cooperation and broaden the synergies between Member States and therefore has the potential to address capability shortfalls and reduce costs. CARD has also the potential of acting as a tool that keeps countries under scrutiny and assesses the implementation of the National PeSCo Implementation Plan. Finally, from a national perspective, PESCO could be linked to FNC developed by NATO, despite the fact that Cyprus does not belong to the Transatlantic alliance, in order to avoid the duplication of efforts. Cyprus believes in the single force principle, should it not limit its procurement priorities.

The expectations generated by the EDF have been, indeed, significant for PeSCo. After the interim common funding for preparatory action on defence research and technology (90 million EUR) and development of military equipment (500 million EUR) until 2020, the Commission's proposal for the next Multiannual Financial Framework for the 2021-27 period channels around €13 billion in total to the EDF⁸. Although common funding will neither benefit all projects under the PeSCo umbrella nor cover all their associated costs, Nicosia believes the European Defense Fund should be exploited by the Member States in PeSCo to enhance financial contributions while producing state-of-the-art defence

⁸ Efstathiou, Y., 2018. European defence spending gets a boost from the EU. *The Military Balance Blog*

technology and equipment. Cyprus believes it is, however, too early to conclude whether EDF funding will be enough, since the cost of any PeSCo project has not been estimated.

CONSEQUENCES OF PESCO AND OTHER EFFORTS REGARDING CSDP ON THE GOVERNANCE OF CSDP

Further to the active participation in PeSCo, Cyprus contributes personnel to CSDP operations/missions and to the various EU institutions (EEAS, EUMS, ESDC) and retains a standby Battle group in the framework of HELBROC, along with Greece, Bulgaria, Romania, Serbia and Ukraine aiming to reinforce the Common Security and Defence Policy.

Cyprus has proven its longstanding determination to promote education, training and a European defence culture by hosting major training events of the European Security and Defense College such as High-Level Course and CSDP Orientation Course that assist the efforts to build up and develop a European security and defence community, which contribute to the further development of CSDP.

Cyprus does not foresee any immediate consequences on the governance nor on the operational capability of Member States in delivering their CSDP aspirations due to the establishment of PeSCo. Nevertheless, Nicosia still sees the value of this European endeavour as an opportunity to acquire defence capabilities for the fulfilment of the EU level of ambition and to maintain and secure the autonomy of the EU.

IMPACT AND COHERENCE OF PESCO ON SUBREGIONAL INITIATIVES

Cyprus is not part of any defence cooperation agreement that aims to develop joint capabilities and therefore is unable to bring those projects under the PeSCo umbrella. Nor does Nicosia take part in any regional security and defence initiatives that could potentially enhance or detract from the current European effort.

Nevertheless, Cyprus welcomes the French European Intervention Initiative (EI2) as an autonomous initiative, separated from the EU and PeSCo. It highlights, however, how a strong link between EI2 and PeSCo could be potentially established to avoid duplication of efforts.

CONCLUSION

This paper presented the Cypriot approach to PeSCo. According to Nicosia, its aims are twofold; contribute to the fulfilment of the Union's Level of Ambition and develop military capabilities that could potentially alleviate some of the effects of the arms embargo that was imposed on it in 1974. Cyprus welcomes the institutionalisation of the initiative as it perceives it as an enabler for cooperation among participating Member States. For the initiative to be successful, it is believed that ongoing political commitment is required from all participating states. Yet for PeSCo to prove its value, it must be strategically communicated to EU citizens through concrete and tangible results. In the view of Cyprus, the projects should focus on the development of defence capabilities that are needed for the fulfilment of the EU level of Ambition with a view to the most demanding missions. Although the first round of projects was only announced in December 2017 and capabilities as well as operational initiatives require time to materialise, Cyprus is satisfied with both the direction and the nature of the projects. Nicosia identifies as necessary elements for a smooth PeSCo development the sound and stable political commitment by Member States and availability of funds. Finally, the island welcomes the connection between PeSCo and the European Defence Fund, the Coordinated Annual Review on Defence and the Framework Nation Concept, despite the fact that Nicosia is not a Member States of NATO. ■

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The author is indebted to a number of senior French civil servants and colleagues for their insights.

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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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