

#36

PeSCo

THE GERMAN PERSPECTIVE

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

ABSTRACT

PeSCo means different things to different political actors in Germany. Despite these differences, all the actors have fuelled an enormous enthusiasm about this project and have minimised criticism. Two elements shaped the particular German role in the PeSCo debate and explain its difference vis-a-vis other partners like France: the political enthusiasm about yet another project (PeSCo), and the political will to launch a project that can maintain the Union's cohesion. Yet, while Germany celebrates PeSCo's inclusive political dimension, it took a very pragmatic view for the military dimension: whatever PeSCo can contribute to national capabilities that are usable in EU and NATO is good. Berlin does not require the initial rounds of projects to be game changers in terms of capabilities but considers a success the fact that they allow testing the new EU-instruments, synchronising EU efforts, and getting as many EU States on board as possible. This means a double challenge for Germany: first, in terms of defence content: turning PeSCo from the necessary political "good news initiative" into one that delivers real capabilities. Second, in terms of defence politics: Germany still overestimates the diplomatic discourse on defence and underestimates the impression that real and available capabilities make – to partners and adversaries.

Keywords: PeSCo, Common Security and Defence Policy, European Defence and Industrial Base, CARD, EDF, Germany

NATIONAL PERSPECTIVE ON PESCO: WHAT EXPECTATIONS?

Germany plays a special role in PeSCo. Together with France, it has been one of the main drivers behind its launch in late 2017. However, Berlin's main motivation was not primarily to increase the EU's defence capabilities to act, but to maintain and even strengthen the EU as the central political framework in terms of centrifugal tendencies (Brexit, Euroscepticism in many EU States). Put simply, whereas France sought to strengthen defence capabilities, therefore calling for an exclusive group of capable States, Germany called for an inclusive approach to strengthen integration and cohesion in Europe as such, therefore with as many contributing states as possible.¹

Conversely, PeSCo plays a particular role in Germany. The term has received far more attention in the wider public than many other defence related concepts (such as the Framework Nation Concept, the Defence Fund, or the CARD). Media coverage was extensive and overwhelmingly positive.² This is surprising for three reasons. First, the public enthusiasm did not seem to be impaired by the fact that in 2017 only the launch was decided, without any results yet. Second, defence cooperation like PeSCo is normally a niche topic for experts that hardly anybody else notices. Third, military issues usually remain controversial in Germany. But with PeSCo, the government succeeded in diluting the traditionally controversial military dimension in the positively perceived European framework, thereby turning PeSCo into a very positive topic of public debate. It appeared several times in the prime-time news and headlines of major newspapers.

¹ This chapter builds on C. Mölling, "Die PeSCo-Wette: Welchen Beitrag kann die EU zur Verteidigung Europas leisten? Der Mittler Brief", January 2018, and C. Major "Credible EU Defense Means Rethinking Sovereignty" in *Strategic Europe*, Carnegie Europe, 15 June 2017; <http://carnegieeurope.eu/strategieurope/71260>;

The authors would like to thank the numerous German officials who have contributed with their insights through a series of interviews. The paper has profited tremendously from them. The interview partners have chosen to stay anonymous. Interviews have been conducted in autumn-winter 2018. The article largely reflects the debate and knowledge at that time.

² Several dozens of news articles have been published in 2017 and 2018. Zeit Online: Grundsatzdokument für EU-Verteidigungsunion ist unterzeichnet 13 November 2017 <https://www.zeit.de/politik/ausland/2017-11/pesco-eu-verteidigungsunion-gruendung>; A. Sauerbrey: Tagesspiegel: Europas Angst vorm Fliegen 22 January 2018 <https://www.tagesspiegel.de/politik/kann-europa-sich-selbst-verteidigen-europas-angst-vorm-fliegen/20979878.html>; M. Becker, Spiegelonline: Neues Kommandozentrum. EU wächst militärisch zusammen - zumindest ein bisschen, 6 March 2017 <http://www.spiegel.de/politik/ausland/eu-beschliesst-hauptquartier-fuer-militaermissionen-a-1137543.html>

Ministers, the Chancellor and the majority of the German Parliament have been very positive and even enthusiastic about PeSCo. The term even made it into the 2018 government coalition agreement. The Minister of Defence declared it a major stepping-stone for the European Defence Union (EDU), one of her core projects.

Yet, despite the public enthusiasm, there is no unified understanding on what PeSCo can or should achieve. At least three trends can be distinguished.

- a) One group sees it as a unique and huge step forward. This view is shared across the ministries and even on the level of political leadership in the relevant ministries (MOD, MFA), which is a unique situation compared to Pooling&Sharing and other initiatives. Here, PeSCo is considered a rock-solid agreement, which makes a qualitative difference thanks to the national commitments, projects, the large number of participants and the rather swift implementation. At the same time, Berlin puts PeSCo in a much wider perspective in which the EU, step by step, potentially takes over additional roles (short of NATO's article 5 though). Therefore, it is necessary to gain political trust and support from capitals who can deliver more security. To make a meaningful contribution, States need to be politically willing and to accept the integration of their military forces. This is part of the EDU vision. PeSCo only gets the dice rolling; it is a positive and decisive element of the political narrative that is needed to make the EU States accept the EDU. With the EDU, it is hoped that the EU integration process will be getting a boost. The citizens of the Member States see in concrete terms that the Community is in a position to provide security and stability in and for Europe itself - if necessary also beyond the EU's external borders. This gives citizens confidence in the European Union's ability to act.
- b) A second group considers PeSCo as a good and so far successful initiative with the potential to improve the EU's cohesion and to deliver more capabilities. Yet, this group identifies many risks that could lead to failure. Those who deal with security policy share this more cautious view. Moreover, they recognise that PeSCo is just one initiative among many others. This more pragmatic group also sees the link between EU and NATO, and the opportunity that the EU initiative contributes to enhance NATO and national capabilities. However, among the many initiatives out there, this group identified the EDF as the potential game changer, not PeSCo.

- c) A third group especially focuses on the economic aspect: they expect PeSCo to save money. The idea that through cooperation defence could become more efficient and thus cheaper has been an important driver, at least since the fiscal crisis, if not before. Moreover, the German public opinion has long been critical about higher or growing defence spending. Thus, a way of selling defence with a positive connotation is not that it offers protection, but that it can be done with saving effects, while still giving Germany the opportunity to be a good European. Eventually, in this logic, higher defence spending can be more easily justified if requested by the EU rather than by NATO, particularly with Trump's presidency and a controversial transatlantic relationship.

Most German officials share the conviction that PeSCo has successfully gained the attention of the political leaders, that it does not harm NATO but can contribute to strengthen it and, as such, the European defence. The main difference compared to other initiatives is that the classical division between the Ministry of Foreign Affairs being more in favour of the EU and the Ministry of Defence leaning more towards NATO is no longer true, at least not in this case.

Key drivers for PeSCo support 2015-2017: the German desire for European unity

The German engagement towards PeSCo can only be understood with the background of foreign and security policy priorities and the strategic assessments that Germany had made over the last years.

For Germany, three major modifications turned the essential parameters of its foreign and security policy upside down, with politics unable to find a consistent answer:

Firstly, with the illegal annexation of Crimea, the war in Eastern Ukraine and its involvement in Syria, Russia developed from a partner into an antagonist of a European security order. From a German point of view, there is no hope of building a strategic partnership with Moscow for the foreseeable future. The idea of a modernisation partnership with Russia, launched by the then Foreign Minister Steinmeier in 2008, has (for the time being) failed, as well as the hope that close cooperation with Russia would lead to Moscow approaching European values. The 2014 crisis in and around Ukraine meant for Germany not only the end of the strategic partnership with Russia, but also the

end of the commonly agreed security order in Europe (anchored for example in the Charta of Paris), the return of collective defence to Europe, the return of military means as policy tool in Europe, and the return of nuclear weapons in Europe's defence. Taken together, this is a paradigm shift still to be digested.

Secondly, the USA is becoming an increasingly unreliable partner in transatlantic relations. Germany perceives this questioning of one of its two traditional core foreign policy pillars (the other one being Europe and France) as deeply worrying. Since the election of Donald Trump as president in 2016, Berlin tried to manage a partnership in which day-to-day politics seem to increasingly drive apart the transatlantic partners. Germany recognises that this is a structural problem, that is, a process that started before Trump and is likely to continue after him. What conflicts such as the 2018 G7 summit or the 2018 NATO Brussels summit reveal is that the very basis of transatlantic relations is changing. If the US generally questions the political value of alliances, prefers unilateral approaches and feels less bound by agreements, then transatlantic relations are facing long-term structural problems based on different worldviews.

Yet, it still hits Germany particularly strongly given not only its history, but also the German conviction that the US is an indispensable partner in defence and many other policy areas.

Thirdly, nationalism, populism, and economic competition are developing centrifugal forces that threaten the unity of the EU, with Brexit being the political highlight of these developments. Some Member States use national or regional differences and priorities for political purposes, which threatens to tear the European Union apart along the East-West inequality and the North-South inequality. But without the EU as a framework in which its political and economic power is embedded, Germany risks internal weakening and its external partners might consider it an insecurity factor rather than a stabilising one: the "German question", i.e. where Germany stands politically and geo-strategically and who its partners are, risks arising again. A Germany without the EU would also be hard to imagine, because the latter has been a central component of Berlin's political and social identity since the end of the Second World War.

Therefore, in view of the Brexit, Donald Trump's election, and Russia's aggressive and revisionist policies, the primary goal of the German government since the summer and autumn of 2016 was to set a signal to strengthen the EU - not primarily to strengthen the

EU's security policy. In other areas, such as financial policy or migration, the centrifugal forces (see above) were at work. In the summer of 2016, right after the Brexit referendum, the EU adopted its new global strategy (EUGS). Joint letters from the French and German foreign, defence, and interior ministers then launched the Bratislava Process to give European defence policy a new impetus. This process reached its temporary climax with the launch of PeSCo in December 2017.

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

The original PeSCo elements in the Lisbon treaty have of course acted as a basis for the 2017 PeSCo framework and especially for the commitments included. However, Germany has given only little attention to the question of differences between the original (Lisbon) text and the final (2017) PeSCo agreement.

Looking backwards, German officials acknowledge that the main difference is that there was a lot of uncertainty among about how to implement the obligations back in 2008/9, when the question of if and how to implement PeSCo was raised the first time. Hence, the 2017 PeSCo launch is seen as a success in this respect: the treaty elements are operationalised into 20 commitments, 34 projects and an implementation process for the projects and commitments through the National Implementation Plans – that is more than any other initiative has achieved before. What also has changed is the role of the European institutions and particularly that of the European Commission. the Commission is seen as having developed into a real driver of the defence field on the EU-level, particularly regarding the EDF.

Still, the current agreement is the result of the specific context of 2015-2017. Negotiating a PeSCo framework at a different time within a different political environment could have led to other interpretations of the original foundations – one could imagine a PeSCo-set up that would give European institutions a smaller role in driving PeSCo.

WHAT TYPE OF PROJECTS FOR PESCO?

PeSCo has different functions for German stakeholders in PeSCo. Projects fall at least into one of the following categories:

- create commitment among Member States
- test and thus help to shape PeSCo mechanisms
- offer a positive narrative that explains PeSCo's success and legitimises political investment
- fill capability gaps

Accordingly, the preferred and proposed projects reflect these multiple perspectives. There is no mathematical causality to the choice of projects.

Many German decision makers considered the initial phase of PeSCo as a test for political commitment rather than a moment of real delivery of defence capabilities (i.e. implementation). Hence, projects should help hardening and further shaping PeSCo, the EDF and the CARD - especially regarding the link between these three tools. Besides, the first phase was considered successful since it demonstrated the political commitment and the unity of the Union in times of crisis, which for Germany was a success in itself. For Germany, the EURO Male project allowed to test the link between PeSCo and the EDF/EDIDP. Needs and identified gaps, particularly related to training and upcoming or assumed future operational commitments were another driver to identify projects.

At the same time, good news are needed on the political level to show that PeSCo really makes a difference; and also to respond to the expectations that many Member States had raised collectively. Hence, projects with fast delivery times were very welcome, even if they might not fit the core function of PeSCo. The "military mobility" project is a perfect example: it should help armed forces to cross borders in Europe with less or no hinderance from national administration and civilian regulations. Indeed, the implementation has started immediately, with the potential for a quick fix for a really existing problem. It also contributes to the EU-NATO cooperation. However, it has not much to do with the CSDP, i.e. external crisis management, as the biggest challenge for the CSDP is to move troops outside the European borders. It is thus mainly useful for NATO who is re-building its collective defence capabilities and needs to regain the capability to move troops quickly in Europe. Yet, the project also provided the opportunity for NATO to establish links with and get acquainted to the European Commission.

Military planners are indeed looking at the options to use the combination of the EDF and PeSCo to fill capability shortfalls especially in NATO. Therefore, they aim to synchronise the capability planning processes and priorities (see below). This approach runs the risk of spurring criticism that PeSCo starts duplicating NATO efforts – which Germany also wants to prevent. The idea that the EU should concentrate on those areas that are linked to the EU's level of ambition may not provide a solution: the EU and NATO faced the same shortfalls, because they have to a great extent the same European members.

PESCO, NATIONAL DTIB AND EUROPEAN DTIB

For the German defence industry, the expectations from PeSCo are mixed but modest at best. They acknowledge the potential of the initiative but urge that it has to deliver. Therefore, it is crucial to have a common basic understanding that gives strategic direction for the projects, coherence of instruments (including the CDP, the CARD and the EDF) and that Member States comply with PeSCo commitments. Eventually, the industry judges the concrete projects but not the political initiatives as they have seen too many of them appearing and disappearing without any positive impact for them, or for shaping a truly European defence industrial base.³

Most of them expect the EDF to have the far bigger potential for their businesses. PeSCo could lead to a harmonisation of capability requirements which would create the potential for larger economies of scale but also shape the capability development in many European countries and as a consequence the defence industrial landscape in the EU. Therefore, the industry urges the German government to think strategically about projects and partnerships to ensure a real Europeanisation of the European defence industry – in contrast to a development in which some countries and their industries benefit significantly more than others.⁴

The triggering effect that PeSCo has on the EDF and thus in the shaping of the defence industrial landscape is concerning. Therefore, the industry would like to be involved in the definition of future projects. Many perceive other countries lining up much better with their industries, even creating a negative potential for PeSCo for German companies:

³ BDI (Federation of German Industries): PeSCo und EDF – Mehr vom Selben? 19 April 2018

⁴ Ibid.; BDSV (Federation of German Security and Defence Industries): BDSV-Standpunkt Permanent Structured Cooperation (PeSCo), 2 March 2018

other nations have introduced in the first PeSCo round some projects that could lead in the longer run to industrial implications that would favour competitors in other countries, such as the Armoured Infantry Fighting Vehicle introduced by Italy. Hence, the industry wants to keep the door open for important projects to take place outside the PeSCo framework.⁵

The other difference in the perception of PeSCo results from the fact that larger companies are already present in international business and have the resources to manage the procedures and requirements that come with PeSCo, and particularly the EDF where SMEs in their majority still depend on a larger, often national, OEM to pull them into the supply chain of international projects. Again, SMEs fear more the EDF with its criteria on multinationality of consortia than PeSCo but also recognise the link between them. SMEs fear that multinational supply chains could work to their disadvantage as OEM may choose suppliers from other countries just to fulfil obligations about multinationality, and that quality would matter less. PeSCo can here define the military demand that then needs to be filled multinationally.

LINKS BETWEEN PESCO, THE CARD, AND THE EDF

Most officials see PeSCo, the CARD and the EDF as a perfectly set up architecture of mutually reinforcing mechanisms. At the same time, many acknowledge that in this initial phase, the mechanisms are not yet working in a fully harmonised way but follow a different logic: e.g. there was pressure to set up the EDF before a certain time. Otherwise, the creation of a budget line in the next European MMF would have been impossible. The CARD so far does not really inform the projects under PeSCo as the CARD only starts operating. Initial PeSCo projects have primarily a political function to show that European States are still committed to the Union.

From a German view, it would be too early to judge the effectiveness of the institutional set up of the CARD, PeSCo and EDF. Hence, the initial sequencing that the CARD informs the choice of projects which the Member States then carry out in PeSCo, and the EDF can finance those projects, has not yet been implemented.

⁵ Ibid.

The three elements are still in a trial mode, they have yet to start their normal functioning. They can only be fully synchronised once the deficits of the initial design of the individual mechanisms have been identified and adjusted. Thus, the current projects are also test cases, such as the aforementioned EURO Male.

LINKS BETWEEN PESCO AND THE FNC

The FNC is a multinational initiative geared towards NATO capability shortfalls and NATO planning objectives. Germany has introduced the FNC into a NATO context. However, the FNC is not a NATO initiative. PeSCo shares many aims with the FNC, yet with a lower level of ambition. The FNC aims to set up larger formations, i.e. division size forces. However, it also aims to provide missing capabilities (in NATO) through multinational capability clusters – the same basic principle as in PeSCo (in the EU). There are similar elements regarding the national commitments and implementation plans in the FNC and PeSCo. What NATO as an organisation is missing, is the EDF as a means to use collective money to trigger initial phases of capability development and to address the defence industrial dimension. Here, the EU, in theory, can provide a wider spectrum of instruments. Yet, both organisations are missing a systematic approach to address shortfalls.

Germany is historically motivated to use both the EU and the NATO frameworks to contribute to the European military defence. The key demand of German military planners is that the NATO and EU planning has to be coherent. Thus, aligning NATO and EU planning and capability priorities is a key objective of German military planners. EU-NATO coherence in planning and implementation plans would ensure that any multinational investment and initiative by the EU or NATO would address multinational needs and contribute to the European single set of forces (SSOF). Essentially, in this military/capability perspective, the specific organisation matters less than the multinational effort to contribute to capabilities. This will operate along the same basic principles, be it in EU, NATO or multinational initiatives outside the institutions.

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

German actors seek to further deepen the integration of the institutional landscape. Such a development is seen as a logical consequence of the current developments. Therefore, there is clear support for a DG defence.

On the national level, the German parliament's committee on defence has set up a special group of rapporteurs on PeSCo. This is not mirrored by any kind of structure or governance on the executive side. However, there is a task force in the MoD that deals with the EDF.

IMPACT AND COHERENCE OF PESCO ON SUBREGIONAL INITIATIVES

Germany participates in many sub regional defence initiatives: e.g. the EuroCorps, the Multinational Headquarters North-East, the Dutch German Corps – and many more. They are not linked neither to the EU nor to NATO. For Germany, these are opportunities to advance on a political or military level.⁶ At the same time, some initiatives exist primarily on the political level, such as the Weimar format or the Visegrad-4 and have not yet led to meaningful results.

Germany's cautious reaction to the French European Intervention Initiative (EI2) has two different reasons: the timing of the EI2 – which seemed to be in parallel to the PeSCo inauguration, and the objective: a new structure outside the EU, while Germany was trying to keep and support the EU's unique policy framework.⁷

In his 2017 Sorbonne speech, President Emmanuel Macron outlined his idea to develop a European strategic culture, which is to be achieved through common operations. At the heart of this vision is the European Intervention Initiative: it should allow Europeans to

⁶ This sub-chapter builds on: C. Mölling, C. Major, "Why joining France's European Intervention Initiative is the right decision for Germany", 15 June 2018, <http://www.egmontinstitute.be/why-joining-frances-european-intervention-initiative-is-the-right-decision-for-germany/>

⁷ France has prepared the EI2 clearly before the autumn 2017, hence before the PeSCo revival. Yet, many observers only learned its existence when President Macron announced in his September 2017 Sorbonne speech. This led to the wrong impression of a parallel development of the EI2 and PeSCo, and the idea that the EI2 was born out of France deception of PeSCo.

carry out joint military operations more effectively. The aim is to finally turn Europe into a capable defence actor.

But Berlin's answer to Macron's defence vision was mainly a reluctant and increasingly annoyed grumbling. Germany complained that France's idea would undermine the EU's defence initiatives launched since 2016. It feared the E12 would weaken the EU's political cohesion if Paris explicitly positioned itself outside the Union and invited only a few States to participate. Eventually, following this idea, France is disengaging from European solidarity. Although Germany shares the French analysis that the EU currently cannot start and carry out operations quickly, it wants to find solutions *within* the Union, and with as many States as possible on board.

What particularly annoys Germany, however, is the impression that it seems to have little if no choice at all: in view of the simultaneous rhetoric about the necessity and crucial importance of Franco-German relations for Europe, it is simply inconceivable to reject the French initiative. Germany thus joined the E12 in June 2017 with a high degree of reluctance.

Therefore, it is right to assume that Germany will remain open in principle to cooperation beyond the PeSCo framework. The main condition would presumably be that such cooperation has no negative impact on the EU as the prime political framework. This has been a long-term objective of Germany and the current state of the EU may let alarm bells ring much earlier in Berlin than expected (see first chapter).

CONCLUSION

The future of German policy towards PeSCo will seriously depend on the continued investment of political capital by leading decision makers in government and parliament. The administration will not be able to keep the national support for PeSCo going.

As PeSCo means different things to different actors in Germany, expectations about the future of PeSCo and what it delivers, differ. Accordingly, success can mean, a) the initiative leads to a stronger EU (integration effect), b) individual projects contribute to the overall effort in Europe to improve capabilities and inner-European burden sharing (security effect), or c) more efficiency in defence, i.e. PeSCo helps saving resources (economic

effect). A stronger role of the European institutions may be acceptable to all actors, as long as it does not create hurdles.

PeSCo could particularly be helpful to smoothen a higher German commitment in defence through the European cloak. The European dimension makes such an increase of engagement and spending more digestible as the European narrative helps to answer the question to a wider German audience: what is it good for? Germany will most likely keep the idea of inclusiveness on the higher political level but be selective regarding serious engagement in projects.

On the project level, Germany will be interested to use PeSCo for some capabilities that are missing in the mid- to longer-term perspective. Here the link to the EDF and the successful synchronisation will be crucial. Still it may join some projects for political symbolic reasons. What remains to be seen is to what extent Germany will:

- a) recognise the industrial dimension and leverage that comes through the projects and the CARD,
- b) be willing to use PeSCo as an instrument to shape the defence industrial base
- c) engage with German companies to ensure their fair share in projects and their survival in a potential future consolidation.

So far, such projects take place outside PeSCo. However, in such cases, like the FCAS and potentially the Main Ground Combat System, Germany has begun to stretch its muscles to ensure its position in the political and industrial driver seat. ■

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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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