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NATIONAL EXPECTATIONS REGARDING THE EUROPEAN DEFENCE FUND:

The Polish Perspective

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Comment

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ABSTRACT

The European Defence Fund is largely seen in Poland through the prism of the complementarity of recent EU defence initiatives with NATO. Focused on strengthening NATO's deterrence and defence against Russia, Poland would like to see the EU helping in improving the overall military capacity of European members of NATO in the long run. Hence the expectation, that the EDF will support programs, addressing some key capability gaps, identified in NATO. To that aim, the EDF – together with PESCO – should also be made relatively easily accessible for non-EU NATO members. The EDF is also seen as a chance for Poland's own Defence Technological and Industrial Base, suffering from structural inefficiencies. Prospective EDF programs are understood as offering an opportunity for Polish firms to develop technologies, skills and know-how through a different mechanism, than offsets, still considered the primary way of technology transfer to Poland.

Keywords: *EU, Poland, European Defence Fund, EDF, PESCO, NATO*

The approach of Poland to the European Defence Fund (EDF) is largely driven by a broader Polish policy towards PeSCo – and the CSDP in general – as well as the specific condition of Poland's Defence Technological and Industrial Base (DTIB). While some expect the EDF to contribute to increase the competitiveness of the Polish DTIB on the long term, the key issue remains to keep it – as all other EU defence initiatives – coherent with NATO.

THE TRANSATLANTIC IMPERATIVE

Poland's strong transatlantic outlook translates into an approach through which all defence-related initiatives of the EU should not undermine NATO but aim to reinforce it. Ever since 2014, Poland has been focused on increasing the credibility of NATO's defence and deterrence policy with the resurgent Russian threat in mind. Consequently, one of Poland's top concerns has been the perspective of diverting the resources and attention of European allies from the adaptation of NATO to the new EU defence initiatives. More specifically, Poland has been concerned about a scenario in which capability development in the EU – expected to accelerate following the launch of the CARD, PeSCo and the EDF – would conflict or compete with capability targets adopted within NATO Defence Planning Process (NDPP). Hence the Polish calls for EU-NATO complementarity and linking PeSCo, the CARD and the EDF with the NDPP as closely as possible.

NATIONAL DEFENCE TECHNOLOGICAL AND INDUSTRIAL BASE

The condition of the DTIB in Poland is another factor influencing the Polish view of the EDF. Its biggest part is made of over 60 state-owned companies, consolidated within the PGZ (Polish Armaments Group) holding. These firms operate mostly in land systems, munitions, military electronics and naval branches. They own tangible assets, including large manufacturing and testing bases, but suffer from the lack of competitive technologies and legacy production issues. Consequently, they depend entirely on the home market with weak export portfolio (the total value of armament exports from Poland in 2018 was a little below €500 M, similar to the preceding years). A small pool of innovative private companies, active mostly in military software and electronics, as well as subsidiaries of global aerospace prime contractors (Lockheed Martin, Leonardo, Airbus) does not alter the generally troublesome image of Poland's DTIB.

Technology and know-how transfer are therefore seen as crucial for sustaining a DTIB in Poland in the long run. To date, it has been the purpose of Poland's offset policy, which makes it compulsory to have Polish companies receive a workshare in contracts signed with foreign prime contractors. In practice, offsets have allowed limited technology transfers to date, and the expected technological breakthrough has not happened yet. For this reason, the EDF is seen as an additional tool which may help transform Poland's DTIB through a different mechanism than offsets.

POLAND AND THE EDF: EXPECTATIONS

Consequently, expectations from the EDF in Poland involve three main issues: making it complementary to NATO; using it to the benefit of national DTIBs and assuring third States access to the EDF-funded projects.

In the first place, Poland would like to see the EDF address key capability gaps identified in NATO. In practice, this could mean prioritising projects oriented on capabilities indicated in the NDPP capability targets, and then co-financing such projects by the EDF. This entails an expectation that the future EDF work programme will be informed by broader NATO capability priorities. In this context, Poland argues for opening the Franco-German project on the Main Ground Combat System (MGCS) to third States, and for putting it under a PeSCo/EDF framework. Poland also stresses that as one of NATO's Eastern Flank countries, it will be the biggest client for the next generation of MBTs. Assuring a strong position of capitals and the European Defence Agency (EDA) in the EDF governance mechanism may contribute to meeting this goal. Even if there are links between the EU's Capability Development Mechanism and the NDPP, coordinating EU and NATO capability aims via capitals may prove to be the most effective. Poland has already attempted to apply the philosophy of using EU defence initiatives to reinforce NATO in practice. Poland's participation in PeSCo projects has a clear focus on deterrence and defence in the context of Washington's Treaty art. 5 contingencies, rather than crisis management outside the EU.

Secondly, Poland expects the EDF to allow Polish defence companies to finally join European defence industrial cooperation. A particular hope is linked with the provisions of the EDF and regulations regarding mid-size companies (mid-caps) which form the bulk of the PGZ. Since the 2013 European Council on defence, Poland has promoted the concept of the balanced approach to the European DTIB, taking into account the specifics of smaller armaments producers in the EU. Within this approach, Poland successfully proposed the EDF regulation to enable consortia with mid-caps onboard to qualify for an increased level of co-financing, by analogy with the European Commission's original concept regarding Small and Medium Enterprises (SMEs). Consequently, Poland thinks that European prime contractors could be interested in inviting PGZ companies to project consortia in order to increase their co-financing level from the EDF. Moreover, to benefit from the EDF, Polish firms will be required to join consortia and operate work in a project-based environment, which may prove to be an alternative – if not a more effective – way of increasing their competitiveness than offsets.

Finally, Poland would like the EDF to be relatively easily accessible for non-EU NATO memebers and their companies. Having particularly in mind the cooperation with post-Brexit UK, USA, Norway or Turkey, Poland has argued that the EU cannot afford losing access to unique technological competencies which are at the disposal of many non-EU companies. Yet, Poland's pursuit for an "open" EDF is motivated by industrial considerations only to a limited extent. As Poland seeks to deepen the partnership between its defence industry and the US, it is wary about risking capacity to take an active part in the EDF projects at the same time. However, the matter of priority is to streamline the thinking about European strategic autonomy, so that it does not lead to weakening NATO and the transatlantic link. Putting non-EU NATO members and any other non-EU country in the same category is seen in Poland as contrary to the assumption that the EU defence initiatives reinforce NATO and help the transatlantic cohesion. And conversely. any compromise, which would see non-EU NATO members taking part in at least few EDF projects, regardless of detailed arrangements regarding budget, IPR, or division of labor, would be welcomed as implementing the EU-NATO complementarity concept in practice.

CONCLUSIONS

Unlike some EU Member States, Poland's expectations from the EDF do not revolve around defence industrial and technological considerations. The EDF is seen as a part of a broader strategic issue: the future of the transatlantic bond and the prospective role of NATO as the pillar of European security. There is a widely-shared point of view in Poland that the new EU defence initiatives can in the long term help alleviate tensions over burden-sharing in NATO, improve the European military capacity, and increase the ability of European States to quickly react to military contingencies along with the US, or autonomously, if needed. For that to happen, however, the drive for short term political gains should not prevail over strategic considerations, which ought to guide the implementation of both the EDF and PeSCo. ■

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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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