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EU defence, Brexit and Trump

The Good, the Bad and the Ugly

By Sophia Besch



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- ★ At the European Council in December 2016, EU leaders will discuss a new set of initiatives to strengthen the EU's common security and defence policy (CSDP).
- ★ The Brexit referendum and the election of Donald Trump have spurred EU leaders to boost their support for European defence. They recognise that they need to increase their share of the burden of European security and rely less on the United States; and they want to reassert the Union's credibility after Britain's vote of no confidence.
- ★ In response to Trump's critical comments about NATO during the US election campaign, European leaders are likely to increase their military spending. And post-Brexit, the EU may be able to unfreeze some of the defence initiatives – such as an EU military headquarters – that the UK has vetoed in the past.
- ★ Even if the EU puts more resources into defence, Trump and the Brexit referendum will damage European security. Europeans will wonder whether they can rely on the US security guarantee; and with Brexit the EU will lose one of the strongest European militaries, as well as the main proponent of making the EU's defence market more competitive.
- ★ Both the EU-27 and Britain have an interest in keeping the UK involved in the EU's military operations and its defence market. But the bad feelings over Brexit negotiations on both sides of the channel, and euroscepticism in the UK, could make it difficult to establish a privileged partnership between the two.
- ★ France and Germany are the obvious countries to take the lead in European defence, to ensure that the current momentum for Mogherini's plans is sustained beyond the December Council. But Paris and Berlin have very different visions for CSDP, and both will be distracted by domestic challenges in 2017.
- ★ Finally, Trump is right to criticise Europeans for spending too little on their own defence. Only if European capitals translate their recent declarations of political will into a real and sustainable increase in defence spending can the new CSDP proposals succeed.

2016: EU defence at last?

European citizens expect their leaders to protect them. A recent Eurobarometer survey showed that approximately two-thirds of EU citizens would like to see greater EU engagement in matters of security and defence policy.¹ Tensions between Russia and the West, the continuing migration crisis and above all the threat of terrorism have made people across the EU feel less secure. In 2016, European politicians have finally responded to the deteriorating security situation around Europe's borders and made EU defence a priority.

The EU's new 'global strategy' (EUGS), written by High Representative Federica Mogherini and published in June 2016, set out some parameters for the EU to develop a more active common security and defence policy (CSDP). To ensure that the global strategy does not remain a mere wish list, Mogherini has led efforts to come up with a 'security and defence implementation plan' (SDIP).

The SDIP aims to translate the EU's global strategy into concrete policy initiatives for defence. Proposals include: improving the EU's rapid response units (known as 'battlegroups'); boosting joint funding for military operations; strengthening the European Defence Agency (EDA); reforming operational planning structures; and triggering Permanent Structured Co-operation (PESCO), an institutional mechanism that enables deeper military integration among a group of EU countries.² EU defence ministers discussed Mogherini's plans in November; they are being presented to heads of state and government at the European Council in December 2016.

CSDP has long been a paper tiger – two decades of statements and declarations have failed to galvanise member-states into investing in defence. This time around, two events could convince European leaders to get serious. The first is the Brexit referendum, which has undermined the EU's credibility and legitimacy. The second is the election of Donald Trump, who has questioned America's unconditional security guarantee to Europe. Both have given an unprecedented sense of urgency to the European defence project. The SDIP was written and negotiated in only three months, at record speed for an organisation that has to consolidate 28 different sets of priorities. However, rather than creating more unity among Europeans, both events risk exacerbating the existing political divisions and deficiencies of EU defence.

There are two ways to look at the effect of Brexit on CSDP. On the one hand, Britain has always been an awkward partner in EU defence co-operation. Rising euroscepticism

prompted the British government to substantially cut its contributions to European military ventures, deploying only small numbers of personnel to the EU's missions in Mali and Bosnia. In 2013, the UK blocked the EU from sending military forces to support French operations in the Central African Republic, fearful of the potential impact on Britain's EU membership debate. And Britain's 'NATO first' attitude to European security has meant that the UK has resolutely opposed elements of proposed EU defence co-operation – such as an EU operational headquarters independent of NATO. Many in Brussels now hope that with the UK's imminent departure, the EU can 'unfreeze' some of these proposals.

“European politicians finally responded to the deteriorating security situation and made EU defence a priority.”

On the other hand, the UK is one of only two credible military powers in the EU. It is one of only four members that spends 2 per cent of GDP on defence and has the largest number of deployable forces of any of them. Then there are UK assets that are more difficult to quantify: the global outlook of the British, their diplomatic network, and the professionalism and training of their military personnel. These assets may be at risk if the UK's economy suffers following Brexit, but at present they contribute to European security, through both the EU and NATO.

No-one yet knows what Trump's policies towards European security will be. On the campaign trail he called NATO "obsolete" and suggested that he would assess whether European allies were contributing enough to their own defence before deciding whether to aid them if they were attacked. Such a transactional approach would threaten the credibility of America's security guarantee to Europe. American presidents do not always put their campaign promises into practice, and Trump may find that the checks and balances of the American system prevent him from doing anything too rash. Furthermore, some of his key appointees, such as defence secretary Jim Mattis, are committed to America's alliances. But at least until Trump clarifies his views, European leaders cannot be sure that the United States will protect them, and this uncertainty will affect the dynamics of European defence co-operation.

Here too, however, EU member-states, especially those which are also NATO members, face a choice. On the one

¹: European Parliamentary Research Service Blog, 'Public expectations and EU commitment regarding security and defence', July 2016.

²: Defined by Article 42(6) and Article 46 of the Lisbon Treaty, PESCO allows for a group of motivated member-states to integrate more closely on defence matters. Participation in PESCO is voluntary; its activation only requires a qualified majority in the Council of Ministers.

hand, they might decide that without a credible American commitment to alliance solidarity, NATO could lose its status as the principal security provider on the continent; that would impel them to invest in the EU's defence role. On the other hand, they could decide that it was in their best interest to establish a close relationship with the Trump administration, even if that came at the cost of European cohesion, in the hope that he would feel an obligation to defend them in an emergency.

The EU's new initiatives to strengthen CSDP focus on two main elements. The first concerns structures: creating effective institutions and mechanisms to plan

and execute military operations. The second focuses on defence investment: creating a strong European defence industrial base able to supply EU militaries.

This policy brief examines how Brexit and the election of Trump will impact these two strands of work. It concludes that, first, efforts to make the EU's defence market more competitive remain crucial; second, the EU and the UK should overcome political obstacles and work towards a close defence relationship; and third, strong leadership, particularly from France and Germany, will be vital if the EU's initiatives to strengthen CSDP are to come to much.

EU defence institutions

Mogherini focuses on institutions and structures in her proposals for CSDP. She has stated that she wants to "make full use of the existing Treaties ..., of the huge potential of what we have already, from an institutional point of view."³ She wants to build the structures that could give the EU 'strategic autonomy' – the ability to operate without the help of the United States.

For years the EU has tried to create institutions to facilitate the joint deployment of member-states' troops. But there is still plenty of scope to make them work better. In 1998 France and Britain signed the Saint Malo declaration, which called on the EU to develop a "capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to international crises". Yet over the subsequent 18 years the EU has failed to develop a credible ability to respond to crises. The EU battlegroups, for example – rotating troop contingents from member-states, in theory ready to deploy at ten days' notice – were set up in 2004 but have yet to be used.

Many in Brussels blame the EU's disappointing performance on its ineffective procedures for the funding and command of operations; the SDIP is intended to improve these procedures. Because military operations cannot be funded from the EU budget, a financing mechanism known as Athena was designed to cover some of the common costs for these operations, which can include transport, infrastructure, and medical services. Member-states contribute to the mechanism in proportion to their GDP. However, Athena currently covers only a small fraction (10-15 per cent) of the total common costs of an operation. That means that even though the decision to deploy is taken at the level of the 28 member-states, the deploying country bears the brunt of the financial burden – hardly an incentive for member-states to engage militarily through CSDP.

“Mogherini wants EU ‘strategic autonomy’ – the ability to operate without the help of the United States.”

The EU also has no single military headquarters to co-ordinate, command and control EU troops. The 'Berlin Plus' agreement from 2002 in theory allows the EU to draw on NATO planning capabilities at NATO's European SHAPE headquarters. This includes using NATO's DSACEUR (Deputy Supreme Allied Commander Europe) as an operational commander. Berlin Plus, however, has only been used for two EU operations – Operation Concordia in the Former Yugoslav Republic of Macedonia, which launched in 2003, and EUFOR Althea, which replaced NATO's operation in Bosnia in 2004. Political disagreements, and in particular the conflict between Cyprus and Turkey, have blocked the EU from making full use of NATO's assets. Instead, the Union relies on national military headquarters (in the UK, France, Germany, Greece and Italy) that can be made available on a case-by-case basis for EU military operations. This gap in the EU's defence infrastructure is another reason why the EU finds it hard to plan and conduct CSDP missions swiftly and efficiently.

The UK has long resisted efforts to reform and expand the Athena mechanism to include, for example, the costs of transport, barracks and exercises. London has also blocked any attempt to develop an independent EU planning capability in the form of an operational headquarters, arguing that such a capability would duplicate and ultimately undermine NATO structures.

In her opening remarks at a meeting of EU ambassadors in September 2016, Mogherini said she thought the EU

3: Federica Mogherini, opening remarks at the EU Ambassadors Conference 'Shared Vision, Common Action: A Stronger Europe', September 5th 2016.

had “the political space today” to do things that were previously “not really do-able”. Does the removal of the UK veto post-Brexit mean that the EU can finally set up the CSDP structures it wants? And if it did, would that be sufficient to turn the EU into a credible defence actor?

The EU does indeed plan to reform the ineffective system of common funding for EU operations and enlarge its scope to cover battlegroups. These reforms could deprive member-states of an excuse for not deploying their troops in joint EU missions. At the same time, however, support through Athena must not encourage governments to view common funding as a substitute for adequate national investment in their operational budgets.

Since the publication of the EUGS, some member-states have warmly welcomed reviving the idea of setting up an HQ to enable the EU to plan and conduct civil and military operations more effectively. France and Germany, for example, have renewed their support for the establishment of an EU headquarters in a joint statement on European defence.⁴ And European Commission president Jean-Claude Juncker called for one in his annual address on the state of the EU.⁵

There is a case to be made for the EU to have some joint military planning capability. With a small headquarters, the EU could over time bring together current arrangements like the EU’s Civilian Planning and Conduct Capability⁶ and the EU Operations Centre.⁷ The personnel implications would not be extensive: the

current (informal) proposals mention having around 500 military and civilian personnel (SHAPE has about 5000).⁸

Indeed, the significance of the establishment of an EU headquarters has been blown out of proportion. The concept has become a symbol for a larger debate between proponents of EU defence autonomy and those who fear that CSDP could undermine NATO. Member-states that are wary of a strong EU defence capability, out of concern that it could weaken the US security guarantees to the continent, are often dubbed ‘Atlanticists’. After the British voted to leave the EU, many thought that Atlanticism – and the old rivalry between the EU and NATO – would subside. Instead other Atlanticists, previously hidden behind Britain, have come forward. Latvia and Lithuania have already opposed ideas for an EU operational headquarters (OHQ), arguing that there is no need to duplicate what NATO is doing. Poland, in a change from its previous government’s position, has also spoken out against the idea.

Mogherini’s proposal has taken these concerns into account and hence looks rather modest: the role of the OHQ is limited to “non-executive military missions”, such as training missions, and to civilian operations, such as police deployments. The final proposal is a clear sign of the continuing incrementalism with which the EU approaches the project: the SDIP proposes to “consider developing a concept” to “make better use of existing national or multinational deployable headquarters made available to the EU, on a rotational basis, with a focus on training, mentoring and advising.” No revolutionary new structure here.

EU defence investment

CSDP institutions and structures mean little, as long as the EU lacks access to the capabilities it needs to conduct credible military operations. The EUGS highlights a number of areas that Europe urgently needs to invest in. It emphasises the well-known need for EU member-states to buy transport aircraft, tanker aircraft and helicopters. It also stresses that member-states must invest in intelligence, surveillance and reconnaissance (ISR) capabilities, drones and satellite communications, as well as cyber and maritime security.

EU member-states have struggled for years to increase defence spending to a level that enables them to develop

these key capabilities. Over the last decade, from 2005 to 2015, defence spending by the 27 member-states of the European Defence Agency (EDA – every member-state bar Denmark) declined in real terms by 10.7 per cent (€22 billion).⁹ The financial crisis in particular undermined national defence spending efforts.

“Member-states have struggled to increase defence spending to a level that enables them to develop key capabilities.”

4: Alex Barker, ‘Paris and Berlin push for tighter defence co-operation’, *Financial Times*, September 12th 2016.

5: Jean-Claude Juncker, ‘State of the Union Address 2016: Towards a better Europe – a Europe that protects, empowers and defends’, September 14th 2016.

6: The EU’s Civilian Planning and Conduct Capability is the body responsible for the planning and conduct of civilian CSDP operations. Located in Brussels, it employs 68 permanent staff, among them both EU officials and seconded national experts. The CPCC Director acts as Civilian Operation Commander, under the political control of the Political and Security Committee and the overall authority of the High Representative.

7: The European Council can decide to activate the EU Operations Centre for a particular military operation. Located in Brussels, it is not a standing, fully manned headquarters. Permanently staffed by a team of only four officers, a total of 103 officers and civilians can be deployed to the Operations Centre when it is activated.

8: For more see: Daniel Keohane, ‘An EU HQ? Let them at it’, *RUSI Commentary*, October 2016.

9: All defence spending data: EDA defence data portal.

Following six consecutive annual declines, total EU defence expenditure rose in 2014, edging up by a nominal 2.3 per cent from €190 billion to €195 billion. Current estimates suggest a further nominal increase of 2.6 per cent in 2015, taking overall spending back to its pre- 2007 financial crisis level of €200 billion. The increase, while important symbolically, does not amount to much in terms of spending power. In fact, measured as a share of GDP, defence expenditure fell to an average of just 1.4 per cent in 2015, its lowest level on record.

An increase in national defence spending alone, however, will not solve Europe's capability problem. It will take time to translate increased expenditure into stronger defence capabilities – because weapon systems take a long time to develop and procure, and because many European countries will use much of the money to invest in repairing existing equipment.

Moreover, new defence systems are becoming more complex and costly – price rises have outstripped inflation for many years. And rising personnel costs are constraining the amount that member-states can spend on equipment and research and development (R&D). Together, the 27 member-states of the EDA spend only €7.5 billion per year on defence-related R&D, while the United States spends about ten times that amount. As a result, European countries are limited to buying only few major weapons systems, and are hence finding it hard to sustain an industrial base that can deliver the full range of capabilities.

European defence planners increasingly depend on procuring defence equipment 'off the shelf' from third countries, most importantly the US. Buying off the shelf, however, involves minimal local technology or intellectual property content and weakens the European defence technology and industrial base, which, if lost, would be extremely difficult to rebuild. The EU wants to create a defence industrial policy to make the European defence market internationally competitive and give it more autonomy from third country suppliers. The ultimate solution is shared defence procurement and development between like-minded European countries.

The Lisbon Treaty sets out the tasks of the EDA: to "support defence technology research, and co-ordinate and plan joint research activities and the study of technical solutions meeting future operational needs" (article 45 of the Treaty on European Union). However, the EDA has never fully lived up to its potential. It depends on member-states' contributions, allocated on a case-by-case basis for each initiative. Over the past 10 years, projects carried out by the EDA have only received €500 million, and the EDA's budget has fallen 15 per cent in real terms since 2010. As a result, most EDA activities have been limited in scale.

10: European Parliament, 'Study on the impact of the 'defence package' directives on European defence', 2015.

London has blocked an increase in the EDA's budget for the last six years. In 2016, after the EU referendum, the UK allowed the EDA's 2017 budget to rise to €31m from €30.5m. This is an important symbolic step, but Brexit will not trigger a wave of European defence industry co-operation.

“With Brexit, the EU will lose the main proponent of applying free market logic to defence procurement.”

In fact, despite its aversion to the EDA, the UK has been an important ally of the Commission's efforts to make the EU's defence market more competitive; without it, these efforts may stall. Too often the EU's national defence budgets are spent inefficiently. Member-states sustain uncompetitive defence industries as state-subsidised job creation schemes in a relatively high-skilled industrial sector.

In an effort to regulate defence procurement, the EU passed a directive in 2009 requiring member-states to publish defence tenders and contracts in the same way as other public procurement projects. It has had limited success: governments continue to privilege national firms in their allocation of defence contracts. One notable exception has been Britain, which has opened up its procurement to suppliers from other EU member-states. The UK has made more use than other member-states of the defence procurement directive's procedures: Britain was responsible for 38 per cent by value of the contracts posted between 2011 and 2014, followed by France at 26 per cent and Germany at 9 per cent.¹⁰

Over the last years, the Commission's response to the lack of compliance with the directive by member-states has been limited to a letter to 13 member-states in March 2016, "reminding" them of their neglected obligations. As the CER has previously written, if the Commission is serious about its reform endeavours it should use all the instruments available to it, including the threat of legal action, to ensure member-state compliance.¹¹

To ensure compliance with the directive, the Commission will put forward a detailed explanation of the directive's terms and provisions, and, more importantly, ask the European Court of Justice to examine some of the previous decisions by member-states to allocate contracts to domestic providers rather than tendering EU-wide. With Brexit, however, the EU will lose not just one of the four member-states that spend at least 2 per cent of GDP on defence, but also the main proponent of applying free market logic to defence procurement.

11: Sophia Besch, 'Security of Supply in EU defence: Friends in need?', CER insight, August 2016.

The election of Trump gives Europeans even more reason to invest in defence and increase their share of the burden of European security – on the one hand, to demonstrate their value to the United States; and on the other to protect their ability to act autonomously, should American foreign policy under Trump diverge from European interests. The President-elect and some of his advisors have murky ties to Russia. He has expressed his admiration for Vladimir Putin and appears to share his hostility to the liberal world order; both appear to have a zero sum view of the world. Most immediately worrying to those Central and Eastern European member-states that fear an expansionist Russia are Trump's comments that he would only come to the assistance of an ally under attack if he judged that it had met its obligations to America. Thus in an interview with the *New York Times* in 2016 he said that "if we cannot be properly reimbursed for the tremendous cost of our military protecting other countries...if we cannot make a deal...then yes, I would be absolutely prepared to tell those countries, congratulations, you will be defending yourself."¹²

But recent crises have also highlighted the Europeans' varied strategic perspectives, especially over the right approach to Russia. A survey last year found that despite treaty commitments to NATO solidarity, voters in several European NATO member-states were reluctant to use force against Russia even to protect an ally. The poll made EU member-states geographically close to Russia uneasy.¹³ And elections in 2017 are likely to strengthen the influence of Putinophiles in key EU governments: French presidential candidate François Fillon wants to lift sanctions on Russia and sees Putin as a partner in fighting terrorism and curbing migration; his most likely opponent in the second round of the elections, Front National leader Marine Le Pen, is an even more enthusiastic supporter of Putin. *Russlandversteh*er – Germans who empathise with Russia's aggressive policies and advocate rapprochement between Europe and the Kremlin – in Germany's SPD are similarly making

relations with Russia an election topic, and they criticise Merkel's government for her strict sanctions policy.

With the election of Trump, Europeans who feel threatened by Russia find themselves between a rock and a hard place when it comes to finding a reliable defence partner. But in view of the superior military capacities of the United States, EU member-states may well decide to follow the transactional course dictated by Trump. The President-elect appears to prefer bilateral deals to multilateral organisations. Europeans may find that instead of relying on the solidarity of the United States as an ally, they have to bid bilaterally to prove to Trump that they are doing enough to be worth protecting. Central and Eastern European states in particular are in a good position to establish themselves as valuable (business) partners: they invest proportionally much more in their defence than some of the bigger, wealthier European states. Poland, for example, decided to raise its defence budget to 2 per cent of GDP in 2016. Latvia has announced a rise to 1.7 per cent. Estonia already spends 2 per cent of its GDP on defence.

These states could choose to use defence procurement contracts to establish closer bilateral ties with the US and keep Washington interested in their national security concerns. Poland has already decided this year to cancel a military helicopter deal with Airbus in France and to instead give the contract to a US firm, because offers made by Airbus had "failed to properly secure Poland's economic and security interests".¹⁴ If this is a sign of what is to come, the Commission's defence market reform plans will have little effect: only if member-states award contracts to European firms can the EU preserve its industrial base.

“With the election of Trump, Europeans threatened by Russia find themselves between a rock and a hard place.”

EU defence pioneers

The most immediate sign of the EU's new-found enthusiasm for CSDP in 2016 was a plethora of public declarations about the importance of the EU defence project. After the Brexit referendum, France, Germany and Italy issued a joint declaration in which they acknowledged that the potential of a true common foreign, security and defence policy had not yet been fully realised, and proposed to develop European defence through "the

necessary commitments for our joint operations, as well as for our military capacities and industry".¹⁵

The French and German foreign ministers also published a shared bilateral vision for "a more coherent and a more assertive Europe on the world stage". Their declaration stated that "France and Germany recognise their responsibility to reinforce solidarity and cohesion within

12: *The New York Times*, 'Transcript: Donald Trump on NATO, Turkey's Coup Attempt and the World', July 21st 2016.

13: Katie Simmons and others, 'NATO Public Opinion: Wary of Russia, Leery of Action on Ukraine', Pew Research Centre, June 10th 2015.

14: See for more: *Deutsche Welle*, 'Poland cancels multi-billion euro Airbus Helicopters deal', October 5th 2016.

15: François Hollande, Angela Merkel, Matteo Renzi, 'European Union – British referendum/priorities for stronger, intensified action', Joint Statement, June 2016.

the European Union.”¹⁶ The French and German defence ministers then followed up with a six-page position paper in advance of the European Council in Bratislava in September 2016, in which they called among other things for triggering PESCO.¹⁷ Their proposal was subsequently embraced in a letter signed by the defence ministers of Italy and Spain to their EU counterparts.

The need for more defence co-operation was relatively uncontroversial in the summer of 2016. At a time when no agreement could be expected on questions of economic policy or immigration, defence plans offered an opportunity for the EU-27 to reaffirm the Union’s legitimacy after the Brexit referendum had shaken the European project. But can this enthusiasm be translated into action?

The EU plans to capitalise on the current momentum for EU defence by following up the Franco-German proposal to trigger PESCO. Member-states that decide to join that format could agree to spend more on defence, co-ordinate their equipment procurement and increase the

interoperability and deployability of their troops. Ideally, this would allow a core group of defence ‘pioneers’ to accelerate their defence co-operation. Around a dozen capitals – including Germany, France, Italy, Spain, Finland and the Benelux states – have expressed interest so far.

PESCO, however, is just a mechanism. It will not mean very much unless governments develop a clear vision of what they want to achieve through closer defence integration. The member-states’ divergent strategic priorities and threat assessments have prevented the EU from acting as a single defence actor for years. Do Trump’s election and the prospect of Brexit change this? PESCO will be an important test of the Union’s political cohesion in defence matters: even within the smaller group of countries that are interested in closer defence integration, member-states struggle to agree on the EU’s role in the Eastern or the Southern neighbourhoods; the balance between expeditionary or territorial missions, and how the relationship with NATO should develop. There is a pressing need for leadership.

From showmanship to leadership

The British-French couple has dominated EU defence policy since its inception. Over the last two years Germany, long reluctant to deploy its military forces abroad, has shown greater willingness to become active in the defence and security field. After the British vote to leave the Franco-German couple is the obvious pair to provide leadership for EU defence. France will be the only country left in the EU that can credibly project force abroad, and not many initiatives can succeed in Brussels without Germany’s support. But without the UK’s voice, how will the new Franco-German vision for CSDP play out?

In 2016, for the first time in a decade, Berlin published a white book on defence. In it, the German government appeared determined to shoulder at least some responsibility for European security. In Iraq, Germany, along with the US and Britain, has been supplying Kurdish Peshmerga fighters with weapons and ammunition for the past two years to support them in their fight against the so-called Islamic State. The German defence budget will increase from €34.3 billion to €39.2 billion over the next four years.

But a 2014 parliamentary inquiry found that much of the Bundeswehr’s military equipment was unusable – only one of Germany’s four submarines was operational and only about half of its military transport aircraft. A mere seven of the German navy’s fleet of 43 helicopters were flight-worthy. It will be years before increased German spending on defence leads to new capabilities.

And any deployment of German troops still requires a mandate from the ever-reluctant Bundestag. It is likely that Germany will see the value of CSDP as potentially harmonising national defence policies and co-ordinating capability development, rather than fostering ambitious EU military missions – a political, rather than a military project. Berlin is ultimately looking to Paris to take the lead on defence.

“PESCO will be an important test of the Union’s political cohesion in defence matters.”

For its part, France has reversed planned cuts to its defence spending in response to terrorist attacks in Europe. It conducts overseas military operations in the Sahel and against the so-called Islamic State in Syria and Iraq. In recent years, France has been mainly interested in European support for its military operations in Africa and its counter-terrorism efforts. In October 2016, President François Hollande warned that “there are countries that think there will always be a cover that will come and shelter them from every influence. There are some that think the conflicts...don’t concern them...So those European countries must be told – and I won’t stop doing so – that if they don’t defend themselves they will no longer be defended.”¹⁸

16: Jean-Marc Ayrault and Frank-Walter Steinmeier, ‘A strong Europe in a world of uncertainties’, June 2016.

17: Alex Barker, ‘Paris and Berlin push for tighter defence co-operation’, *Financial Times*, September 2016.

18: Francois Hollande, ‘European Union – Migration/Brexit/fight against terrorism’, speech at the celebration of the 20th anniversary of the Jacques Delors Institute, October 18th 2016.

Europe needs France to take the lead on making CSDP operational and holding Germany to its promises to boost defence spending. But a weak president and a flailing economy have left France struggling to provide leadership to the EU for years. What is more, the electoral campaigns in 2017 in Paris and Berlin will dispose both countries to turn inward. The *Front National* in France poses perhaps

the greatest risk to European security. Le Pen has voiced support for Brexit and rejects the idea of EU defence policy altogether. If Angela Merkel is elected Chancellor once again, she will face a stronger opposition in her next term. If she loses, Germany will be incapable of providing leadership in this area, as the CDU is the only German party committed to a strong stance on security policy.

Keep the UK close

Even after Brexit, the EU and the UK will have a mutual interest in close defence and security relations. The EU wants to retain access to British capabilities and expertise for its operations and missions. And Britain's defence secretary, Michael Fallon, has indicated that the UK would still want to participate in EU military missions, such as in the Mediterranean, the Indian Ocean or the Balkans, since the UK's trade, security and exposure to immigration will be directly affected by the success of these operations.¹⁹

Eurosceptics in the UK are critical of EU defence. Though considerations about the economy and immigration have dominated the debate on Brexit, national security and defence featured in the campaign. Some conspiracy-minded Brexit supporters insisted that, were the UK to stay in the European Union, British troops would soon be faced with a forced conscription into a Brussels-controlled army. Eurosceptic newspapers supported this theory: a number of articles claimed a conspiracy by the government, EU institutions in Brussels and EU member-states to conceal plans for a European army until after the referendum. In this context, the EUGS and the German white book, both released shortly after the UK's vote to leave, were the subject of much speculation in the British press. And since the referendum, British media have often treated calls for an EU defence union, for an operational HQ and for closer integration as proposals for a 'European Army'.

Commenting on the discussions over the SDIP, Germany's defence minister Ursula von der Leyen was critical of the UK: "the biggest resistance is coming from the British, and there we ask for fairness: whoever is leaving the EU should not in their last days block the caravan."²⁰ She is right: rather than attempting to win points with eurosceptic audiences by blocking CSDP structures while it still can, the UK should instead be looking at ways to offer support and find useful formats for co-operation.

Brexit will not prevent the UK from participating in exercises and operations that are conducted outside the CSDP framework. But to include the UK in the EU's military activities post-Brexit, London and Brussels will have to negotiate a third-country association arrangement. The EU manages partner country contributions to operations

through so-called Framework Participation Agreements – key EU partner countries like Norway, the US, Canada and Turkey have negotiated such deals. Because in 1999 the European Council established the so-called 'decision-making autonomy' of the Union, non-members do not actively participate in negotiating the parameters of an operation in working groups and committees, and do not have a right to veto or vote in the Council's decision-making process. Under the current arrangements, third states such as Norway or Canada become actively involved only at a late stage of operational planning, and are forced to accept the EU's objectives.

“Europe needs France to lead on making CSDP operational and holding Germany to its promises to boost defence spending.”

The UK will not want to accept the subordinate role that the EU currently assigns to non-EU troop-contributing countries. British officials have indicated that they want to negotiate a 'privileged' partnership with the EU – though they have not yet specified what that entails. This means that the political fall-out from a worsening relationship between the EU-27 and London could affect the security and defence relationship as well. If the UK squanders Europe's goodwill over the course of the Brexit negotiations, a privileged status for the British on defence matters may become elusive.

The EU would want to avoid being held hostage by the UK: if Britain makes unrealistic demands in negotiations on the terms for its participation in CSDP now, it might in the future be equally awkward in negotiations on whether to mount specific operations, and how to conduct them. A privileged status for the UK will also likely encounter resistance from other third countries that will want to protect their own arrangements. The EU will not want to set a precedent by giving the UK more voice in decisions than other non-members have. To avoid conflict over perceived unequal treatment, the EU must define transparent and replicable criteria for the inclusion of 'privileged' states. Currently, EU representatives tend to

19: Ben Farmer, Kate McCann, 'Britain 'can still join EU military missions after Brexit', *The Telegraph*, 20th July 2016.

20: Patrick Wintour, 'Defence co-operation talks with EU could delay Brexit process', *The Guardian*, November 18th 2016.

say that the brunt of the responsibility for proposing the terms of association lies with the UK as the leaving party. Seeing how distracted Britain still is by domestic political

struggles, however, it would make sense for the EU to get in ahead of the British and define the terms on which the UK could continue to participate in CSDP.

Strengthen Europe's defence industries

Some of the most promising strands of work currently emerging from Brussels are designed to make EU defence spending more co-ordinated and effective.

The Commission has been working on a so-called 'Defence Action Plan' to be released in December. The plan, which focuses on strengthening EU defence industries, includes a first: a proposal to integrate funding for defence research into the EU's next financial framework. A 'Preparatory Action for defence-related research', with a budget of €90 million to run from 2017-19, could lead to the launch of a €3.5 billion European Defence Research Programme in 2021. By investing at an early stage the EU could reduce some of the risks that defence companies take when they embark on long-term projects.

A related initiative, a planned 'defence fund', would enable member-states to borrow money from the Commission to buy equipment for their national militaries. Mogherini's proposal for the SDIP has also revived the idea of a 'European Semester on Defence', a kind of peer review process for national defence procurement, albeit under a different name. During a 'Co-ordinated Annual Review on Defence', member-states would make their national defence plans and national budget planning more transparent.

To give these initiatives a chance of success, three conditions need to be met. First, the Commission and the EDA must find a way to involve the UK in their efforts to overhaul the European defence market. Associating UK industries with the EU's defence market should be relatively straightforward. While Britain could not participate in the EDA as a member-state, it could continue to take part in EDA projects as a third party country. There is a precedent for such an arrangement: in 2006, Norway signed an administrative agreement, which allows it to participate in the EDA's research and technology projects. A priority should be to develop a UK association agreement with the EDA that allows the British to participate in the Commission's new Preparatory Action.

Second, trust between member-states is essential to establishing a European defence market. Central and Eastern European states will only invest in CSDP if the EU is prepared to be tough when necessary in standing up to

Russia – the EU cannot leave a shadow of doubt that its commitment to its members would be solid in the event of conflict with Russia. Upholding the sanctions regime against Russia, even if Trump should lift the US sanctions, would be an important step in showing that the EU takes the Russian threat seriously.

“A worsening relationship between the EU-27 and London could affect the security and defence relationship as well.”

The positioning of the 'Atlanticist' group of EU member-states will be crucial: should disagreement arise between Brussels and Washington in the future, the EU's credibility will to a large degree depend on the loyalty of Poland and the Baltic states, as well as of the UK. To ensure the Atlanticists' commitment to the EU, more work needs to be done to make sure that the EU's CSDP proposals fit in with NATO's defence planning and institutions, to ensure complementarity and non-duplication.

As the CER has written previously, the longstanding obstacles to EU-NATO co-operation have not disappeared; in particular, the unresolved conflict in Cyprus still gets in the way.²¹ But both organisations have this year taken important steps to address the issue: NATO Secretary General Jens Stoltenberg attended the European Council when Mogherini presented the EUGS. Mogherini in turn was invited to NATO's Summit in Warsaw in 2016, where NATO and the EU issued a joint statement on co-operation in areas including countering hybrid and cyber threats, defence capacity building and maritime security. And as a follow-up, NATO will present a plan outlining concrete proposals for closer co-operation in December.

Finally, there must be a real and sustainable change of heart on defence spending in European capitals. Trump is right to criticise Europeans for not carrying their weight on defence spending. He is not the first American president to call out European allies on their refusal to share the burden of European security, but he is hitting a nerve at a time of increased European insecurity. Without more investment in defence, none of the EU's CSDP proposals have a chance of success.

21: Ian Bond, 'NATO, the EU and Brexit: Joining forces?', CER insight, July 2016.

The Good, the Bad, the Ugly

The EU's efforts to reform its defence policy are a much-needed response to a deteriorating security environment. They began before Brexit and the election of Trump, but these two events have given a boost to Mogherini's defence plans, and increased the pressure on EU countries to increase their military spending.

The narrative that leaders in Brussels, Paris and Berlin have supported since the US election is one of balancing the uncertainty about transatlantic bonds by working towards stronger and better-integrated European defence industries, investing in the development of military capabilities and building effective command and control structures. They also argue that the removal of the British veto allows them to do these things by creating institutional structures that Britain has previously blocked. But as this policy brief has demonstrated, while it would make sense for Europeans to co-ordinate their response to Brexit and the Trump presidency in defence matters, unity is by no means predetermined and the lack of defence capabilities will not be solved over night.

Britain's vote of no confidence in the EU means that the Union is likely to be distracted by internal divisions for some time. The perceived weakening of the US security guarantee threatens to undermine the already weak strategic cohesion among European allies in the EU and NATO. The EU's political message of unity so far remains largely aspirational. The SDIP and the Defence Action Plan should exploit the current political momentum to build the foundations of a more competitive European defence market that can develop the equipment European militaries need to succeed in operations. But to put more forces in the field, CSDP will need leadership strong enough to sustain the current momentum past the December European Council. The stakes have never been higher for the EU's defence policy.

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