

RETHINKING A GLOBAL EUROPE

Ideas to make the EU
a stronger global actor



ENGAGE

ENVISIONING A NEW
GOVERNANCE ARCHITECTURE
FOR A GLOBAL EUROPE

POLICY BRIEF 1

MAY 2023

PREPARE FOR THE FIGHT OF THE FUTURE

Decades of underinvestment and uncoordinated military capability development have hollowed out Europe's armed forces. The need to transfer military equipment to Ukraine following Russia's aggression is further depleting national stockpiles. With war having returned to Europe, EU Member States must invest more in their own security and better coordinate their efforts. This brief advances recommendations to improve cooperation in capability development and reduce European fragmentation and inefficiencies.

1. Improve harmonisation of capability requirements

Uncoordinated capability requirements prevent the EU and its Member States from fully exploiting their economic and industrial potential, with knock-on effects for military readiness and interoperability. The capability priorities derived from the Capability Development Plan (CDP), developed by the European Defence Agency (EDA) and the EU Military Staff (EUMS), should be formally adopted at Council level to boost implementation at national level and ensure coordination with the national defence investments.

2. Define an EU defence industrial strategy

The 2007 European Defence Technological and Industrial Base (EDTIB) Strategy has not been updated and new developments have not been captured in a systematic way. A new EDTIB strategy should reflect the restructuring of the European defence industrial landscape over the past 16 years and consider new relevant EU instruments and regulations while offering recommendations to increase the EDTIB's international competitiveness. The new strategy should be jointly developed by the Commission and the EDA and adopted by the Council.

3. Clarify the role of the European Commission in defence industrial matters

The Commission has turned itself into a dynamic policy entrepreneur on defence industrial matters. But coordination between its initiatives, Member State priorities, and other efforts at EU level is often weak. The relevance of Commission-led defence industrial initiatives would increase if they were linked more directly to capability planning assumptions.

4. Increase partnerships with strategic industrial actors outside the EU

To deliver the equipment and technology required by armed forces, the European defence industry needs to cooperate with partners outside the Union. Supply chain disruptions and limitations have made partnerships with third parties even more relevant. However, EU projects are often unattractive for third parties. A potential solution could be to open European Defence Fund (EDF) projects to additional non-EU funding. This could lower the financial burden for Member States and improve the attractiveness of EDF projects for third parties while satisfying the requirements of the EDF regulation and allaying concerns about defence industrial autonomy.

PREPARE FOR THE FIGHT OF THE FUTURE

This policy brief advances recommendations to improve cooperation for military capability development at the EU level. It proposes mechanisms to boost the harmonisation of planning priorities, as well as the development of a new defence industrial strategy. The policy brief further proposes ideas to better coordinate relevant initiatives among EU institutions and Member States and addresses the challenge of involving non-EU strategic partners in capability development.

Introduction

Decades of underinvestment and uncoordinated military capability development have hollowed out Europe's armed forces. The need to transfer military equipment to Ukraine following Russia's aggression is further depleting national stockpiles. With war having returned to Europe, EU Member States must invest more in their own security and better coordinate their efforts. This brief advances recommendations to improve cooperation in capability development and reduce European fragmentation and inefficiencies, all while considering EU Member States' national strategic interests.

Why does this matter?

The recommendations in this brief stem from research conducted in the **ENGAGE project**. ENGAGE research on the Common Security and Defence Policy (CSDP) **highlights** that the unanimity requirement to cooperate in CSDP applies to cooperation for military capability development as well. In their research on capability development, the project team **considered** cooperation for research and development (R&D) to support new military capabilities, the definition of common priorities, standards and requirements, as well as the development and procurement of military equipment. Capability development as analysed in ENGAGE therefore covers aspects of both military planning and industrial cooperation.



Figure 1: Commission funding instruments - Completed and expected

Completed instruments

- **Preparatory Action on Defence Research**

2017 - 2019

Support defence R&T for joint research projects.

90 mio EUR

- **European Defence Industrial Development Programme**

2019 - 2020

Capability development and co-financing joint development of defence products and technologies.

500 mio EUR

Expected future funding

Act in Support of Ammunition Production (ASAP)
500 mio EUR

2023 - 2025

Support a ramp-up production of ammunition and missiles in the EU. Budget to be allocated from the entry into force (exp. summer 2023) until June 2025.

European Defence Industry Reinforcement through common Procurement Act (EDIRPA)
500 mio EUR

2022 - 2024

Support collaboration among Member States in the procurement phase to fill urgent needs. Potential increase of funding up to 1bln EUR, vote expected in summer 2023.

European Defence Investment Programme (EDIP)

2024 - onwards

Support cooperation among Member States for future joint development and procurement projects of high common interest to the security of the Member States and the Union.

The EU’s Headline Goal Process, CDP, and Coordinated Annual Review on Defence (CARD) all contribute to defining capability development priorities while identifying opportunities for cooperation among Member States. However, since capability development remains a Member State responsibility, these processes provide *suggestions* for Member State activities, rather than *obligations*. **National planning documents** show **important variation**, which is rooted in divergent strategic cultures. Moreover, Member States are resistant to EU-driven change because of the strategic value of capability development, which is meant to develop equipment to meet national requirements and often to support national defence industries. Combined, however, diverging national planning priorities and cycles prevent the exploitation of identified opportunities for cooperation.

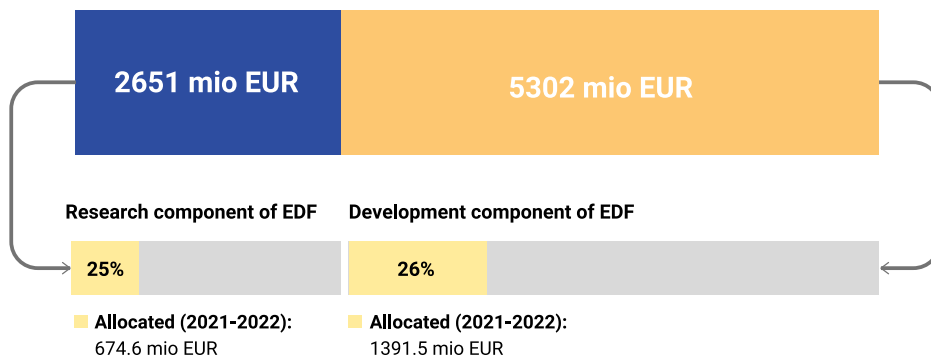
Missed opportunities are reflected in the European defence industrial sector, which continues to be fragmented, duplicative, dependent on imports of raw materials and with low investments in innovation and technology. Effective and efficient capability development and industrial cooperation at the EU level is needed to develop a better integrated, interoperable, and resilient EDTIB, as called for in the Strategic Compass. Over the past decade, several initiatives have been launched to sustain and improve the EDTIB (see figures, which represent European Commission funding instruments); they are managed by the EDA and the Directorate General for Defence Industry and Space (DG DEFIS). But the structure of the EDTIB continues to reflect national interests. The capacity to produce the required equipment has actually diminished over time, as exposed in the context of Russia’s war of aggression against Ukraine. All of this has negatively affected the EU and its Member States’ abilities to play a bigger role in security matters.

Figure 2: Commission funding instruments - Ongoing

European Defence Fund (EDF)

2021 - 2027

Total funds: 7953 mio EUR



Cooperation among companies and research actors in the Union, in research and development (R&D) of state-of-the-art and interoperable defence technology and equipment.

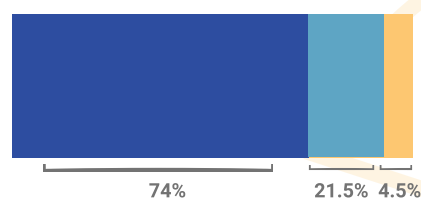
EU Defence Innovation Scheme

2021 - 2027

Total funds: 2000 mio EUR

- Funding from EDF
- Member States co-funding
- Other public and private investors

The fund supports R&D, innovation and the exploitation of synergies.



Policy recommendations

Improve harmonisation of capability requirements

Uncoordinated capability requirements prevent the EU and its Member States from fully exploiting their economic and industrial potential, with knock-on effects for military readiness and interoperability. Permanent Structured Cooperation (PESCO) commitments do not specify any minimum strength for force contributions or benchmarks for national levels of ambition in capability development. The capability priorities derived from the Capability Development Plan (CDP), developed by the European Defence Agency (EDA) and the EU Military Staff (EUMS), should be formally adopted at Council level to boost implementation at national level. Furthermore, in the definition of priorities, closer coordination with the NATO Defence Planning Process (NDPP) should be ensured.

Define an EU defence industrial strategy

The 2007 European Defence Technological and Industrial Base (EDTIB) Strategy has not been updated and new developments have not been captured in a systematic way. A new EDTIB strategy could reflect the restructuring of the European defence industrial landscape over the past 16 years and consider new relevant EU instruments and regulations while offering recommendations to increase the EDTIB's international competitiveness. It should include evaluations of available industrial expertise, current equipment availability and lifespan, and the market potential of future capabilities, while setting targets for technological progress in the mid- and long-term. The strategy should be jointly developed by the Commission and the EDA and adopted by the Council; it should be designed to include periodic reviews and updates to ensure relevance and timeliness.

Clarify the role of the European Commission in defence industrial matters

The Commission has turned itself into a dynamic policy entrepreneur on defence industrial matters, a policy arena in which Member States have been reluctant to cooperate. But coordination between the Commission's initiatives and Member State priorities, as well as other efforts at EU level, is often weak. This generates a risk that DG DEFIS' activities and instruments to sustain the industrial sector could lead to products that do not match Member State priorities. The relevance of Commission-led defence industrial initiatives would increase if the Commission linked these more directly to capability planning assumptions. Achieving this is complicated by the fact that Commission competencies are limited to industrial aspects.

Increase partnerships with strategic industrial actors outside the EU

To deliver the equipment and technology required by armed forces, the European defence industry needs to cooperate with partners outside the Union. Supply chain disruptions and the accelerating speed of technological development have made partnerships with third parties even more relevant, but potential partnerships must at the same time be balanced with the focus on increased European strategic autonomy and the ambition to reduce strategic dependencies on third parties. However, generating partnerships can be challenging because EU projects are often unattractive for third parties. A potential solution could be to open EDF projects to additional non-EU funding. This could lower the financial burden for Member States and improve the attractiveness of EDF projects for third parties while satisfying the requirements of the EDF regulation and allaying concerns about defence industrial autonomy.

This policy brief has been drawn up by Ester Sabatino and Bastian Giegerich on the basis of research conducted in the ENGAGE project. For a more in-depth look at the research, please visit the ENGAGE website.

Project identity:

The ENGAGE (Envisioning a New Governance Architecture for a Global Europe) project examines how the EU – both the institutions and its Member States – can effectively and sustainably harness all of its tools in joined-up external action alongside the Common Foreign and Security Policy (CFSP) and its Common Security and Defence Policy (CSDP) to meet key strategic challenges and become a stronger global actor.”

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