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# EU-UK co-operation in defence capabilities after the war in Ukraine

By Luigi Scazzieri



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This policy brief is the second of a three-paper CER/KAS project, “Shared Values, Common Challenges - UK European Security Co-operation after the War in Ukraine.” The first brief focused on the European Political Community. This paper deals with co-operation in defence capabilities. The last will focus on China policy.

- ★ Security and defence co-operation is not formally part of the UK-EU relationship. However, Russia’s invasion of Ukraine prompted the EU and the UK to work together more closely. The UK and the EU have co-ordinated sanctions against Russia and intensified their dialogue on security and defence issues. The UK has also joined the military mobility project within the EU’s Permanent Structured Co-operation (PESCO) framework.
- ★ This increased UK-EU defence engagement co-exists with a growing gap in terms of British involvement in the EU’s growing efforts to develop defence capabilities. The UK is not included in EU initiatives to promote joint research and development between EU members through the European Defence Fund (EDF). At the same time, EU countries have recently agreed to procure ammunition jointly using the European Peace Facility (EPF), and the European Commission is trying to foster more joint procurement of military equipment. None of these initiatives allow for much involvement by non-EU countries.
- ★ The EU’s deepening role in defence has not yet had a major impact on bilateral and small group defence co-operation between the UK and its EU partners. France, Germany and Italy remain important partners for the UK in defence capability development and there is scope for deepening co-operation in many areas. However, growing EU involvement in defence could over time reshape the way defence co-operation between member-states takes place. The UK may eventually find itself shut out of co-operative capability projects. That would be a challenge for the UK but also for the EU, given the expertise and industrial capacity of Britain’s defence sector.
- ★ A closer and mutually beneficial UK-EU defence relationship is possible. The first steps to improving co-operation would be establishing a formal UK-EU defence and security dialogue and concluding a UK-European Defence Agency (EDA) administrative arrangement. These would provide an institutional underpinning for the relationship and enable more contacts between UK and EU representatives. These steps could be followed by UK involvement in more PESCO projects to test the boundaries of third country involvement in EU capability development tools.
- ★ Following these steps, the UK and the EU could consider closer UK association with the EPF for future joint procurement projects on the model of the EU’s joint ammunition purchase. That could be complicated, but the EU may be receptive to such an idea if the UK was willing to make a financial contribution to the EPF. In the longer term, closer UK association with the EDF could also be an option.



Vladimir Putin's invasion of Ukraine in February 2022 was a watershed moment in European security. The war has pushed the UK and its European allies closer together. The EU and the UK, together with the US and other allies, have worked together to impose a set of sweeping economic sanctions against Russia and have provided Ukraine with military support that has allowed Kyiv to push back Putin's initial offensive and retake large parts of its occupied territory. At the same time, working through NATO, the UK and its European partners have strengthened deterrence against Russia by reinforcing their military presence on the alliance's eastern flank. With the US trying to shift its attention towards Asia, Europeans are likely to need to take on a bigger share of the burden of their own defence and develop more capable armed forces.

This policy paper, the second in the CER/KAS series 'Shared Values, Common Challenges - UK-European Security Co-operation after the War in Ukraine', focuses on one dimension of that challenge – how the UK and its EU partners can work together in developing and procuring the military capabilities they need. The paper assesses how UK-EU co-operation in the defence field has been

shaped by the conflict in Ukraine, and how growing EU involvement in the development and procurement of defence capabilities could affect co-operation. The paper argues that closer co-operation in the defence space is both mutually beneficial and possible, if both sides are willing to invest in their partnership.

## UK-EU defence ties after the war in Ukraine

Defence, security and foreign policy co-operation were not part of the 2020 Trade and Co-operation Agreement that underpins the post-Brexit UK-EU relationship. Under Prime Minister Theresa May, the UK sought a bespoke relationship with the EU, but the Union was not willing to give the UK an arrangement that went significantly beyond what other third countries already had in terms of decision-shaping. When Boris Johnson replaced May as prime minister, the UK changed its approach and opted not to seek any institutional relationship with the EU in security and defence, thinking that the Union's role in these issues was limited and that they could be dealt with through NATO or bilateral relationships with European allies.

*“Increased UK-EU engagement co-exists with a growing gap in the field of defence capability development.”*

The UK's 2021 Integrated Review of Security, Defence, Development and Foreign Policy made little mention of security co-operation with the EU. Instead, the UK concentrated its efforts on deepening co-operation with EU member-states individually. A particular focus for the UK was the Joint Expeditionary Force (JEF), a multinational pool of military forces made up of contributions from the Netherlands, Denmark, Norway, Sweden, Finland and the Baltic states. The JEF is designed to increase interoperability between military forces through joint exercises. The UK also signed bilateral security and defence co-operation agreements with many

of its European partners including Germany (2018 and 2021), Italy (2021 and 2023), Poland (2018 and 2022), the Netherlands (2017), and the three Baltic states (2021).<sup>1</sup>

Russia's invasion of Ukraine in February 2022 prompted closer UK-EU security co-operation. The UK's value as a security partner to the EU has become more evident. The UK is the third biggest contributor of military assistance to Ukraine, after the United States and the EU institutions.<sup>2</sup> Contacts have intensified and UK officials have worked closely with the European Commission and the European External Action Service in co-ordinating sanctions against Russia. In March 2022, then Foreign Secretary Liz Truss attended a meeting of EU foreign ministers, and in October, as prime minister, Truss participated in the inaugural meeting of the European Political Community, a new forum designed to foster greater dialogue and co-operation between the EU and its non-EU European partners.<sup>3</sup> The UK has increased its engagement with EU defence initiatives, following Canada and the US in joining the EU's military mobility project within the Permanent Structured Co-operation framework (PESCO). The project, the flagship of EU-NATO co-operation, aims to ease physical and regulatory barriers to moving troops and military kit around Europe. The UK has also helped set up the EU training mission for Ukrainian troops by providing most of the curriculum for it.

This increased UK-EU engagement co-exists with a growing gap in the field of defence capability development, however. The UK is not involved in EU efforts to promote joint research and development efforts under the €7.9 billion European Defence Fund (EDF) established in 2021. The EU's role in capability

1: For an overview, see Ed Arnold, 'UK defence and security relationships across Europe', RUSI/KAS.

2: Data from the Kiel Institute for the World Economy, Ukraine support tracker.

3: Luigi Scazzieri, 'Can the European Political Community be a bridge between the UK and the EU?', CER/KAS policy brief, April 28<sup>th</sup> 2023.

development has deepened since Russia's full-scale invasion of Ukraine, and the Union is becoming more involved in trying to foster the joint procurement of military equipment by member-states. In March 2023 European leaders agreed to jointly procure ammunition (and potentially missiles) for Ukraine using €1 billion from the European Peace Facility (EPF) – a funding instrument outside the EU budget that member-states have used to finance lethal aid to Kyiv. Some member-states will implement the joint procurement through the European Defence Agency (EDA), whereas others will adopt a 'lead nation' approach. In any case, the EPF's funds can only be used to buy products from EU or Norwegian firms and produced in the EU or Norway.<sup>4</sup> To support EU firms in increasing their ammunition manufacturing capacity, in May 2023 the Commission proposed a new instrument, the Act in Support of Ammunition Production (ASAP), worth €500 million until 2025.<sup>5</sup>

*“The UK is concerned at how the EU's defence industrial initiatives are developing to the exclusion of non-EU countries.”*

In parallel to the measures to support ammunition production, the EU has established a Defence Joint Procurement task force to co-ordinate member-states' short-term efforts. The EU is also developing two funding instruments to support joint procurement by member-states. One tool, the European Defence Industry Reinforcement through a Common Procurement Act (EDIRPA) is worth €500 million and is supposed to cover short-term needs. In December 2022, member-states agreed that EDIRPA funds could only be used to finance projects with at least 70 per cent of the cost of components originating in the EU (and associated countries like Norway).<sup>6</sup> Negotiations to finalise EDIRPA have been slow and it has not yet been adopted. Meanwhile, the Commission is working on a proposal for a longer-term plan to incentivise common procurement, the European Defence Investment Programme (EDIP). This is likely to involve incentives to encourage member-states to work together, such as exempting jointly procured equipment from VAT.

The UK is concerned at how the EU's defence industrial initiatives are developing to the exclusion of non-EU countries. The EU is keen for its funding to only benefit its own industry, and also wants to avoid any dependencies on non-EU countries and firms in terms of intellectual property or export controls. The UK thinks that the conditions for non-EU countries and firms to participate in PESCO and EDF projects are too strict to make participation worthwhile. In particular, the conditions for third country participation mean that intellectual property cannot be removed from the EU, and that third countries cannot block exports of a product developed within PESCO or the EDF to other countries. The EU's forays into procurement with EDIRPA, EDIP and the joint procurement of ammunition have intensified pre-existing British concerns about being excluded from the EU's deepening efforts in defence capability development. From a UK perspective there is a risk that, over time, the EU's defence tools might gain momentum and generate a gradual restructuring of the European defence market, to the detriment of non-EU firms.

These concerns, however, have so far not pushed the British government to pull the levers available to try to develop closer relations with the EU in the defence industrial field. For example, having a formal UK-EU dialogue on defence and security could pave the way for more UK involvement in EU capability development efforts. The UK would find it easier to discuss defence industrial issues with the EU institutions and some member-states if it concluded an administrative arrangement with the EDA. And the UK could seek closer association to the EPF to involve itself in future joint procurement efforts, as this funding instrument is outside the EU budget and therefore more flexible than other EU tools. However, the UK government has shown little appetite for any of these options. And, while the 2023 Refresh to the UK's 2021 Integrated Review hinted at possible British participation in additional PESCO projects, that has not yet happened. Closer co-operation with the EU in defence remains difficult for the current government given that many Conservative MPs remain sceptical of British involvement in EU defence initiatives. Labour's position is very different, and the party has called for closer foreign policy and defence relations between the UK and the EU.

## Bilateral and minilateral co-operation between the UK and its European partners

The UK's reluctance to engage with the EU may partly be because in recent years, and more than ever in the last two years, Britain has turned to partners outside Europe to develop defence capabilities. In September 2021, Johnson concluded the AUKUS deal with Australia and the US to

build nuclear submarines for Australia. In December 2022, the UK and Italy announced they were working with Japan in developing a next generation fighter aircraft, the Global Combat Air Programme (GCAP). Despite this partial tilt away from Europe, however, partnerships with European

4: European Council, 'Council agrees €1 billion support under the European Peace Facility', May 5<sup>th</sup> 2023.

5: European Commission, 'Proposal for a regulation of the European Parliament and of the Council on establishing the Act in Support of Ammunition Production', May 3<sup>rd</sup> 2023.

6: European Council, 'EU defence industry: Council reaches general approach on boosting common procurement', December 1<sup>st</sup> 2022.

countries are still of critical importance to the UK. So far, these have not been affected by the deepening of EU involvement in the defence field. Most co-operation in developing and procuring defence capabilities between EU countries or between the UK and EU members still happens on a bilateral basis or in small groups. National defence planners still do not fully take into account EU defence tools.<sup>7</sup>

France has long been the UK's most important European partner in military capability development, as a major military power with a highly developed defence industry. The 2010 Lancaster House Treaties form the framework of the relationship, setting an ambitious agenda for co-operation in military operations and training, capability development and nuclear testing and safety. In practice, the focus of Anglo-French co-operation has been operational. The UK and France have set up a joint (non-permanent) military force, the Combined Joint Expeditionary Force, which has been operational since 2020. There are also extensive defence staff exchanges between the two countries.

*“Defence co-operation between the UK and its European partners has not yet been affected by the deepening of EU involvement in defence.”*

The results of co-operation in terms of capabilities have been more limited. The focus of co-operation has been on ‘complex weapons’, in particular missile systems. Another flagship project concerns the development of an autonomous maritime mine hunting system.<sup>8</sup> The UK and France have also worked with Belgium, Germany, Spain and Turkey on the joint procurement of the A400 transport aircraft. However, many of the more ambitious projects agreed on in 2010 have proved difficult to implement. In particular, the ambition to co-operate on next generation aircraft has failed. Instead of working together, France and the UK are developing separate systems: the UK is working with Italy and Japan on GCAP while France is partnering with Germany and Spain on the Future Combat Air System (FCAS).

Strained relations stemming from Brexit have not helped. London and Paris have had disagreements on issues such as fishing rights, managing migration flows across the Channel, and the Northern Ireland Protocol.<sup>9</sup> Poor personal relations between President Macron and British

Prime Ministers Boris Johnson and Liz Truss were also a factor. The UK thought that France was trying to make the point that Brexit had negative consequences for the UK; whereas France thought that the UK constantly sought to emphasise the advantages of Brexit. AUKUS sparked particular resentment in France, as it led to the termination of a pre-existing French contract to sell Australia submarines.

Tensions have recently decreased, however, with the first Franco-British summit in five years held in March 2023. France and the UK pledged to work together on a range of capability development projects. Missiles remain the core of co-operation, with a future cruise/anti-ship missile programme meant to deliver capabilities by 2030. France and Britain also agreed to advance work on the maritime mine-hunting programme, and to examine whether they could work together more closely on air defence, directed energy weapons and long-range land-based precision weapons. In the air domain, they agreed they would ensure that the FCAS and GCAP programmes are as interoperable as possible – hinting at co-operation in areas such as sensors and communications. Finally, London and Paris agreed to intensify discussions on matters relating to defence industrial strategy, including managing supply chain risks, and ensuring access to critical raw materials.<sup>10</sup>

The Anglo-German defence relationship has historically been less developed than the one with France, in part due to the larger gap between Germany and the UK in political and public attitudes towards military deployments and the use of force more broadly. A 2020 report by King's College London Policy Institute on UK-Germany defence equipment co-operation argued that co-operation was limited and “likely to remain so for the foreseeable future”.<sup>11</sup>

However, the UK and Germany have sought to build closer defence ties after Brexit. In 2018 defence ministers signed a Joint Vision Statement committing themselves to closer co-operation. This was followed in 2021 by a UK-Germany Joint Declaration. The core of Anglo-German co-operation on capability development is in the air domain: the UK and Germany jointly developed the Eurofighter/Typhoon fighter jet (together with Italy and Spain) and the A400 transport aircraft (with France, Spain, Belgium, and Turkey). Germany and the UK also have a close relationship in the land domain, centred on the procurement of the Boxer armoured personnel carrier and upgrades to the UK's Challenger 2 main battle tank. The main elements of the Challenger 2 upgrade are a new

7: European Defence Agency, ‘2022 Coordinated Annual Review on Defence Report’, November 2022.

8: ‘Joint declaration of the French Minister for the Armed forces and the British Secretary of State for Defence for the 10<sup>th</sup> anniversary of Lancaster House’, November 2<sup>nd</sup> 2020.

9: Alice Billon-Galland, Elie Tenenbaum, ‘Rebooting the Entente: An agenda for renewed UK-France defense co-operation’, Institut français des relations internationales, February 22<sup>nd</sup> 2023.

10: ‘UK-France Joint Leaders’ Declaration’, March 10<sup>th</sup> 2023.

11: Sophia Becker, Christian Mölling, Torben Schütz, ‘The future of UK-Germany defence industrial co-operation’, King's College London Policy Institute, November 2020.

turret and a new 120mm smooth-bore gun. The latter is an upgrade of the gun used on Germany's Leopard 2 tanks. Both projects are led by the Anglo-German armored vehicle-maker Rheinmetall BAE Systems Land.

*“There is significant potential for future UK-German co-operation, underpinned by Germany's plans to increase military spending.”*

There is significant potential for future UK-German co-operation, underpinned by Germany's plans for investing more in its military following the *Zeitenwende* – the historic turning point in Germany's defence and foreign policy represented by Putin's invasion of Ukraine. Currently there is no political statement of priorities, as the 2021 Joint Declaration mostly deals with foreign policy issues and does not touch on defence capability development. However, some areas of potential co-operation can be identified. Air defence is one: the UK has joined the German-led European Sky Shield initiative, set up in October last year to create an integrated air and missile defence system in Europe, potentially through the joint purchase of off-the-shelf equipment. There may also be scope for closer Anglo-German co-operation on air and land systems – depending on the evolution of Franco-German joint defence projects. The Franco-German FCAS is in difficulty, because Germany's recent

decision to buy F-35s from the US means that Berlin does not need a next-generation fighter as quickly as France does. If France thinks that Germany is being reticent about the project, that might lead Paris to disengage from FCAS, and eventually to embark on its own programme. If FCAS fails then the Franco-German project for a main ground combat system (MGCS) to succeed French Leclerc and German Leopard 2 tanks might also encounter problems – the fate of the two programmes is politically linked with France supposed to lead on FCAS and Germany on MGCS. Even if both FCAS and MGCS go ahead as planned, the UK and Germany may be able to work together on developing and procuring sub-systems for the two main platforms.

Aside from France and Germany, Italy and Poland are also important partners for the UK. Italy is part of the Eurofighter consortium with the UK, and is now working on the GCAP together with Britain and Japan. Developing the GCAP is likely to tie Italy and the UK closer together in a range of projects linked to the air domain. London and Rome are also working together when it comes to developing missiles and helicopters. Finally, Poland is a partner of growing importance for the UK. London and Warsaw are building a significant partnership in the naval field, based on the common procurement and operation of Type 31 frigates announced in October 2022, when the two countries also agreed to explore the potential for co-operation in developing a medium- to long-range missile system.<sup>12</sup>

## Prospects for future co-operation

Russia's invasion in February increased the urgency of the UK and its European partners working together to bolster their common security. The US has been at the centre of the Western response to the invasion, but the 2022 US National Security Strategy makes clear that Washington will increasingly want to focus on the challenge from China and will be trying to reduce the resources it devotes to European security. European members of NATO are likely to have to bear a greater share of the burden of their own defence, deterring Russia while also retaining the ability to tackle threats elsewhere in their neighbourhood – many of which the conflict in Ukraine is exacerbating.

If they want to be more capable of looking after their own security, European countries will need to fill long-standing gaps in their military capabilities. The fighting in Ukraine has also exposed new gaps, highlighting the importance of long-range artillery, air and missile defence systems and the need for much larger stockpiles of ammunition and for an industrial base that is able to ramp up production quickly. Defence budgets have

increased across Europe since the start of the war. EU member-states announced a collective €200 billion in extra spending over the coming years, with Germany's special €100 billion fund making up a large share of the additional money.<sup>13</sup> Meanwhile, the UK's 2023 UK Spring Budget allocated an additional £11 billion to defence, spread over the period until 2027/28.

These spending announcements are significant but it could be difficult to implement them in many countries, due to fiscal constraints and competing funding pressures from public services. High inflation will also erode increases in spending in real terms. The degree to which capabilities improve will depend on the extent of co-ordination between European countries. Developing and/or procuring new military equipment co-operatively is a way of reducing development and procurement costs and risks. Additionally, having the same kind of kit enhances interoperability and reduces support costs. Co-operation needs to be a political priority for both the EU and the UK.

12: UK Government, 'Landmark agreements strengthen UK-Poland defence relations', October 4<sup>th</sup> 2022.

13: European Commission, 'Joint Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the Defence Investment Gaps Analysis and Way Forward', May 18<sup>th</sup> 2022.



In the near future, most joint work on defence capabilities within the EU – and between EU countries and the UK – will continue to take place in bilateral or small group formats. The EU's defence tools have not yet had a major impact on collaboration among member-states, or affected co-operation between EU countries and the UK. That may change over time, however, and the EU's tools could reshape EU-wide defence R&D and procurement. The EDF encourages EU defence firms to band together to bid for money from the fund for R&D projects. There is also a strong incentive for member-states to place co-operative projects within PESCO, because EDF projects that are also PESCO projects receive a funding bonus. Once research and development activities are complete, EU financing tools like EDIRPA or EDIP and potential financial sweeteners like a VAT waiver would provide a substantial incentive for joint procurement of any co-operatively developed equipment within the EU. It would be very challenging for countries or firms that had not been involved in co-operative projects from an early stage to join later. That would be bad for the UK, which might find itself increasingly shut out of EU-incubated defence projects. But there would be disadvantages for the EU as well, given the expertise and industrial capacity of the UK's defence sector.

A closer UK-EU defence relationship that benefits both sides is possible. But it would have to develop gradually. The emphasis could first be on fully exploring the potential and limitations of the current framework, and

then on building on it where possible. The first steps would be a formal UK-EU defence and foreign policy dialogue and a UK administrative arrangement with the EDA. Having a structured security- and defence-focused dialogue would provide an institutional underpinning for the relationship. Similarly, a UK administrative arrangement with the EDA would enable more contact between UK and EU representatives and potentially pave the way for more British participation in EU projects in which the EDA has a role. These steps should be complemented by closer EU-NATO consultations in defence planning and capability development.

In parallel, the UK and the EU could also consider closer UK association with the EPF for future joint procurement, along the model of the recently agreed ammunition purchase. For British entities to be involved, the UK would need to make a financial contribution to the EPF for the project. These moves could be followed by deeper UK involvement in PESCO. Taking part in a PESCO capability development project could be a way for the UK to test the boundaries of third country involvement in EU capability development tools, to see how the current rules on intellectual property or export controls are interpreted in practice. If the EU proved willing to interpret its rules in a way that was not too strict, that would pave the way for closer UK involvement in both PESCO and in the EDF. A sizeable UK financial contribution to the EDF would almost certainly be a precondition for the EU for British firms to be able to access EDF funds.

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## Conclusions

Putin's invasion of Ukraine has reminded the EU and the UK of their shared security interests and brought them closer together. The war, combined with the Windsor Framework on Northern Ireland, has greatly improved the UK-EU relationship and revitalised UK defence co-operation with European partners, in particular with France. However, UK-EU defence co-operation remains thin, and the EU's deepening involvement in the defence industrial field means that there is a growing UK-EU gap when it comes to developing military capabilities.

Growing EU involvement in defence research and procurement has the potential to reshape defence co-operation in the EU, and between EU countries and the UK. Eventually, the UK may find itself and its firms excluded from co-operative European defence capability projects. But the EU is unlikely to benefit from the UK's exclusion: cutting off Britain would fragment Europe's defence industry, deprive the EU of access to the UK's highly developed defence industrial base, and ultimately hinder efforts to improve capabilities by reducing economies of scale and interoperability.

The EU and the UK should strive for a closer, mutually beneficial relationship in the defence field. The UK should move first, by reviving discussions on a structured security dialogue and concluding an agreement with the EDA on the model of that recently struck by the US. That would pave the way for greater engagement with other EU defence tools, and eventually for closer UK association with the EPF and EDF.

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