

SURVIVING AUSTERITY

The case for a new approach to EU military collaboration

Tomas Valasek





CENTRE FOR EUROPEAN REFORM

about the CER

The Centre for European Reform is a think-tank devoted to improving the quality of the debate on the European Union. It is a forum for people with ideas from Britain and across the continent to discuss the many political, economic and social challenges facing Europe. It seeks to work with similar bodies in other European countries, North America and elsewhere in the world. The CER is pro-European but not uncritical. It regards European integration as largely beneficial but recognises that in many respects the Union does not work well. The CER therefore aims to promote new ideas for reforming the European Union.

Director: CHARLES GRANT

ADVISORY BOARD

GIULIANO AMATO..... Former Italian Prime Minister
ANTONIO BORGES..... Head, European Department, IMF and former Dean of INSEAD
NICK BUTLER..... Visiting Fellow and Chairman of the Kings Policy Institute at Kings College, London
TIM CLARK..... Former Senior Partner, Slaughter & May
IAIN CONN..... Group Managing Director and Chief Executive, Refining & Marketing, BP p.l.c.
TIMOTHY GARTON ASH..... Professor, European Studies, University of Oxford
HEATHER GRABBE..... Director, Open Society Institute, Brussels and Director of EU affairs, Soros Network
LORD HANNAY..... Former Ambassador to the UN & the EU
LORD HASKINS..... Former Chairman, Northern Foods
FRANÇOIS HEISBOURG..... Senior Adviser, Fondation pour la Recherche Stratégique
SIMON HENRY..... CFO, Royal Dutch Shell plc
WOLFGANG ISCHINGER..... Global Head, Government Affairs, Allianz
LORD KERR (CHAIR)..... Chairman, Imperial College London and Deputy Chairman, Royal Dutch Shell plc
CAIO KOCH-WESER..... Vice Chairman, Deutsche Bank Group
FIORELLA KOSTORIS PADOA SCHIOPPA..... Professor, La Sapienza University, Rome
RICHARD LAMBERT..... Former Director General, Confederation of British Industry
PASCAL LAMY..... Director General, WTO and Former European Commissioner
DAVID MARSH..... Chairman, SCCO International
DOMINIQUE MOÏSI..... Senior Adviser, Institut Français des Relations Internationales
JOHN MONKS..... General Secretary, European Trade Union Confederation
CHRISTINE OCKRENT..... CEO, Audiovisuel Extérieur de la France
STUART POPHAM..... Former Senior Partner, Clifford Chance
LORD ROBERTSON..... Deputy Chairman, TNK-BP and former Secretary General, NATO
ROLAND RUDD..... Chairman, Business for New Europe
KORI SCHAKE..... Research fellow, Hoover Institution and Bradley Professor, West Point
LORD SIMON..... Former Minister for Trade and Competitiveness in Europe
LORD TURNER..... Chairman, Financial Services Authority and Climate Change Committee
ANTÓNIO VITORINO..... Former European Commissioner
IGOR YURGENS..... Chairman, Institute of Contemporary Development, Moscow

Surviving austerity

The case for a new approach to EU military collaboration

Tomas Valasek

ABOUT THE AUTHOR

Tomas Valasek is director of foreign policy and defence at the CER and external advisor to the Slovak minister of defence. He is the co-author of ‘Stopping the drift: Recalibrating the transatlantic relationship for a multipolar age’ (with Fabrice Pothier and Constanze Stelzenmuller), Centre for European Studies, 2010. His previous CER publications include: ‘NATO, new allies and reassurance’, May 2010 (co-author with Ronald Asmus, Stefan Czumur, Chris Donnelly, Aivis Ronis and Klaus Wittmann); ‘Ukraine turns away from democracy and the EU’, October 2010; and ‘Obama, Russia and Europe’, June 2009.



AUTHOR'S ACKNOWLEDGEMENTS

I am grateful to the many experts, officials, military personnel, defence industry representatives and diplomats, who have contributed observations and suggestions to this report. I could not possibly name them all – and many wish to remain anonymous – but this report would have been impossible without their counsel and wisdom. I am also profoundly thankful to the ministry of foreign affairs of the Netherlands for their insights and for their financial support for this publication and my research. My special thanks goes to my interlocutors there, Birgitta Tazelaar and Max Valstar. Liliana Mulvany of the CER has provided invaluable research assistance, and many CER colleagues have helped with editing and proof-reading, in particular Katinka Barysch, Clara O'Donnell, Charles Grant and Simon Tilford. As ever, a special thanks to Kate Mullineux for layout and production.



Copyright of this publication is held by the Centre for European Reform. You may not copy, reproduce, republish or circulate in any way the content from this publication except for your own personal and non-commercial use. Any other use requires the prior written permission of the Centre for European Reform.

Contents

About the author

Author's acknowledgements

1	Introduction: Defence budgets in crisis	1
2	European disunion	11
3	From past lessons...	17
4	...to future policies	29
5	Conclusion: The benefits of pooling and sharing in context	41
	Boxes:	
	<i>The Franco-British defence co-operation treaty</i>	25
	<i>The EU defence procurement directive</i>	37

1 Introduction: Defence budgets in crisis

There is a great contrast between the co-operative way in which European countries fight wars, and the insular manner in which most prepare for them. Since the UK fought Argentina in the 1980s, no EU government has gone into a shooting war alone.¹ In all conflicts since – in the Balkans, in Iraq, in Chad or in Afghanistan – European troops served as part of an EU, UN or NATO mission or in an impromptu ‘coalition of the willing’ (in Iraq). Yet in peacetime EU militaries revert to their national ways. They exercise together from time to time, try (and often fail) to observe common technical standards for equipment, and loosely follow EU and NATO ‘capability goals’ in deciding what to buy. Some European countries have even formed joint military units. But the vast majority of defence euros, pounds or kroner are spent by individual governments building national forces and equipping them, mostly with weapons of domestic provenance. Defence ministries make scant reference to what purchases their neighbours might be contemplating, what shortfalls other European militaries struggle with, and what opportunities for collaboration may exist.

¹ They did conduct smaller solo operations, such as the UK mission in 2000 to extract captured soldiers from Sierra Leone, Italy’s 1997 humanitarian intervention in Albania or France’s 2002 and 2011 interventions in Côte d’Ivoire.

This is a very wasteful way to build armed forces. The 27 EU member-states have half a million more men and women in uniform than the Americans; yet they can only deploy a fraction of the troops that the US does on ‘expeditionary’ operations – those far from home bases, which is where all recent conflicts have been fought. The reasons for this relative weakness vary. Too much heavy Cold War weaponry remains in place in Europe; it is

expensive to maintain and, unless modernised to include up-to-date electronics, nearly useless. EU countries also spend one third of what the Americans spend per soldier: this means that fewer EU servicemen and women get the expensive equipment and training necessary for overseas operations. But, chiefly, EU countries underperform because with 27 different governments managing, equipping and commanding 27 militaries they never enjoy the economies of scale the US does. They spend far more than the Americans on the multiple back offices and commands, and they waste money subsidising too many unviable defence companies – themselves a product of a fractured market.

For decades, Europeans had few reasons to look for savings. Lack of co-operation meant that there were inefficiencies but their forces were large and reasonably well-funded. And the Americans were essentially content with European militaries performing below their full capacity. The US made perfunctory noises about fairer ‘burden-sharing’; Congress even mandated the Pentagon to report annually on whether the European militaries were shaping up. But for most of the Cold War and right up until the early 2000s, the US saw itself as the dominant power in Europe. It sought a decisive say in matters of European security and at the height of the Cold War it had hundreds of thousands of soldiers on the continent. Washington understood that US predominance gave the European governments little reason to bolster their own militaries. It tacitly accepted Europe’s relative military weakness because it made it easier for the US to assume leadership.

Things are completely different today. America’s interest in Europe’s security has diminished. After the attacks of September 11th, US attention shifted towards the greater Middle East. In recent years, the rise of China, and its occasional sabre-rattling over Taiwan and the South China Sea, has prompted the Pentagon to move yet more resources away from Europe, into Asia. Because US armed forces are finite and already stretched thin by the demands of the wars in Iraq and Afghanistan, Washington

increasingly sees the continued presence of the 80,000 troops in Europe as a luxury. The Pentagon has made clear that it wants some of them to return to the US soon.² America’s and Europe’s military roles have partly reversed: NATO was founded to guarantee that the US would defend Europe if needed, but these days the US expects more and more help from allies in places such as Afghanistan. Seen from Washington, the weakness of European militaries has become a liability and a threat to transatlantic relations.

² *US Secretary of Defence Robert Gates said in January 2011 that “it is clear that we have excess force structure in Europe” (News briefing with secretary Robert Gates and Admiral Mullen, US Department of Defense, January 6th 2011).*

This ‘new’ US will also expect allies to take on more responsibility for policing their own backyard. Its prevarication over intervention in Libya is a sign of things to come. But it is not evident that the allies have the necessary money, personnel and equipment. As this report explains, their forces have shrunk much since the end of the Cold War. More recently, since the onset of the economic crisis, virtually all capitals have cut defence expenditure: Germany is reducing military spending by a quarter over the next four years; the UK defence budget will be cut by 7.5 per cent by 2015. Some of the smaller European countries have fared far worse; Latvia cut its military spending by almost 50 per cent between 2008 and 2010. With EU economies slated to grow a meager 1.8 per cent collectively in 2011,³ there is little hope that economic growth will lift defence spending in the near term. Publicly, those European governments that have slashed defence budgets argue that the improved security environment allows them to do so. Privately, the same officials often admit that the cuts are driven not by changing threats but by the need to economise. The overall impression is that Europe’s cash-strapped governments are effectively building ‘best-case’ militaries: those suited for a benign security environment, but potentially ill-prepared to deal with consequences of crises in North Africa or a deterioration in relations with Russia.

³ *‘Interim forecast February 2011’, directorate-general for economic and financial affairs, European Commission, March 2011.*

European defence budgets and the financial crisis

Country	Defence spending in 2010 as % of GDP*	Budget cuts/ increases	Impact on forces
Austria	0.8	Budget to be cut by 20 per cent by 2015, reducing defence spending to 0.6 per cent of GDP	Conscription to be abolished
Belgium	1.1	Budget to be cut by 10 per cent by 2012	4,000 of 38,000 troops to be cut by 2013; 30 military installations to be closed
Bulgaria	1.7	Budget cut by nearly 40 per cent in 2010	Armed forces to be reduced by 20 per cent; cancelled or reduced orders for military vehicles and transport planes
Czech Republic	1.4	Budget cut by over 20 per cent between 2009 and 2011	4,500 ministry staff and soldiers let go in 2009; withdrawing most troops from Kosovo
Denmark	1.4	Budget to increase by 8 per cent between 2010 and 2014	Troops allocated to NATO and the EU maintained; tank force reduced by half; anti-tank and army air defence units abolished; combat aircraft and helicopters cut significantly
Estonia	1.8	Budget cut by 17 per cent in 2009	Some procurement projects and infrastructure projects delayed

Finland	1.6	Budget to be reduced by 7 per cent by 2013	Possible cuts to procurement and base closures
France	2.0	Budget cut by 3 per cent in 2010; further cuts expected	Ministry of defence staff reduced by 8,000; postponed upgrade to Mirage jets
Germany	1.4	Budget to be cut by one-fourth between 2010 and 2015	Armed forces to be cut from 250,000 to 185,000 and conscription abolished but number of deployable troops to double from 7,000 to 14,000
Greece	2.9	Increase of 7 per cent in 2009, then slight decrease in 2010 and more cuts expected through 2013	Money shifted from new procurement to paying off debt for past purchases; withdrew most forces from Kosovo; postponed more than half military exercises planned for 2010
Hungary	1.1	Defence spending dropped from 1.2 per cent of GDP to 1.1 between 2008 and 2010	Suspended participation in NATO helicopter programme; procurement programmes under review
Ireland	0.6	Defence budget to be cut by 15 per cent by 2014	Military to lose 500 personnel; army barracks closing; most troops withdrawn from Kosovo and Bosnia; flying hours for navy and air forces reduced

Italy	1.4	Budget to be cut by 10 per cent between 2011 and 2014	Cut 25 out of its order of 121 Eurofighter jets, reduced order of frigates
Latvia	1.0	Cuts of almost 50 per cent between 2008 and 2010	Closed number of headquarters and agencies
Lithuania	0.9	Cut of 9 per cent in 2009, another 1 per cent cut in 2010	No new procurement planned for the medium term
Netherlands	1.4	Spending to be cut by 'hundreds of millions of euros' starting in 2011 (budget in 2010: around €8 billion)	Delivery of spare parts delayed; exercises cut and maintenance work on army barracks suspended; plans under consideration include cutting 10,000 army jobs and reducing order of F-35 fighter jets
Poland	1.9	Budget reduced by 9 per cent in 2009	Withdrew forces from Lebanon, Syria and Chad
Romania	1.3	Budget decreased from 1.5 per cent of GDP in 2008	Delays in command and control, operations and logistic support upgrades, may cancel or reduced planned purchase of fighter jets
Slovakia	1.3	Budget decreased from 1.5 per cent of GDP to just above 1 per cent in 2011	Cancelled plans to buy transport aircraft, postponed many modernisation programmes

Slovenia	1.6	Budget rising but annual rate of growth slowed from 9 per cent to 5 per cent	Reduced order for military vehicles
Spain	1.1	Defence spending cut by 7 per cent in 2010	Aircraft carrier refit called off, exercises cancelled, 3,000 troops to be cut in 2011
Sweden	1.1	Spending frozen until 2014	Conscription abolished and some research & development cancelled but buying new submarines, armoured vehicles and other equipment
UK	2.7	Budget to be cut by 7.5 per cent over next four years	Decommissioned aircraft carrier; retired Harrier jets; reduced future carrier fleet from two to one; delayed modernization of Trident submarines; withdrawing all troops from Germany

**There is too little information available for Cyprus, Luxembourg, Malta and Portugal to warrant inclusion in the table.*

Sources: Jane's Defence News, Defense Weekly, Forecast International, NATO, US State Department, EDA, Bloomberg and national media.

There are many things that European countries can do to improve their collective military might even as budgets remain low: these include getting rid of outdated Cold War weapons, ending conscription (conscripts are of little use in expeditionary operations) and opening defence markets to greater competition (which would make weapons more affordable). But the key prescription, one that holds much promise of savings, lies in significantly closer cross-border co-operation: common maintenance, training and education, more widespread sharing of infrastructure such as training grounds or storage facilities, and the creation of joint military units. Only if European politicians create greater economies of scale, reduce the number of officers and bureaucrats and shrink the number of support facilities will they be able to direct more money towards training and equipping first-rate militaries.

⁴ See Tim Garden and John Roper, 'Pooling forces', CER bulletin article, December 1999. Such 'pooling and sharing' is an old idea; many researchers and institutes, including the CER,⁴ have called for it in the past, as have most key EU strategic documents. Some successes are evident, both in the form of joint equipment purchases and in partial mergers of armed forces: the UK and the Netherlands have formed a joint amphibious unit and the Balts a common defence university. Allies have even entrusted NATO with managing a fleet of transport aircraft and air traffic control planes on their behalf. In 2004, EU member-states formed the European Defence Agency (EDA) specifically to foster collaboration. But progress has been episodic: for each partnership many more countries have opted to go it alone, because they fear that they may not be able to deploy their shared units, or because they worry about the costs. Indeed, because some collaborative projects have produced too little in the way of savings, appetite for pooling and sharing has waned: defence officials in key countries such as Germany say they want less of it in the future.

This reluctance is becoming unaffordable. With defence budgets falling and the United States less and less willing to intervene in

Europe, allies on this side of the Atlantic have two alternatives: either they bolster military strength through closer co-operation and partial integration, or face the prospect of not having enough force to intervene in situations where key European interests or principles are under threat. However, a new approach is needed to military pooling and sharing; one that maximises the prospect of real savings, thus tempting more governments into giving it a try and rewarding those who do. Above all, it must make political sense: EU governments will want to retain the right to decide where and when to deploy their forces, so they will be hesitant to integrate them unless the case for such co-operation is overwhelming. Luckily, the past few decades offer plenty of lessons on what approaches to pooling and sharing work, which ones do not and why.

This study identifies key lessons from past and current examples of cross-border defence co-operation, based on dozens of interviews with former ministers of defence, political directors, EU and NATO officials, soldiers and diplomats. Drawing on those experiences, the report suggests a new approach to pooling and sharing in Europe based on multiple but compatible 'islands of co-operation'. It argues that while governments would benefit from a quick move towards integration during the current round of budget and force-cutting, most will miss the opportunity. But the austerity measures adopted today will leave many EU countries with military forces so weakened that more co-operation and integration will become the only way to preserve meaningful fighting capacity. As the former Norwegian minister of defence, Thorvald Stoltenberg, observes: "The alternative to co-operation could be a situation where small and medium-sized countries lose their ability to maintain a credible defence."⁵

⁵ Thorvald Stoltenberg, 'Nordic co-operation on foreign and security policy', proposals presented to the extraordinary meeting of Nordic foreign ministers, Oslo, February 9th 2009.

2 European disunion

Think of European armed forces as a giant puzzle. Its pieces come together during military deployments to form one whole: countries support each other's contingents by sharing intelligence, providing security and transportation as well as access to spare parts, food and ammunition. The British-commanded airfield in Kandahar, Afghanistan, is mostly guarded by Slovak troops who, in turn, are supplied by the Canadians and fed by NATO's logistical agency (NAMSA). This form of co-operation is not just frequent, it is essentially the rule: most EU and NATO countries, with the exception of the largest ones, can only afford to take part in missions away from their borders if they share the burden of supporting the deployment with others. Otherwise, the cost of setting up separate protection for them along with food supplies, weapons and intelligence would be prohibitive. Even the big countries often rely on other nations to provide security or engineering units in order to save money.

But the moment foreign deployment ends, this multinational puzzle falls apart. In peacetime, each government looks after its piece – its national armed forces – more or less alone. While there are some permanent multinational military units, they are as rare as Siberian tigers: of the 1.6 million servicemen and women in EU countries, only a few thousand serve in these. Some 80 per cent of all defence equipment is bought from domestic suppliers,⁶ and more than 95 per cent of all equipment belongs to the individual nations rather than the EU or NATO.⁷ While European soldiers nearly always fight together, most study separately: multinational defence colleges such as the

⁶ 'Defence data 2009', European Defence Agency, 2010.

⁷ Brooks Tigner, 'NATO officials push for greater interoperability', *Jane's Defence Weekly*, February 23rd 2011.

NATO Defence College in Rome or the Baltic Defence College in Estonia are very rare. In peacetime, EU and NATO militaries remain as stubbornly national as they have been for centuries: monuments to the primacy of self-sufficiency.

Their philosophy made economic sense during the Cold War, when Europeans had much larger militaries than today. In 1989, the UK had

⁸ Historic figures come from 'Financial and economic data relating to NATO defence', NATO, November 28th 1989.

⁹ 'The military balance 2011', International Institute for Strategic Studies, March 2011.

¹⁰ EDA, 'European – United States defence expenditure in 2009', December 21st 2010.

320,000 military personnel, France 550,000 and Germany nearly 500,000; even small Belgium had bought 160 supersonic F-16 fighter planes. European members of NATO spent an average of 3.7 per cent of GDP on defence.⁸ By 2011, those armies had shrunk by more than half: the UK has just short of 180,000 men and women in active service and France and Germany have about 240,000 and 250,000, respectively.⁹ Belgium has scrapped or sold 100 of its F-16s. Average defence spending in Europe has fallen to 1.7 per cent of GDP.¹⁰ If European armies were corporations, they would have merged parts or all of their operations with one another to

maintain economies of scale. This, with few exceptions, they have not done. So the proportion of budgets that goes on overheads – salaries, maintaining equipment, operating bases – has soared at the expense of training and procurement of new equipment. To compound the defence ministries' woes, the cost of increasingly sophisticated weapons has risen far ahead of inflation. The Europeans buy less and

¹¹ EDA, 'European – United States defence expenditure in 2009', December 21st 2010.

less equipment and the number of soldiers ready for battle has shrunk. Less than 4 per cent of European troops are deployed on mission, compared with 16 per cent of US armed forces.¹¹

Pooling and sharing

There are ways to improve these figures. More EU countries should eliminate unneeded Cold War equipment. Many already have: in

recent years, the needs of the war in Afghanistan prompted several governments to shed units that are unsuited for overseas operations. The most aggressive reformers, such as Denmark, the Netherlands and some of the new allies in Central Europe, have been able to increase somewhat the percentage of their forces suited for expeditionary missions. The per-soldier spending in Europe has increased steadily in the past decade, from €73,000 in 2001 to €91,000 in 2009.¹² But some countries have already cut all there is to cut; besides, militaries cannot focus exclusively on expeditionary operations. As long as conventional wars in Europe remain a possibility, however remote, governments will want to retain the ability to fight them. Military skills, once discarded, are very difficult to re-acquire, so armed forces maintain skeleton capacity to fight in various types of conflicts.

¹² 'European defense trends: Budgets, regulatory frameworks and the industrial base', Centre for Strategic and International Studies, November 2010. Figures are in 2008 euros. The EDA lists an even higher per capita figure for Europe: €116,000 ('European – United States defence expenditure in 2009').

A more promising approach to efficiency therefore lies in pooling and sharing armed forces: that is, in improving economies of scale through closer collaboration. Pooling and sharing is a catch-all term that covers a range of different types of co-operation, but essentially they come in three basic forms:

- ★ Governments can pool and share their procurement of weapons and services. New weapons in particular are expensive to develop so some smaller countries choose to share test data or set up joint research facilities. Even big European countries choose to co-research and co-develop the most expensive items such as the A400M transport plane. Alternatively, governments can also pool orders for equipment which they are happy to buy from outside suppliers; this allows them to negotiate a better deal with the manufacturer.
- ★ Governments can integrate parts of their force structures. Militaries that own similar equipment can save by pooling its

maintenance and sharing training facilities. Countries can also set up entire joint units: these can save money by, for example, obviating the need for multiple headquarters or supply chains.

- ★ Another related form of co-operation lies in specialisation: instead of all European militaries maintaining a certain skill, such as the ability to dispose of unwanted ammunition, they can choose one country and pay it to develop and deploy its specialised unit when necessary.

In real life, ‘procurement’ and ‘structural’ pooling and sharing are often intertwined: for example, countries that buy weapons jointly are likely to want also to share the expense of looking after them and may form joint maintenance depots. Similarly, countries that form a joint unit may want to set up only one supply chain for it and buy from one supplier. But the two forms of co-operation raise somewhat different sets of complications. Many past attempts at pooling procurement have been plagued by participating

¹³ See for example Jean-Pierre Darnis, Giovanni Gasparini, Christoph Grams, Daniel Keohane, Fabio Liberti, Jean-Pierre Maulny and May-Britt Stumbaum, ‘Lessons learned from European defence equipment programmes’, Occasional paper no 69, European Institute for Security Studies, October 2007.

¹⁴ ‘Defence data 2009’, European Defence Agency, 2010.

governments’ inability to agree common technical standards for the equipment they want to buy jointly. Past projects have also suffered from governments insisting on keeping a certain portion of manufacturing jobs at home; this has led to convoluted and expensive production arrangements. This study will not focus on pooling and sharing in procurement: the travails of this form of co-operation have been well documented.¹³ Moreover, the total potential savings from equipment procurement alone are limited: on average, European defence ministries spend only about 20 per cent of their budget on research, development and purchases of new weapons.¹⁴

A more promising kind of collaboration lies in structural pooling and sharing. The lion’s share of defence budgets in Europe go on

costs such as salaries, exercises, upkeep of barracks and operations. This money could be better used if European allies were to agree to share facilities or pool their units. A key new notion in this field is ‘permanent structured co-operation’, enshrined in the EU’s new Lisbon treaty. It calls on those EU member-states that have the most capable militaries, to form a defence *avant-garde*. The idea is that by coming together – by exercising together, forming multinational units – the presence of a core group will inspire other states to strengthen their militaries in order to qualify for membership of the group. But governments have been slow to use this option, mainly because they disagree on who should qualify for membership, but also because many past attempts at pooling and sharing ended in disappointment.

3 From past lessons...

Pooling and sharing is an old concept: it appears in the 2003 European security strategy,¹⁵ and both the EU and NATO have agencies dedicated to identifying joint projects (the EDA and the Allied Command Transformation, ACT, respectively). Governments from Norway to Slovenia have experimented with some form of structural pooling and sharing, though some with more zeal than others: the CER's research suggests that for each 'sharer' (such as the Netherlands or Sweden) there are many 'loners' (such as Romania or Spain). Encouragingly, there are more and more 'newcomers and potentials': countries that in recent months have started to experiment with, or at least think about, pooling and sharing as a way to mitigate the impact of defence budget cuts on their capabilities.

¹⁵ "Systematic use of pooled and shared assets would reduce duplications, overheads and, in the medium-term, increase capabilities" ('A secure Europe in a better world: European security strategy', Brussels, December 12th 2003).

Structural pooling in Europe

Country	Involved in	Main motivation
The sharers		
The Netherlands	Amphibious force with the UK; rapid deployable land headquarters with Germany; integrated naval command with Belgium; shared naval training and logistics with Belgium; member of European air transport command; non-permanent F-16 expeditionary wing with Denmark, Norway and Belgium	Reduce costs, encourage European integration
Belgium	Shared naval training and maintenance with the Netherlands; pooled naval command with the Netherlands; member of the Eurocorps land army corps headquarters; contributes battalion to Franco-German brigade; pooled fighter, transport, helicopter pilot education with France; member of European air transport command; non-permanent F-16 expeditionary wing with Denmark, Norway and the Netherlands	Encourage European integration, reduce costs
Sweden	Nordic defence co-operation (with Denmark, Finland, and Iceland) which includes joint centre on exchange of data on air traffic and specialisation in military education and more than 40 common procurement programs	Reduce costs, build common Nordic identity
Lithuania	Joint defence college with Latvia and Estonia; naval co-operation with the same countries, as well as a joint radar surveillance centre and specialised naval education	Reduce costs, integration in the EU and NATO
Germany	Land rapid deployable corps headquarters with the Netherlands; member of the Eurocorps land army corps headquarters, which also serves as command of the non-permanent brigade with France; member of the European air transport command	European integration

Country	Involved in	Main motivation
Newcomers and potentials		
UK	Amphibious force with the Netherlands; recently agreed wide-ranging co-operation with France including shared use of aircraft carriers and a jointly deployable force	Reduce costs
Czech Republic	Talks with Slovakia on sharing air force training and maintenance, logistics and education	Reduce costs
Slovenia	Talks with Croatia on building integrated air force	Reduce costs
The loners		
Romania	Non-permanent brigade with Albania, Bulgaria, Italy, Greece, Macedonia and Turkey	Reduce regional tensions
Spain	Non-permanent amphibious force with Italy (with integrated command); land component command headquarters with France, Italy and Portugal	European integration

The table focuses on multinational structural pooling, not common procurement. It does not list all EU countries; merely best examples for each category.

Sources: Ministries of defence, EDA, Jane's Defence Weekly, Defence News.

Over the years, many US and European military experts have offered detailed suggestions on what opportunities for pooling and sharing exist. Many, particularly the American ones, have been driven by frustration at seeing Europe's contribution to common

¹⁶ See for example Michèle A Flournoy and Julianne Smith, 'European defense integration: Bridging the gap between strategy and capabilities', Center for Strategic and International Studies, October 2005.

¹⁷ See for example Guy Verhofstadt, 'The need for common European defence'. In: Karl von Wogau (Ed.), 'The path to European defence', Antwerp-Apeldoorn, Maklu, 2004.

military operations shrink, thus shifting the burden on to US forces.¹⁶ Others, mainly in Europe, have wanted EU militaries to improve co-operation as a prelude to forming one integrated European army in the future.¹⁷ But both those schools of thought have failed to appreciate how protective European governments remain of their right to build and deploy their armed forces as they please. EU governments may have abolished national borders and built a common (if troubled) currency, but for most of them, the integrationist instinct stops at military matters. The capitals clearly want to maintain control over which 'discretionary' operations – those not directly related to self-defence – they enter (a right that many EU countries exercised with regard to the Iraq war). And while Europe

has been peaceful for years, governments also want to have forces under their own control for self-defence, to hedge against an attack on their territory. They will gladly enter into mutual defence arrangements, which make defence cheaper and more convincing, but they will want to retain the ability, however limited, to defend themselves without NATO and to deploy without the EU.

Pooling and sharing projects challenge the member-states' desire for autonomy in military affairs in three key ways. They raise fears of entrapment: that if a state merges a portion of its armed forces with another, it will be pressured to join a mission because its pooling partner wishes to take part. Conversely, pooling and sharing lead to

¹⁸ The author wishes to thank Bastian Giegerich for these observations.

fears of abandonment: a state wishing to use a shared unit may be thwarted from doing so by its partner.¹⁸ Officials interviewed for this report

also expressed concerns that poorer and weaker states may try to 'free-ride': to reap benefits of co-operation with a richer neighbour, like the ability to use advanced training grounds, without contributing much in return. These concerns, along with other difficulties – such as the failure to save money or differences in industrial policies (see below for more) – have plagued past pooling and sharing projects and discouraged many defence officials from continuing. EU and US officials are fond of saying that European governments have 'no option' other than to co-operate – but they do have options, and many choose to forgo the savings that pooling and sharing offer because they fear loss of sovereignty.

There is little evidence that these political attitudes will change anytime soon: while falling defence budgets make a stronger economic case for pooling and sharing, the economic crisis has also made EU governments more protective of their political rights and somewhat more suspicious of the EU. Future proposals will therefore need to take into account these political sensitivities, and to incorporate other lessons learned from previous pooling and sharing projects. Those that have succeeded did so because the participating states had many or all of the following characteristics in common (listed in the order of importance):

Similarity of strategic cultures: France and Germany failed to use their combined brigade in Afghanistan because of disagreements over where and with what 'caveats' (limitations on types of operations) the force could be deployed. These disagreements, which are rooted in different national views on how much risk to subject soldiers to, cannot be easily 'managed' for the purpose of a joint operation. For that reason, the recently proposed Franco-British expeditionary force has an arguably better chance of being used in action: the two countries have a similar risk-taking, expeditionary mentality (see text box 'The Franco-British defence co-operation treaty', page 25). But commonality of strategic cultures will not guarantee success – the Netherlands and the UK, two relatively like-minded countries, failed to agree the terms

under which to deploy their joint amphibious force in Afghanistan. There are also ways to guard against differences in strategic cultures thwarting a pooling idea: the Belgian and the Dutch train personnel and buy parts for their frigates together but the two countries maintain separate ships and crews, and can deploy independently of each other. They thus reap benefits of pooling without giving up much in sovereignty. The design of the proposed Franco-British expeditionary force follows a similar ‘pooled yet separable’ model. Naturally, similarity of strategic cultures will be more pertinent in cases where countries pool capabilities that are meant to be deployed or those that directly support deployed forces; it will be less relevant in cases where countries pool training grounds or storage facilities, which can also bring substantial savings.

Trust and solidarity: when asked what made their co-operation possible, Nordic defence officials cite trust and shared sense of identity: “we think of ourselves as Nordics first, Europeans

¹⁹ *Telephone interview, second*”, one official said.¹⁹ Sweden has even
February 2011. vowed unilaterally to defend its Nordic

neighbours if they are attacked. Trust is always important but especially so when the forces that partners choose to combine are responsible, directly or indirectly, for defending home territories: governments want to be confident that their partners will not leave them without access to shared assets in times of crisis at home. Trust is often the key difference that determines whether joint projects save money or not: the German-Italian-American missile-defence system, MEADS, is meant to replace existing Hawk and Patriot missile defences. But the participating countries have had so little confidence in one another and in the programme’s success that they have also pursued other national alternatives to MEADS. Instead of saving money by pooling their research and procurement they effectively paid twice (and in 2011 Germany and the US withdrew altogether, citing financial constraints). One way for co-operating countries to build trust is by committing to a treaty, as the French and the British did in 2010.

Forces of similar size and quality: when budget cuts forced the Czechs and Slovaks to turn to pooling and sharing in 2010, they automatically gravitated to one another. They have done so partly because of their shared past and similarities in language; but size also had much to do with their decision: while other neighbours such as Germany may have been able to bring more money into joint projects, and while Poland may be more similar in strategic culture to the Czech Republic than Slovakia, the trouble with big countries is that they do not always take smaller partners seriously. The United States has frustrated its European allies to no end by constantly changing timelines for the multinational but US-led F-35 fighter jet programme. Because so few countries make supersonic jets, smaller countries desiring them may have no choice other than to team up with a big one. But in most other cases, co-operation among countries of comparable size will work better than the alternative; asymmetry in size raises fears of one side ‘dominating’ the other and ignoring the smaller party’s needs, thus undermining the all-important trust. Similarly, countries with advanced militaries will want to work with equally sophisticated partners. UK defence officials can sometimes be dismissive of pooling because they see their forces as the best in Europe. France, with whom they eventually agreed a co-operation treaty, is arguably the only peer power on the continent.

Level playing field for defence companies: pooling and sharing saves money mainly by allowing the participating states to reduce the amount of equipment they buy or to close facilities. But this invariably means that some company somewhere will not receive an order that it would have received otherwise. For partnerships to work and endure, these losses must be evenly spread. But some countries protect their defence companies more than others, and these asymmetries create friction that can cause co-operation to unravel. Not coincidentally, the UK-French defence co-operation treaty contains a clause urging both sides to buy more goods from one another. Officials familiar with the talks that led to the treaty say that the clause is a warning to Paris that for the partnership to work, France will have to stop shielding its defence companies from

UK competition. The Swedish-Norwegian relationship, which is at the core of the Nordic defence co-operation, came under strain in 2008 after Norway had chosen to buy US-made F-35s rather than Swedish Gripens. While pragmatic Oslo saw the US plane as the best match for the country's needs, Stockholm felt that Norway had failed to show regard for the needs of the Nordic defence industry. These attitudes reflect differences in the countries' views on the role of the government in the economy, so they are deeply rooted. But differences may narrow somewhat as the EU defence procurement directive, which will make it more difficult for governments to protect national defence champions, comes into effect (see the text box on page 37). As the above examples show, the absence of a level playing field for defence industries is not necessarily a deal-breaker – it has not kept the UK and France from signing an agreement – though some in the British defence establishment may reconsider support for the treaty should French companies benefit disproportionately from collaboration with the UK.

Clarity of intentions: some countries enter into co-operative projects because they want to save money (the Nordics, for example), others because they want to encourage deeper European integration (Germany with France), yet others because they want to bind non-EU neighbours closer to the European Union (Poland with Ukraine) or because they want to build trust among neighbours with a history of troubled relations (Albania, Bulgaria, Italy, Greece, Macedonia, Turkey and Romania, which established a common brigade). These are all valid reasons but they lead to different conclusions. For example, countries that primarily want to save money may focus on integrating relatively mundane (but costly) tasks such as training or logistics, whereas co-operation for the sake of encouraging EU integration is more likely to involve the creation of high-profile joint units (which, however, may not necessarily save money and could be difficult to deploy). If co-operation is to leave both partners satisfied, there has to be clarity and agreement from the beginning of the discussions among partners on what purpose the initiative is to serve, because this will determine the scope, form and depth of their common project.

The Franco-British defence co-operation treaty

In November 2010, the EU's two largest military powers, France and Britain, formally agreed to intensify military co-operation, in a treaty. Among other things, they vowed to create an expeditionary force that would train and deploy together (but not be permanently integrated), make technical changes to allow UK and French aircraft to operate off carriers from both countries, jointly buy spare parts and services for their future A400M transport aircraft and develop common submarine technologies. More joint projects are to follow: the treaty calls on both sides to increase the range of co-operation and to build and operate joint facilities where possible. A separate treaty also sets out co-operation on nuclear arms research. The main treaty reverses Britain's previously sceptical stance on pooling and sharing with EU states (it has long had a close military relationship with the US and limited co-operation with the Netherlands).

The treaty and the accompanying declaration say much about why the UK and France have chosen each other as partners. The declaration stresses similarities in strategic cultures in its very first paragraph: "The UK and France... share many common interests and responsibilities... we are among the most active contributors to operations in Afghanistan and in other crisis areas around the world." The document also points out that the two parties' willingness to use force sets them apart from other EU countries:

"We are ... among the few nations able and ready to fulfil the most demanding military missions."²⁰ Paris and London have clearly concluded that co-operation works best when pursued with a 'natural' partner, that shares many attitudes to force and foreign policy – and only if it is limited to such a partner. The declaration also emphasises the importance of trust: "Today we have reached a level of mutual confidence unprecedented in our history... We do not see situations arising in which the vital interests of either nation could be threatened without the vital

²⁰ 'UK-France summit 2010 declaration on defence and security co-operation', November 2nd 2010.

interests of the other also being threatened.” However, the countries have also decided to commit their co-operation to a formal treaty, which suggests that their trust in each other has limits.

²¹ ‘Treaty between the United Kingdom of Great Britain and Northern Ireland and the French Republic for defence and security co-operation’, November 2nd 2010.

²² ‘UK-France summit 2010 declaration on defence and security co-operation’, November 2nd 2010.

The document also reveals concerns that differences in attitudes to the defence industry may derail the partnership. In what UK officials say is a veiled critique of France’s protectionist stance, the treaty says that no party is to “hinder legitimate access to its markets and to its government contracts in the field of defence and security”.²¹ The document foresees the eventual merger of companies making the most advanced weapons: “we will ...permit increasing interdependence [among companies and governments] and consolidate our complex weapons industrial base [and] work towards a single European prime contractor.”²²

Seriousness of intent: governments that take defence seriously – that see a real need to nurture and occasionally use their armed forces – will be more inclined to co-operate than others. Such governments will feel more urgency to mitigate the impact of the decreasing budgets on their capabilities, and will be more willing to accept and navigate the political risks (partial loss of sovereignty, industrial tensions) that cross-border defence co-operation entails.

Low corruption: defence procurement, with its technically complex and often classified contracts, attracts its share of corruption. In recent years, the Czech, Romanian and Hungarian governments have been named in UK and US graft investigations. When national procurement officials are corrupt, they will see pooling and sharing – which may require them to share or delegate authority over purchasing decisions – as a constraint on their ability to profit. If they have enough influence on the political leadership, they may well be in a position to thwart the joint purchase. And while this concerns primarily joint procurement, structural pooling projects can also suffer: if the countries that create a joint unit also want it

to have only one supply chain, some procurement officials in the participating countries will have to agree to share power with others. Countries with high levels of corruption will always find it more difficult to do this than their less corrupt counterparts.

4 ...to future policies

Several important prescriptions flow from the observations in the previous chapter. A lot of factors have to align for structural pooling and sharing to succeed, which is why European cross-border defence integration will remain an exception rather than the rule. While EU militaries may one day form a 'euroarmy', its creation presupposes far closer unity of military thought and political identity than is evident today, or will be for the foreseeable future. Similarly, the notion that EU defence should be built around a single core group, whose emergence would encourage others to join in a 'snowballing' effect, seems unrealistic. Formation of joint units requires enormous trust and similarity in strategic cultures. It works better if it is done among similar-sized countries. They need to have comparable industrial policies, and the freer they are of corruption the easier they will find it to co-operate. These conditions will only occur in some – and not necessarily connected – parts of Europe. Future pooling and sharing effort should therefore follow these key principles:

- ★ Rather than pursuing a single 'permanent structured co-operation', the focus of EU countries and institutions should be on encouraging the formation of multiple, discreet, regional 'islands of co-operation', whose members will partly integrate their militaries. Some of these islands are already well established: the Benelux countries have had much success with pooling and sharing forces and the Nordic states are moving in this direction. Other islands have just emerged: the French-UK co-operation treaty is only months old, and more countries, such as the Czech Republic and Slovakia, are in the early exploration phase. Some existing co-operative projects may well be red herrings rather than the beginning of an island: the

Franco-German brigade is one. Other countries remain without an obvious partner, which meets the necessary criteria to form an island of co-operation: Italy belongs in this category, as does Spain (though they do buy and develop new weapons jointly with others).

- ★ Exploration of potential pooling and sharing projects must begin with an analysis of the obstacles to integration. These will differ from region to region. The Germans have had bad experiences with multinational forces; they have focused on pooling combat units but have disagreed with their chosen partner, France, on when and how to deploy them. Elsewhere, as in the British-French case, different industrial approaches may yet hamper progress. Yet other countries such as those in Central Europe had simply not given the subject much thought until recently.

A sensible pooling and sharing policy will take into account these regional differences and produce strategies tailored for discreet parts of Europe. Germany should start focusing on sharing non-combat units; this approach saves money while allowing Berlin to avoid the trap of not being able to deploy its shared unit. Germany has recently agreed with the Netherlands to develop and store ammunition together; it should explore what similar opportunities exist for other weapons systems and whether it can do more to train personnel with others. Britain and France have gone as far as they want to go for now in their co-operation; they should focus on implementing their recent treaty and on allowing freer cross-border trade in defence goods, which would open the door to a closer military relationship in the future. The Czech Republic and Slovakia, which are holding early talks on pooling and sharing, should take their time to explore which areas for co-operation promise greatest savings and how to overcome possible political difficulties. They need to try harder to build wide domestic support for their

partnership, and continue their recently launched efforts to curb corruption. Elsewhere in Central Europe, NATO and the EU could encourage the formation of new islands of co-operation by advertising other countries' successes. Governments in Europe's north, whose forces have long fought alongside and exercised with each other, formalised their partnership by forming 'Nordic defence co-operation' in 2009. They should now move deeper into structural pooling: to merge some facilities and shut others and to agree to form future units, such as those to patrol the Arctic, on an integrated basis.

- ★ Governments should not strive to create identical groupings; the islands of co-operation will inevitably look different from one another and participating countries will want to integrate to different depths. This is because each cluster faces unique needs. The British and the French, for example, will want to retain their broad-spectrum militaries. They can afford a relatively high degree of self-sufficiency while still being able to deploy sizeable forces in operations. So they will shy away from fully integrating military units but will share certain niche capabilities (such as laboratories for testing nuclear weapons) to save money. Small and medium-sized countries are likely to have stronger bonds of trust and solidarity, which will allow them to integrate more deeply than the big states. They also have less choice; they face a 'share it or lose it' moment: unless they can cut cost of certain military skills and activities through collaboration they stand to lose them in the current round of budget cuts.
- ★ What areas the various islands select for co-operation will be as important as which countries participate. One lesson from past examples is that pooling efforts that focus on non-deployable forces tend to create fewer political complications than integration of deployable ones. Capabilities such as maintenance, training and education are least likely to be used

in operations: that also means that governments are less likely to fall out over the terms and conditions of their use. Countries that use identical equipment should think of pooling their training and maintenance, as many nations using the NH90 transport helicopter have done. Training facilities are another natural candidate for pooling; already many EU and NATO countries make extensive use of each other's exercise ranges. They should consider formalising these exchanges, which would allow them to shut some training facilities. Governments tend to focus on pooling deployable forces because that is where they often face the greatest shortages. But they forget that savings made by reducing or eliminating non-deployable capabilities can then be allocated towards building units earmarked for deployments abroad.

- ★ As a general rule, decisions on how to co-operate and with whom need to be rooted in a rigorous cost and benefit analysis, along with a thorough public discussion of their industrial and political impact. The more the media, the expert community and the political classes know about the advantages and risks of pooling and sharing, the more likely the islands of co-operation are to survive changes of government. The French and the British had taken years to agree which pooling initiatives make the most economic and political sense; they had rejected many ideas precisely because they wanted to focus on those which had a reasonable chance of succeeding. Even so, French defence experts worry that the treaty with the UK may be in jeopardy should a Socialist win the presidency in 2012 (some in the present opposition view collaboration with the UK as a distraction from efforts to build common European defences). Were the treaty to falter, other countries might take fright: they could be investing political capital into pooling and sharing only to be let down by their partners. A thorough public debate cannot completely avert such a risk, but it widens political support for the initiative, thus making it more durable.

- ★ The defence industry must be involved in deliberation on pooling and sharing from the outset. The companies provide a valuable service to governments by guarding the skills needed for national security. If they are left out of deliberations they cannot advise on the impact of pooling and sharing on the national skills base; in the worst case they may lobby against co-operation for fear of losing business. Industry will be more concerned about pooling of procurement if an agreement among several states to buy from one manufacturer instead of several may put those other companies out of business. But even structural pooling and sharing will have a direct bearing on the fortunes of the participating states' defence companies. Many provide not only goods but also services; some armed forces have outsourced entire training centres and maintenance depots to private companies. When countries choose to merge these facilities, some companies inevitably lose business. By involving defence companies in deliberations, and supporting mergers where companies wish to do this, governments can ease concerns and help to build a healthier, more consolidated industrial base.

The current round of budget cutting would appear to present an ideal chance to forge new, tighter military co-operation: most defence ministers who have been told to cut budgets have decided, sensibly, that it is time to abandon certain underused military capabilities. Entire forces are slated to go: the UK has given up most of its maritime surveillance fleet, and the German government has abolished conscription. In theory, this is the right moment to forge a more integrated, more 'European' force out of the 27 national militaries. But, European governments risk wasting this opportunity. While defence officials interviewed for this report say that the budget crisis has made them more open to co-operation, they worry that they do not have enough time to properly explore what forms of co-operation are politically acceptable and can save money – ministries of defence across Europe are under pressure from their treasuries to cut as soon as possible. Also, while

pooling and sharing saves money in the long run, it often costs more in the short term because bases may need to be closed, units moved or those made redundant paid off. And there simply is not enough money in budgets for any new outlays. There are exceptions to these observations: the Dutch and the Belgians are intensifying defence co-operation in parallel to their cost-cutting efforts, and so are the Nordics; the UK and France agreed a treaty, though their co-operation was for all practical purposes established long before the current round of budget cuts. Most EU countries will take the long way towards forming islands of co-operation: they will probably cut forces first, in isolation from their possible partners, and only then look for opportunities for partnership.

What role for the EU and NATO?

The EU and NATO should assist countries that are prepared to pool and share when they are ready. The role of these institutions will necessarily be limited because governments remain determined to defend their sovereignty in military affairs. But EU and NATO can nevertheless help in four important ways: changing mindsets, creating incentives, removing obstacles to pooling and sharing, and directly managing pooled capabilities.

Changing mindsets: pooling and sharing may be an old concept but it is far from universally known around Europe; many officials interviewed for this report professed general knowledge but little understanding of the pros and cons. The EU and NATO should help to spread awareness by distributing examples of best practice from co-operative ventures around Europe. As well as encouraging more countries to explore pooling and sharing, this would also have the benefit of helping governments that are only beginning to explore co-operation to avoid the mistakes of their predecessors. At present, they are left to seek out those lessons on their own; officials in the Czech Republic and Slovakia have sought advice from think-tanks because there was relatively little knowledge of the subject in the respective governments, and the EU and NATO were of little help.

The EDA has recently begun to catalogue regional pooling initiatives; it should also systematically gather data on what made these projects successful and why others have failed. NATO defence planners can help by analysing regional needs; they can also be useful by setting out measurable ‘force goals’ for islands of co-operation to accomplish. NATO’s defence planners also conduct regular visits to capitals to assess their military readiness – they should consider adding experts at pooling and sharing to their teams, who could impart their lessons during the assessment visits.

Creating incentives: the EU and NATO could do more to use their multinational rapid reaction forces (the EU battlegroups and the NATO Response Force, NRF, respectively) to encourage pooling and sharing. While their primary *raison d’être* has been to give both institutions the ability to quickly respond to crises, the forces have also served to motivate member-states to reform their militaries (because only the most capable units can serve in the battlegroups and the NRF), and to encourage governments to build joint units. But on this last count, the experiment has disappointed: countries come together for the duration of one battlegroup and NRF ‘rotation’ (six months), but then go their own separate ways. Some relationships are built but they rarely have a lasting effect. The EU should adopt recent Polish proposals that the battlegroups should always be composed of the same states, and that they should be on rotation on a predictable schedule, for example every three years. This would give the member-states reasons to maintain close long-term co-operation with partners in the battlegroup, and possibly to pool their units on a permanent basis, not just for the duration of the rotation.

Removing obstacles: the EU is helping to smooth the way for future pooling and sharing projects through its procurement directive, which will remove many barriers to cross-border defence competition and trade. The European Commission should insist on the directive’s vigorous implementation and use the threat of judicial proceedings against any government that drags its feet.

Both the EU and NATO should explore ways to encourage those countries that have problems with corruption in defence procurement to clean up. European governments are making progress: the UK recently tightened its laws on bribery and the Czechs want to change defence procurement rules to reduce the role of middlemen. Another possible approach may be to threaten suspension of assistance from NATO's common infrastructure programmes to countries that do not tackle corruption in their procurement systems. The large EU and NATO member-states have less need for such assistance and they also take a dim view of foreign officials advising them on how to run their militaries. But the EU and NATO can be effective in pressuring smaller and medium-sized states to address corruption where it exists.

The EU and NATO defence colleges can also assist pooling and sharing indirectly by narrowing differences in the strategic outlooks among future defence leaders in NATO and EU governments. They could make a more direct contribution by making pooling and sharing a more prominent part of their curriculum. Lastly, NATO and EU efforts to increase interoperability among member-states' forces directly pave the way for pooling and sharing: the more common technical standards and operating procedures European governments can agree on, the easier they will find it to pool portions of their armed forces.

The EU defence procurement directive

From August 2011, a new EU law will make it difficult for governments to shield national defence companies from outside competition. This will have the effect of curtailing member-states' protectionist habits and reducing tensions between those governments which have an open tendering system and those which prefer national suppliers.

The EU's directive aims to end protectionism in defence markets by setting out specific rules for procurement of military materiel. At present, the defence sector is in practice largely exempt from the EU's single market rules, on national security grounds. Governments have routinely abused the exemption to give preferential treatment to national defence champions even where no justifiable 'national security grounds' exist: between 2000 and 2004, less than 13 per cent of all opportunities to tender for European defence related contracts were published.²³

²³ 'EU procurement directives', DLA Piper, March 2009. For more on the directive see: Clara Marina O'Donnell, 'The EU finally opens up the European defence market', CER policy brief, June 2009.

The EU has countered by setting out new procurement procedures for defence goods, which take into account the specificities of the sector (such as the need for guaranteed supplies in times of war). Under the new law, governments will find it more difficult to justify exemptions from these new rules. EU countries have until August 2011 to adopt legislation that transposes the directive into national law. If the European Commission enforces its new rules – and it may have to resort to the European Court of Justice because many member-states will be tempted to drag their feet on implementation – defence and security sectors will see much more cross-border competition.

By forcing EU governments to open more defence tenders to foreign competition on penalty of court action and fines, the directive will also help to smooth the way for military pooling and sharing across EU borders. At

present, protectionism often thwarts co-operation. If two countries, one of which tends to favour national suppliers and one that does not, form a joint unit, who should supply goods and services to it? The former country's government is liable to try to steer related procurement or service contracts towards its national supplier, putting companies from the partner country that do not enjoy the helping hand of their government at a competitive disadvantage. UK companies have expressed fears that the defence co-operation treaty with France will tilt the playing field in favour of their French competitors. By opening markets, the defence procurement directive will help level the playing field.

Managing pooled capabilities: the EU and NATO can manage capabilities on behalf of groups of member-states. NATO operates a fleet of airborne air-traffic control airplanes (AWACS); it has recently added three transport planes (C-17s), which it operates on behalf of twelve NATO members and partners. Instead of each participating state assuring their airworthiness and ordering spare parts and supplies, one NATO agency does it all, saving money. Small and medium-sized states seeking large and expensive platforms such as transport planes and satellites will often have no option other than turn to NATO or the EU; their budgets are too small to buy such equipment nationally. The EDA is also leading talks among EU countries on making more efficient use of existing transport aircraft in Europe. This will not include, for the time being, the purchase of new transport planes but the EDA can help states that already own such equipment to save money through arranging common training, exercises, basing and maintenance, among other things.

EDA officials say that they have had a lot more success with projects that only involve groups of member-states rather than EU-wide ones, lending further evidence to support the 'islands of co-operation' approach. But there are some systems which NATO and the EU should in the future operate on behalf of all member-states. The EU already runs a fleet of global positioning satellites, Galileo, which the member-states will use to guide bombs and missiles, a

centre (SitCent) which collates intelligence from national governments, and a facility in Spain that collects images and other information from member-states' satellites. It should also move into jointly building and operating observation and surveillance satellites. Several EU member-states operate such systems; France has Helios and Pleiades satellites, Germany has SAR-Lupe and Italy owns Cosmo-SkyMed. They would save money if other EU countries shared the costs and ownership. But progress on creating a common fleet of intelligence satellites has been slow: the member-states do not trust each other to keep secrets and they prefer to have the ability to gather intelligence on their own. Governments should also ask the EU and NATO to develop and manage less sensitive facilities needed for common operations: NATO has an extensive network of commands, and the EU should have a command of its own capable of managing an operation. For their part the two institutions will need to improve their collaboration (so that governments are not paying for duplicate efforts) and improve their management practices (so that they prove good stewards of their member-states money).

What about specialisation?

Admittedly, the 'islands of co-operation' approach does not by itself guarantee that the individual European pieces will add up to an effective, coherent EU or NATO force when necessary. Ideally, the member-states would not only form regional clusters but such clusters would specialise in discreet capabilities that complement each other. Either the EU or NATO would help to co-ordinate the choice of capabilities and monitor how well countries in the cluster did at developing their chosen skill.²⁴

²⁴ As Flournoy and Smith proposed ('European defense integration: Bridging the gap between strategy and capabilities', Center for Strategic and International Studies, October 2005).

Some specialisation of roles is taking place – only certain countries such as Germany and the Netherlands have theatre missile defences. Both the EU and NATO have encouraged their members to

establish ‘centres of excellence’ in a particular skill: the Estonians run a facility on NATO’s behalf that studies cyber-threats and the Czechs specialise in detecting chemical, biological and nuclear materials. But many other governments have either maintained or are developing national capacity to do the same things; they do not want to rely on centres of excellence in some faraway country. The centres thus exist alongside, rather than in place of, national capacities. The EU and NATO as a whole are not saving money, which is the main purpose of specialisation (though the centres do allow smaller countries to gain access to expertise they would be unable to afford themselves).

Deeper specialisation among European governments or among the ‘islands of co-operation’, in which they effectively outsource certain military skill to another country or cluster, seems out of reach for the foreseeable future. Interviews with EU government officials suggest that they do not trust their partners to always bring their ‘niche’ forces to the battlefield when they are required; EU countries are uncomfortable with the dependency that specialisation creates. The EU and NATO should focus on what is achievable – and that is greater integration on the basis of islands of co-operation. They should also encourage specialisation within these clusters, whose members by definition share a higher degree of trust than European states collectively. Nordic military education is a good example: instead of all Nordic nations providing the same courses, each nation offers training within a specific subject area; the Finns teach courses for military observers and the Danes teach military police officer course.

5 Conclusion: The benefits of pooling and sharing in context

Pooling and sharing will never compensate for inadequate defence budgets: when average spending in Europe, as percentage of GDP, drops by half – as it has over the past two decades – militaries will inevitably suffer. However, properly applied, pooling and sharing can offset the impact of lower budgets, and structural pooling in particular holds promise of significant savings.

Critics will argue that a regional clusters approach runs counter to the idea of a stronger and more unified Europe. They should reconsider. If implemented, a strategy based around islands of co-operation will make participating countries militarily stronger, and this will give the EU and NATO access to more, rather than less, capability in the future. The regional approach merely recognises three realities: that individual states will retain the right to structure their armed forces as they see fit; that the needs, abilities and experiences of these states vary greatly from region to region; and that successful sharing arrangements have to be rooted in those regional commonalities and specificities.

Islands of co-operation are not meant to preclude the possibility that many military skills and hardware will be integrated at the EU and NATO level; many (such as the AWACS fleet) already are and more (such as surveillance satellites and command and control centres) should be. By definition, EU- and NATO-wide purchases offer greater economies of scale than the proposed islands of co-operation. But governments will want to retain control of most

defence capabilities at the national level. And if they share with anyone it will only be with the closest and most trusted partners. For all these cases, 'islands of co-operation' are as good as it gets.



- ★ Europe's parliament: Reform or perish?
Essay by Denis MacShane (April 2011)
- ★ A new neighbourhood policy for the EU
Policy brief by Charles Grant (March 2011)
- ★ A chance for further CAP reform
Policy brief by Christopher Haskins (February 2011)
- ★ Delivering energy savings and efficiency
Policy brief by Stephen Tindale (January 2011)
- ★ Beyond the European Parliament: Rethinking the EU's democratic legitimacy
Essay by Anand Menon and John Peet (December 2010)
- ★ Turkey and the EU: Can stalemate be avoided?
Policy brief by Katinka Barysch (December 2010)
- ★ Ukraine turns away from democracy and the EU
Policy brief by Tomas Valasek (November 2010)
- ★ Why Germany is not a model for the eurozone
Essay by Philip Whyte (October 2010)
- ★ Turkish politics and the fading magic of EU enlargement
Policy brief by Sinan Ülgen (September 2010)
- ★ How should Europe respond to sovereign investors in its defence sector?
Policy brief by Clara Marina O'Donnell (September 2010)
- ★ How to save the euro
Essay by Simon Tilford (September 2010)
- ★ India's response to China's rise
Policy brief by Charles Grant (August 2010)
- ★ A transatlantic defence market, forever elusive?
Policy brief by Clara Marina O'Donnell (July 2010)
- ★ How to reform the Russian economy
Policy brief by Sergei Guriev (July 2010)
- ★ NATO, new allies and reassurance
Policy brief by Ron Asmus, Stefan Czumur, Chris Donnelly, Aivis Ronis, Tomas Valasek and Klaus Wittmann (May 2010)



SURVIVING AUSTERITY

The case for a new approach to EU military collaboration

Tomas Valasek

A wave of budgetary austerity is weakening Europe's defences. The armed forces of Europe will lose important skills and capabilities unless they can find ways of saving money through collaboration. Tomas Valasek examines previous efforts at pooling and sharing, and explains why some succeeded better than others. The formation of joint units works better if the countries involved have similar sizes and strategic cultures, and if they trust each other and have comparable attitudes to the defence industry. European leaders should encourage various groups of compatible member-states to work together in military 'islands of co-operation'.

Tomas Valasek is director of foreign policy and defence at the Centre for European Reform.

ISBN 978 1 901229 98 1 ★ £10/€16