



PESCO at 1: Perspectives for European Defence

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The EU has adopted a second batch of projects to be implemented within permanent structured cooperation (PESCO) in the area of security and defence policy. The long-term impact of PESCO on Europe's military capacity will depend on the commitment to implement these initiatives and on launching new ones that will address key gaps in Europe's defence capabilities. This can be done mostly through collaborative defence programmes, eligible for co-funding from the European Defence Fund. By participating in these initiatives, Poland could reap industrial, military, and political benefits.

New PESCO Projects. The second batch of projects to be implemented within PESCO was adopted by the EU on 19 November. Like the first batch, accepted in March, it consists of 17 different initiatives. Collaborative defence programmes to develop new weapons, platforms or other military systems comprise the biggest group within the batch. This group of nine initiatives involves the development of a modular, unmanned ground vehicle, a system to counter threats from mini- and micro-drones, a stratospheric balloon for intelligence, surveillance, and reconnaissance, a family of new generation anti-tank missiles, a system of small aerial and ground drones to detect chemical, biological, radiological or nuclear contamination, a space surveillance system, allowing tracking and observation of objects in Earth's orbit, a military-grade global positioning device that will use the Galileo signal, an upgrade of the Tiger attack helicopter, and the development of a "Eurodrone," a medium-altitude, long-endurance, remotely piloted aircraft. A separate project aims to promote the standardisation of procedures for testing and evaluation of new armaments. EU operational activities will be supported by a further three initiatives that involve new multinational units (electronic warfare, underwater diver operations, and a deployable command element for special forces) and by a project aimed to enable joint use of military bases and support infrastructure in the EU and overseas. One project aims to improve eventually the exchange of geo-meteorological and oceanographic data, including through joint purchases of software and hardware. Of the two remaining projects, one involves cooperation in education programmes for intelligence services and the other in training of helicopter crews to operate in hot climates and high-altitude conditions.

PESCO's Impact on European Defence. Almost a year since its launch (11 December 2017), PESCO has grown to include 34 projects. Yet, the prospects for strengthening European military capacity through PESCO remain uncertain for a few reasons. First, there are still few, if any projects (except perhaps Eurodrone) that address the most important gaps in Europe's military capabilities in territorial defence and crisis-management operations (there is, however, a pool of projects yet to be accepted in further batches). Notably, Franco-German initiatives to develop next-generation multi-role aircraft, the next main battle tank, or their planned joint unit of a C-130-type transport aircraft all remain outside PESCO. The collaborative defence programmes accepted under PESCO this year address niche-capability requirements and will result in prototypes only in the next 5–10 years, while deploying the new weapons will take even more time.

The projects that aim to increase interoperability among the EU Member States through joint military education programmes, training, and exercises involve only the projects' participating members (for the time being, mostly 2–4 countries each). Finally, the initiatives to improve EU military operations are of limited value if the pool of high-readiness, deployable forces remains small.

The full and effective implementation of the PESCO projects is also not certain. Most are not new. Programmes such as the Franco-German-Italian-Spanish Eurodrone and the space- or missile technology-related initiatives were launched before the PESCO debate had even started. It is then difficult to see how making them part of PESCO could bring a breakthrough.

Most importantly, however, PESCO will not lead to EU defence integration, understood as the creation of multinational or even supranational forces. Hence, recent comments by French President Emmanuel Macron and German Chancellor Angela Merkel about a "European Army" should be precisely seen as a call for the Member States to fully engage in the development of PESCO and other defence-related instruments, established lately both in the EU (especially CARD, the annual defence review) and outside it (the France-led European Intervention Initiative in particular).

The Role of the European Defence Fund. PESCO's importance may, however, be found in its economic dimension. Collaborative defence projects run through PESCO are eligible for increased co-financing from the European Defence Fund (EDF). This was introduced in a Regulation by the European Parliament and Council of 18 July on the establishment of the European Defence Industrial Development Programme, the largest component of the EDF. Pursuant to the regulation, programmes that receive co-funding under the EDF can be covered for up to 20% of the qualified costs of the prototype, being the most expensive phase of all research-and-development endeavours. However, the co-funding level can be relatively easily increased to 30% just by making the programme part of PESCO. To get an even higher co-funding rate is more difficult and requires that among the consortium members there are small- and medium-sized enterprises and/or companies with no more than 3,000 employees that take a certain share of the programme's budget. If these conditions are met, the level of co-funding from the EDF can reach the maximum of 55%. That notwithstanding, all other phases of the programmes (such as the preparation of technical documentation) can get up to 100% of the costs covered by the EDF.

In 2019, the first EDF grants will be awarded, and likely these will be mostly PESCO projects. It is then the desire to maximise the EU co-funding rate that explains the large number of collaborative defence programmes launched within PESCO (at least 16 out of the 34 projects). The dominance of the EU's largest armament producing countries in these projects (France, Germany, Italy, and Spain) is also significant. These states simply aim to maximise the use of EDF (and indirectly PESCO) to support their defence industry. Their goal is not only to complete some important programmes but also to strengthen their competitiveness in this sector against the U.S. and other arms producers in the world, and to further augment their dominant position on the European defence market. For the very same reason, the UK is fighting for special access to EDF. By the end of the current EU financial perspective, the EDF budget for supporting collaborative defence programmes is set at €500 million, but in the negotiations for the next one (2021–2027) an amount of up to €8.9 billion is being discussed.

Conclusions. In the short term, it is not the projects but the commitments taken by the states participating in PESCO that may be more important. These include an increase in defence expenditure, acceleration of the transformation and technical modernisation of armed forces, and boosting military cooperation with EU partners. On 15 October, the EU Council adopted a document detailing the elements that must be included in national implementation plans based on these commitments, proposing also the sequence over time and suggesting what assessments by EU institutions could look like.

In the long run, PESCO's importance will depend on the level of commitment of the states to implement the projects and launch new initiatives. The latter in particular should directly address the capability needs identified in the defence-planning processes of NATO (NDPP) and the EU (CDM). Efficient use of the EDF to augment PESCO could significantly accelerate the development of capabilities most needed.

In its approach to PESCO, Poland, which participates in seven projects and is an observer in more than 10 others, may prioritise collaborative defence-programmes over other types of initiatives. This applies in particular to Poland's key capability requirements, which are meant to be addressed after 2022, and further, in the next planning perspective to 2035. If Poland chooses to take part in large European programmes, it could reap industrial benefits, gain access to some key military capabilities crucial for both the EU and NATO, and, importantly, strengthen its position as a state investing not only in national but also in European defence. This is all the more feasible since the EDF regulations include the long-pursued Polish goal of bonuses for including mid-size companies, like those that comprise the Polish national defence champion, PGZ. If Poland can have a strong position in PESCO that would also help it ensure complementarity with NATO.