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A Brief Introduction to the Risks for the UK Arising from Current EU Defence Integration Schemes

Summary

- EU integration consists of two types of risk. The UK is avoiding the obvious risks by (it seems) declaring it will not opt in to the core of PESCO. But PESCO now underwrites a new range of industrial and financing areas where its policy commitments and impact do not seem to have been considered.
- Signing up to any industrial, technological and strategic cooperation over Defence involves agreeing to a strategy whose underlying purpose lies in the development of common defence. This will inevitably be reflected in the institutional design, policy, plans, and commitments that flow therefrom.
- In business events attended by VfB reps, it seems clear that some Whitehall officials are signing off on core PESCO proposals on the assumption the UK will not be a part of anything; while others are encouraging private sector engagement in specific programmes on the assumption that the UK will.
- Those discussing the issues need to avoid hyperbole. But there are genuine questions that do need to be raised over what commitments have been and are being generated should the UK remain associated with certain programmes and funding lines.

What is PESCO? (Permanent Structured Cooperation)

“PESCO is a Treaty-based framework and process to deepen defence cooperation amongst EU Member States who are capable and willing to do so. The aim is to jointly develop defence capabilities and make them available for EU military operations.” (EEAS)

“Through PESCO, Member States increase their effectiveness in addressing security challenges and advancing towards further integrating and strengthening defence cooperation within the EU framework.” (EU Commission)

It encourages the rationalisation of defence, national specialisation (and interdependency), and creates an EU umbrella for existing multilateral agreements between European states.

PESCO is closely connected to the new Coordinated Annual Review on Defence (CARD) and the European Defence Fund (EDF). PESCO participation is incentivised financially: “Projects conceived by Member States in the framework of PESCO will benefit from a higher EU co-financing rate (10% bonus)” (EU Commission).

The EU Defence Agency gains an important central role in policy development to add to its research and strategy functions. European Defence meanwhile now gets a significant dedicated budget.

Types of Risk

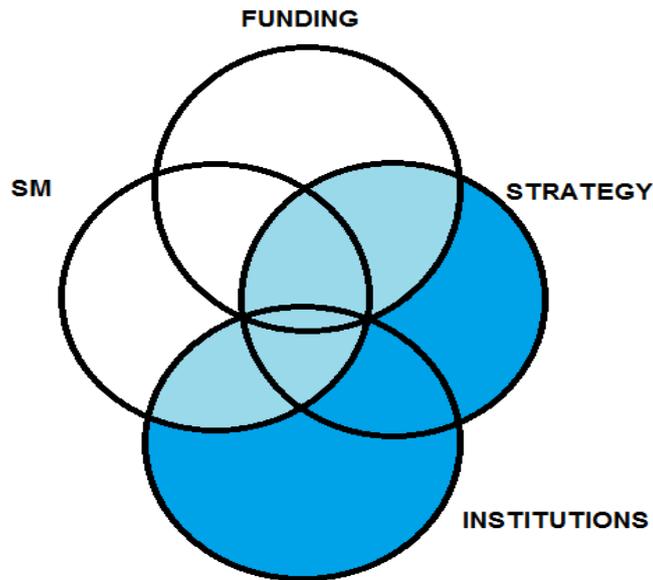
We can divide the risks into four types;

- Institutional – including standing formations, commitments, and overdependence on pooled units
- Strategy – including policy, training, ethos, legal oversight, and in particular ambition
- Funding – from the core budget, specialist budgets, or from the EIB
- Single Market (SM) – Development of the Single Market in Defence, with particular reference to strategic rationalisation directed from the centre (cf consequences of the CFP)

PESCO officially centres on the first two elements. But it is designed to encompass Defence elements relating to the other two as well.

This is problematic over the long term if the UK opts out of the core PESCO, but does not mitigate the potential impact elsewhere owing to a lack of clarity amongst civil servants over what the UK will ultimately be signing up to after Brexit.

We can visualise this in the following simplified diagram. Deep blue indicates ‘Obvious PESCO’, where the UK is opting out (to be precise – it is not opting in) to specific Defence strategy and Defence Institutions. Light blue is where elements of ambiguity/risk remain, because while they also relate to other areas, decisions are driven by PESCO. White are those areas where Brexit negotiators are discussing the UK’s end status, relating to the Single Market (SM) and to the general EU budget; these are much wider than Defence, but ambiguity or uncertainty on the end result here may be clouding Whitehall judgements in the light blue areas where Defence is associated.



Consequently, if it becomes known that the UK will be getting its EIB money back, diplomats can stop encouraging UK businesses to apply for European Defence Fund money which is likely to be associated with it.

We might break down the specific risks to the UK as follows;

STRATEGIC AREAS

- **European Defence Action Plan (EDAP).**

What is it? The Commission’s policy document that sets out everything that the EU intends to do in policy and finance terms, to make European Defence a reality. It sets a €5bn objective for spending on capability; a €500m objective for spending on R+D; a defence policy integrated with other EU policies; a Single Market for Defence; Defence industry rationalisation; joint capabilities held at EU level; and EU engagement in security of supply (implies interventionism).

Where are we at? Signed off by ministers.

Problem? Underwrites all of the below.

- **Security and Defence Implementation Plan (SDIP).**

What is it? The EEAS working plan to use EU finances and assets to deliver EDAP.

Where are we at? Signed off by ministers.

Problem? Core policy document, tying emerging EU defence capabilities to EU foreign policy. Sir Alan Duncan declared the UK “agreed with much of the content”. Underwrites all of the below.

FUNDING AREAS

- **European Defence Research Programme (EDRP).**

What is it? Part of the 2021-2027 EU budget plan, relating to spending on defence research.

Where are we at? The UK has already signed up to the precursor, the Preparatory Action on Defence Research.

Problem? Whitehall is encouraging UK companies to engage in Phase I, but in the process generating a future lobby to push for UK participation in the full programme (which officials privately claim they expect will happen). Planning is driven by MPCC (see above)

- **European Defence Fund (EDF).**

What is it? Combined EU budget dedicated to Defence, including the research element.

Where are we at? On the current trajectory, the UK will be associated with the EDF because it will be able to draw funds from the European Investment Bank (EIB). In any event, HMG's *Foreign Policy, Defence and Development Future Partnership Paper* states of post-Brexit cooperation, "We could also consider options and models for participation in the Commission's European Defence Fund including both the European Defence Research Programme and the European Defence Industrial Development Programme."

Problem? The EU's use of EIB funds for projects allocated in part to UK companies has the potential to further complicate the UK's withdrawal from the EIB, a bank that exists to "contribute to EU policy and objectives" (EIB).

- **Cooperative Financial Mechanism (CFM).**

What is it? Slush fund to cover advance payments into joint projects by Member States. Uncertain additional wider intent.

Where are we at? Agreed in principle.

Problem? As with the other funding areas, the programmes themselves are associated with political baggage.

SM AREAS

- **European Defence Industrial Development Programme (EDIDP).**

What is it? The mechanism for spending the EU budget on developing capability and conducting research.

Where are we at? Well on way to sign off.

Problem? Planning is driven by MPCC (see below), including "rationalisation" of defence industries – ie certain national capabilities are lost as national defence industries specialise: a business gain but a strategic capabilities loss, and the potential for encouraging protectionism.

- **European Defence Technology Industrial Base (EDTIB).**

What is it? Policy intended to generate EU technological self-sufficiency in Defence.

Where are we at? Pursued since 2007, now accelerating. Key priority is integration into EU of multinational armaments agencies.

Problem? Planning is driven by MPCC (see below).

INSTITUTIONAL AREAS

- **European Defence Agency (EDA).**

What is it? Originally a procurement clearing house for EU R+D.

Where are we at? It is already extended beyond procurement into strategy and policy.

HMG's *Foreign Policy, Defence and Development Future Partnership Paper* states of post-Brexit cooperation, "This could include future UK collaboration in European Defence Agency projects and initiatives." (See the forthcoming VfB paper on procurement.)

Problem? An integral part of PESCO institutionally, financially, and in policy terms – at the centre of the overlapping circles. There is considerable doubt whether HMG seeks to withdraw from it.

- **EU Battlegroups (BGs).**

What is it? EU mechanism for small scale deployments involving (usually) more than one EU state, on an EU mission.

Where are we at? UK is set to lead a BG after Brexit.

Problem? Inappropriate since the UK won't be at the policy table. (NB we recognise an obscure positive side effect of BGs has been UK-RoI military cooperation in one; but the effect may be replicable under a UN banner.)

- **Multilaterals.**

What is it? Bilateral and multilateral defence cooperation agreements, between European states but operating (for now) outside the EU.

Where are we at? The UK is involved in several, for instance the European Air Group.

Problem? PESCO actively encourages these to come under the EU umbrella. This may generate particular implications for the UK-France Lancaster House Treaties.

- **Military Planning and Conduct Capability (MPCC).**

What is it? A permanent EU military HQ, under a name of convenience.

Where are we at? Signed off in May.

Problem? Planning is driven by SDIP (see above). Associated with Cooperative Financial Mechanism (CFM) – ie an EU operational military budget. UK attachment would endorse the Non-NATO option, and raise questions on CJEU input operationally.

- **Common Assets.**

What is it? Development of pooled assets; and the creation of joint EU units.

Where are we at? Many proposals.

Problem? UK engagement is unlikely, but would be tantamount to joining in on the development of a common military. Access to commonly-purchased assets may be too great for the MoD to reject. But for context, review the history of the early US federal military under the first two Presidents.

In short, signing up to any future industrial, technological or strategic cooperation involves agreeing to the MPCC planning arrangements that are driven in turn by the strategic SDIP, whose underlying purpose involves the development of Common Defence.

So Is There a Problem?

Yes;

- (i) Any agreement making the UK more closely affiliated to the integrationist EU Defence Strategy weakens those in the UK or elsewhere pursuing alternatives.
- (ii) Past experience shows that the integrationist agenda inevitably percolates.
- (iii) The full role of the CJEU in many of these areas will only be revealed in time.
- (iv) Signing up to any element suggests a possible willingness to contribute post-Brexit to common Defence funds, a slippery slope.
- (v) Clarity by the UK will avoid potentially damaging assumptions made during negotiations that the UK will stay institutionally and financially very closely engaged.
- (vi) There may in fact be a narrow window of opportunity for EU integrationists here, so some delays may end up halting the process and mitigate the risk to NATO.

NB we recognise the limitations of “Loyal Cooperation” and the actual ability of the UK to block proposals outright. But that should not stop the UK from supporting relevant blocking minorities where they serve a purpose, or encouraging parties to include a “time share reflection” clause before moving on further.