

PESCO: Ahead of the strategic review

SUMMARY

Permanent structured cooperation (PESCO) was launched in December 2017 with the participation of 25 EU Member States. It operates on the basis of concrete projects and binding commitments, several of which are geared towards strengthening the EU defence sector. PESCO members are committed to increasing national defence budgets and defence investment expenditure, and to investing more in defence research and technology. In addition, they have pledged to develop and provide 'strategically relevant' defence capabilities and to act jointly and make use of the financial and practical support provided by the European Defence Fund. Finally, they are committed to contributing to projects that boost the European defence industry and the European defence technological and industrial base.

Discussions on long-awaited rules on third-country participation in PESCO projects are ongoing in September 2020. A strategic review of PESCO should take place by the end of 2020. The review will assess PESCO's strengths and weaknesses and it is expected to provide new information aimed at improving the implementation and development of new EU defence capabilities and capacities through PESCO. Critics argue that the end goal of PESCO projects has still to be contextualised within the wider debate on an EU strategic culture and a concrete vision about the ambition of EU security and defence policy. They also emphasise the need to align PESCO priorities with those identified by parallel EU defence initiatives, as well as with the capability needs of the EU.

The European Parliament is expected to vote on a resolution on PESCO in October 2020.



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Introduction

The year 2016 is widely considered to have been a landmark year for European Union (EU) foreign, security and defence policies. The year began with the launch on the [EU Global Strategy](#) in June, continued with the '[winter package](#)' on defence and paved the way for the establishment of permanent structured cooperation ([PESCO](#)) the following year. Preceding these developments – and perhaps precipitating them – were a series of shocks to the EU's [security environment](#), most notably epitomised by the illegal Russian annexation of Crimea, but also by the emergence and endurance of threats previously thought of as unconventional. Usually operating below the threshold of armed conflict, hybrid, [cyber](#) and [disinformation](#) operations are increasingly becoming the new normal and are here to stay. They are also joined by threats such as climate change and, as demonstrated recently, pandemics. As the notion of conflict becomes more complex, rising instability and crises in the EU's southern neighbourhood also have implications for European peace and security.

Coupled with systemic changes in the international environment, such as the re-emergence of great power competition and the recognition of the disruptive potential of new technologies, it has become abundantly clear that these are issues that demand joint European answers. This urgency has given rise to a discourse focused on achieving [strategic autonomy](#) and increased freedom of action for Europe. More recently, the High Representative for EU Foreign and Security Policy / Vice-President of the European Commission (HR/VP) has highlighted the need for the EU to '[speak the language of power](#)', including by achieving military capabilities to match its level of ambition. In the defence policy field, PESCO is intended to be one of the main vehicles to increase the EU's ability to take more responsibility for its security and become a trusted security provider. Almost four years since it was established and 47 joint projects later, EU Member States are conducting a strategic review of PESCO to assess lessons learned and to plan a more efficient way forward.

Background

'She is awake, the Sleeping Beauty of the Lisbon Treaty', [tweeted](#) then European Commission President Jean-Claude Juncker famously on the eve of PESCO's establishment, referring to PESCO's dormant status between its inclusion in the Lisbon Treaty and its activation. PESCO's provisions are enshrined in [Article 46](#) of the Treaty on the European Union (TEU) and [Protocol 10](#) on permanent structured cooperation, established by [Article 42\(6\)](#) TEU. These legal bases provide the opportunity for '**differentiated integration**' in defence among those Member States that 'fulfil the criteria and have made the commitments on military capabilities set out in the Protocol'.

According to its legal basis, PESCO is open to all Member States meeting the requirements, and can establish cooperation in five fields: **budgetary** (setting objectives on the level of investment in defence); **equipment** (identifying military needs, pooling and sharing, and specialisation), **operational** (interoperability and readiness of forces), **capabilities** (remedying the capability gaps) and **industry** (participating in major defence equipment programmes).

The decision to launch PESCO was in line with the EU's new 'level of ambition' enshrined in the Global Strategy and in its [implementation plan on security and defence](#).

The political intent to activate PESCO formed part of the strategy's implementation plan and, in June 2017, the European Council [acknowledged](#) the need to launch 'inclusive and ambitious permanent

Figure 1 – EU Global Strategy 'level of ambition'



Source: [EU Global Strategy](#), EEAS.

structured cooperation'. Former HR/VP Federica Mogherini [referred](#) to this as 'a historic moment in European defence'. While proposals to move towards common EU defence have been around since [as early as the 1950s](#), the vigour and speed with which security and defence initiatives have progressed in recent years has been unprecedented, particularly in the case of PESCO.

PESCO was established on 11 December 2017, with 25 EU Member States undertaking to act within the PESCO framework and issue an initial list of 17 projects; these were [adopted](#) by the Council in March 2018. In November 2018, 17 [additional projects](#) were added and a further 13 projects were [approved](#) in November 2019, bringing the current total to 47 (Figure 2).

Figure 2 – PESCO projects, participants and EDIDP funding

Project name	Airborne Electronic Attack (AEA)	Counter Unmanned Aerial System (C-UAS)	European Attack Helicopters TIGER Mark III	European Medium Altitude Long Endurance Remotely Piloted Aircraft Systems – MALE RPAS (Eurodrone)	Materials and components for technological EU competitiveness (MAC-EU)
Projects including European Defence Industrial Development Programme (2019) funded elements, EDIDP					
Project leader	ES FR SE	IT CZ	FR ES DE	FR IT ES DE CZ	FR ES PT RO
Project member	EDIDP			EDIDP	
Cyber and Information Domain Coordination Center (CIDCC)	Cyber Rapid Response Teams and Mutual Assistance in Cyber Security	Chemical, Biological, Radiological and Nuclear (CBRN) Surveillance as a Service (CBRN SaaS)	Co-basing	Energy Operational Function (EOF)	European Medical Command
DE CZ ES HU NL	LT EE FI HR IT NL PL RO	AT FR HR HU SI	FR BE CZ DE ES NL	FR IT BE ES	DE BE CZ ES FR IT NL RO SE SK
Cyber Threats and Incident Response Information Sharing Platform	Electronic Warfare Capability and Interoperability Programme for Future Joint Intelligence, Surveillance and Reconnaissance (JISR) Cooperation	EU Collaborative Warfare Capabilities (EcoWAR)	European Global RPAS Insertion Architecture System	Geospatial, Meteorological and Oceanographic (GeoMETOC) Support Coordination Element (GMSCE)	Timely Warning and Interception with Space-based TheatER surveillance (TWISTER)
EL AT CY ES HU IT PT	CZ DE	FR BE ES HU RO SE	IT FR RO	DE AT EL FR PT RO	FR IT ES FI NL
European High Atmosphere Airship Platform (EHAAP) – Persistent Intelligence, Surveillance and Reconnaissance (ISR) Capability	European Secure Software-defined Radio (ESSOR)	Military Mobility	Network of logistic Hubs in Europe and support to Operations	EU Radio Navigation Solution (EURAS)	European Military Space Surveillance Awareness Network (EU-SSA-N)
IT FR	FR IT BE DE ES FI NL PL PT	NL AT BE BG CY CZ DE EE EL ES FI FR HR HU IT LT LU LV PL PT RO SE SI SK	DE BE BG CY EL ES FR HR HU IT LT NL PL SI SK	FR IT BE DE ES PL	IT FR
One Deployable Special Operations Forces (SOF) Tactical Command and Control (C2) Command Post (CP) for Small Joint Operations (SJO) – (SOCC) for SJO	Strategic Command and Control (C2) System for CSDP Missions and Operations	Deployable Modular Underwater Intervention Capability Package (DIVEPACK)	European Patrol Corvette (EPC)	CBRN Defence Training Range (CBRNDR)	EU Cyber Academia and Innovation Hub (EU CAIH)
EL CY	ES DE FR IT LU PT	IT AT	IT FR	RO FR IT	PT ES
Armoured Infantry Fighting Vehicle / Amphibious Assault Vehicle / Light Armoured Vehicle	Deployable Military Disaster Relief Capability Package	Harbour & Maritime Surveillance and Protection (HARMSPRO)	Maritime (semi-) Autonomous Systems for Mine Countermeasures (MAS MCM)	EU Test and Evaluation Centres	European Training Certification Centre for European Armies
IT EL SK	IT AT	IT EL PL PT	BE EL LV NL PL PT RO	FR ES SE SK	IT EL
EU Beyond Line Of Sight (BLOS) Land Battlefield Missile Systems	EUFOR Crisis Response Operation Core (EUFOR CROC)	Maritime Unmanned Anti-Submarine System (MUSAS)	Upgrade of Maritime Surveillance	European Union Network of Diving Centres (EUNDC)	European Union Training Mission Competence Centre (EU TMCC)
FR BE CY	DE CY ES FR IT	PT ES PT SE	EL BG CY ES HR IE IT	RO BG FR	DE AT CZ ES FR IE IT LU NL RO SE
Indirect Fire Support (EuroArtillery)	Integrated Unmanned Ground System (UGS)	Helicopter Hot and High Training (H3 Training)	Integrated European Joint Training and simulation Centre (EUROSIM)	Joint EU Intelligence School	Special Operations Forces Medical Training Centre (SMTC)
SK HU IT	EE BE CZ DE ES FI FR HU LT NL PL	EL IT RO	HU DE FR PL SI	EL CY	PL HU

Source: EPRS.

PESCO governance

The main coordinating body in PESCO is the [Secretariat](#). It is composed of staff from the European Defence Agency (EDA) and the European External Action Service (EEAS), including the EU Military Staff (EUMS) under the responsibility of the HR/VP. The Political and Security Committee, the EU Military Committee and Defence Ministers in the Foreign Affairs Council also meet in PESCO format.

PESCO binding commitments

What makes PESCO different from any other defence pledge or initiative at EU level is its legal nature. Member States participating in PESCO are thus under a legal obligation to implement 20 [binding commitments](#) to invest, plan, develop and operate defence capabilities together, within the Union framework. Article 2 of Protocol 10 includes the baseline commitments for continued participation in the structured framework:

- a) cooperating with a view to achieving higher levels of investment expenditure on defence equipment in the light, for instance, of international responsibilities (especially in the framework of the North Atlantic Treaty Organization (NATO));
- b) aligning the defence apparatus by identifying military needs, pooling and specialising capabilities, and encouraging cooperation in training and logistics;
- c) taking concrete measures to mobilise forces;
- d) reducing capability shortfalls and gaps; and
- e) participating in major joint or European equipment programmes under the EDA.

As part of these commitments, PESCO members pledge to increase national defence budgets in real terms, increase defence investment expenditure towards 20% of total defence spending, and invest more in defence research and technology – towards 2% of total defence spending. In addition, they commit to develop and provide 'strategically relevant' defence capabilities in accordance with the capability development plan (CDP), the coordinated annual review on defence (CARD) and the EDA, and to act jointly and make use of the financial and practical support provided by the European Defence Fund (EDF). Finally, they assume the obligation to contribute to projects that boost the European defence industry and the European defence technological and industrial base (EDTIB).

The objective is to arrive together at a coherent full spectrum of defence capabilities available to Member States for national and multinational missions and operations. This means that capabilities eventually developed within PESCO could be deployed in the framework of NATO, the United Nations, the EU or coalitions of the willing. Developing a full spectrum of capabilities (between EU members) is intended to enhance the EU's capacity as an international security actor, contribute to the protection of EU citizens and maximise the effectiveness of defence spending. The latter objective stems from concerns about the perennial [fragmentation of defence industries](#) at national level, which in turn leads to duplication of capabilities and a high waste-rate in public finances. Most European defence industries tend to either develop capabilities nationally or buy off-the-shelf from big players. PESCO commitments are therefore designed to guide members towards more efficient public spending on defence and joint development of capabilities, so as to avoid further duplication between themselves and with NATO.

PESCO members report annually through national implementation plans (NIPs) to demonstrate how they are meeting the 20 binding commitments. These are then analysed by the PESCO Secretariat and conclusions are drawn in the form of an annual report, authored by the HR/VP (see 'PESCO assessments and reviews' below). If a PESCO participating country is found to be failing to abide by or advance towards meeting the commitments, the Lisbon Treaty also provides a '**nuclear option**'. Any decision concerning the suspension of a Member State has to be adopted in accordance with [Article 46\(4\) TEU](#) only after the Member State has been given a clearly defined timeframe for individual consultation and reaction measures.

The binding commitments are strongly interlinked with the development of joint defence projects. Both aim to fill the EU's 'strategic capability gaps' and ensure the cross-border availability, deployability and interoperability of forces (the ability of various national forces to work together). The commitments thus commit the signatories to cooperate more closely in security and defence, to increase their defence expenditures gradually and contribute to at least one PESCO project on capability development. In so doing, PESCO participants are urged to exploit the full potential of the EDA, the CARD and the EDF (see 'How does PESCO interact with other EU defence initiatives?' below).

PESCO projects

PESCO's most visible deliverables are its projects, which see Member States joining up in various constellations. The projects cover a wide range of capabilities and use the [capability development plan](#) (CDP) as the reference for filling existing shortfalls. The diverse projects cover training facilities, cyber defence and response, unmanned air, land and naval equipment, the mobility of armed forces, air systems, reconnaissance and space, to name a few (see Figure 2 above).

The first list of projects, [adopted](#) in March 2018, was met with a certain degree of [scepticism](#) as they were viewed as low-profile, previously announced or unaligned with the shortfalls identified by the CDP. This is perhaps unfair as they included some potentially significant projects, such as the European Medical Command and the German-sponsored Crisis Response Operation Core (EUFOR CROC) which have received significant attention. The [second wave](#) of projects adopted in November 2018 included unmanned ground systems, an underwater intervention package and the Eurodrone, among 14 others. Finally, the [latest wave](#) added 13 new projects to the total list, including several cyber-related ones. While a fourth wave is [scheduled](#) for 2021, it is likely that the list will be [altered](#) as a result of the 2020 strategic review. This means that projects that have not seen much progress may be discarded while others might be grouped together in clusters.

Military mobility

Besides being a flagship PESCO project, military mobility is more of a hybrid tasking involving various EU and NATO stakeholders. As administrative, regulatory, and procedural practices concerning the transport of military goods, equipment, and troops vary greatly across the EU, facilitating the mobility of the military is fundamental for ensuring European security. [Military mobility](#) is thus key for NATO – as it needs to be able to rapidly deploy forces across the European continent in a crisis situation – but also for the EU and its own deployment of CSDP missions and operations. As the recent pandemic has demonstrated, the ability of EU militaries to move swiftly and efficiently across borders, can vitally enhance their contribution to the confrontation of crises emanating from non-traditional trans-border threats.

Achieving military mobility is a complex endeavour. As its success depends on issues ranging from transport infrastructure to taxation and defence coordination, a large variety of actors are included. As such, the institutional military mobility landscape is as follows:

- an action plan by the European Commission;
- an action under EU-NATO cooperation;
- a PESCO project.

These are naturally interlinked, but the main focus of the PESCO project coordinated by the Netherlands is the simplification and standardisation of cross-border military transport. It has also been [argued](#) that the political and intergovernmental nature of the PESCO framework is an asset for military mobility, for it allows Member States to apply pressure for deliverables more easily.

Each of the projects is carried forward by a varying group of PESCO participant Member States (project members) and is coordinated by one or more of them (project coordinators). The project members may agree among themselves to allow other participating Member States to join as a project member or to become an observer to the project. They may also decide to allow a third country to participate in the project, on the basis of conditions and rules that remain to be agreed and are at the time of writing under [discussion](#) in the Political and Security Committee.

While the decision to launch PESCO itself was taken by a qualified majority vote (QMV), decisions and recommendations taken within the PESCO framework are adopted by unanimity, constituted by the votes of the representatives of all 25 participating Member States (Article 46(6) TEU). However, within a given project, Article 4(4) of the governance rules on PESCO allows project

members to 'agree among themselves by unanimity that certain decisions, such as those relating to administrative matters, will be taken according to different voting rules', such as QMV. This in fact demonstrates that there are various levels of PESCO governance, making PESCO a unique form of differentiation, as pointed out in a [report](#) by CEPS.

The degree of ambition and inclusiveness of PESCO projects differs, as do the respective implementation plans. Some PESCO projects are able to build on pre-existing domain-specific knowledge and achievements at EU or national level while others require new infrastructure and capacity-building.

PESCO assessments and reviews

In March 2019, HR/VP Federica Mogherini presented the Council with her annual report on the status of PESCO implementation, including on the fulfilment by each participating Member State of its commitments, in accordance with its updated and reviewed national implementation plans.

On the basis of that report, in May 2019 the Council discussed PESCO after its first full year of implementation and adopted a [recommendation](#) assessing the progress made by the participating Member States on fulfilling commitments undertaken. The Council underlined that participating Member States had made progress in increasing the level of defence budgets and joint defence investment with an increase in their aggregated defence budgets of 3.3% in 2018 and 4.6% in 2019. Another positive trend noted was the fact that participating Member States were increasingly using EU tools, initiatives and instruments in national defence planning, such as the revised CDP, the CARD and the European Defence Industrial Development Programme (EDIDP).

The Council invited participating Member States to continue this progress in fulfilling the more binding commitments related to bringing their respective defence systems more in line with each other, in particular to strengthen collaborative capability development. It also encouraged them to make further efforts as regards the commitments related to strengthening the availability and deployability of forces, including for military CSDP operations and missions. The recommendation also envisaged that after 2019, the next call for PESCO projects would take place in 2021.

According to a 2019 Council [decision](#), an annual report on PESCO is to be presented in the first half of each year. The 2020 (second) annual report on PESCO was set to pave the way for a strategic review of PESCO, in particular assessing the fulfilment of the PESCO commitments but also – as indicated in the Council recommendation of 6 May 2019 – by providing 'first proposals with the view to the **strategic review** process ... taking into consideration other relevant EU initiatives contributing to the fulfilment of the Union's level of ambition in the area of security and defence'. This report is likely to remain classified, however, as it is based on the national implementation plans which are often also classified. Nevertheless, [according](#) to journalists the second annual report will likely point out relatively meagre implementation of the commitments and of the projects, looking for means to better incentivise PESCO delivery.

Linking PESCO to operations: the example of EUFOR CROC

Some projects have been more in the spotlight than others. One such example is [EUFOR CROC](#). Coordinated by Germany and with the participation of Cyprus, Spain, France and Italy, the project aims to improve the crisis management capabilities of the EU. By improving the force generation process (coherently gathering the various contributions of national armed forces) the project aims to facilitate faster deployment of these forces in a crisis situation.

After its adoption as a PESCO project in March 2018, EUFOR CROC participant Member States developed an (internal) implementation study, outlining the intended objectives and relevance. Distinct from the majority of PESCO projects, EUFOR CROC focuses primarily on the operational dimension, though other capabilities developed within PESCO could in theory be used within EUFOR CROC. The initial size of EUFOR CROC is intended to be up to land-brigade size (approximately 5 000), though [experts](#) argue that a corps-size (between 30 000 and 50 000) EUFOR CROC would be better suited to achieving the EU's level of ambition.

The EUFOR CROC project could thus significantly reinforce the EU's CSDP missions and operations, and speed up EU crisis reaction and deployment.

Most recently, the Foreign Affairs Council (Defence format) [conclusions](#) of 17 June 2020 also encourage Member States to enhance the implementation of PESCO, particularly 'where progress was assessed as not sufficient'. The conclusions suggest that areas where there is significant room for improvement in the second annual report include the operational domain, joint equipment procurement and research and development.

On the basis of the outcome of the 2020 strategic review process, a Council decision revising Council Decision (CFSP) 2017/2315, which established PESCO, should be adopted before the end of 2020, possibly at the November Foreign Affairs Council. The Council will also have to agree on the objectives for the **next phase of PESCO** (2021-2025) by the end of 2020.

How does PESCO interact with other EU defence initiatives?

PESCO has been built into the architecture of pre-existing EU institutions, instruments and mechanisms in the field of security and defence. The composition of its Secretariat (the EDA, the EEAS and the EUMS) reveals precisely this. Other EU instruments developed since 2017 such as the CARD and the European Defence Fund are meant to assist PESCO participants in providing 'strategically relevant' defence capabilities.

The [CARD](#), coordinated by the EDA, was formally established in May 2018 with the aim of progressively synchronising the national defence planning and capability-development priorities of Member States. It is thus meant to decrease duplication and fragmentation and in turn lead to more systematic and coordinated defence cooperation. In short, it aims to provide a detailed picture of the capability landscape in the EU. It therefore connects with PESCO by providing it with a clear picture and gaps that could be filled by PESCO projects. After a test run in 2018, the first cycle of CARD began in autumn 2019.

The connection with the EDF is mainly through the possibility to co-fund PESCO projects. PESCO projects are thus eligible for [co-funding](#) from the EU's budget – through the EDF – and they benefit from an extra 10% of funding, compared with regular projects. The [results of the EDIDP](#) (the capability development precursor of the EDF) call for proposals in June 2020 show that nine of the 16 projects awarded relate to PESCO projects. They include projects on [maritime surveillance, cyber situational awareness and secure communications](#) and [strategic command and control](#), among others.

Published simultaneously, the [eight projects](#) selected under the preparatory action on defence research (PADR), the defence research precursor of the EDF, are relevant to PESCO in terms of possible linkages with some of its projects. The latest PADR projects range from developing [artificial intelligence](#) for detecting explosive devices, to enhancing the ability to [navigate autonomously](#) in areas without access to global navigation satellite systems.

Third-party participation in PESCO

Non-EU states may participate in PESCO projects on an exceptional basis. The details regarding third-country participation remain to be agreed and clarified by Council. With regard to the withdrawal of the United Kingdom from the EU, the latter's [negotiating directives](#) of February 2020 reiterate the possibility of [British involvement](#) in research and capability-development projects, to be enabled by a future association agreement with the EDA, participation in EDF-supported collaborative defence projects of eligible British entities, and involvement, on a case-by-case basis and upon invitation, in PESCO projects.

This matter is highly delicate politically. It has been widely [reported](#) that the United States (US) been vocal in expressing concern about the rules governing third-party access to the EDF and PESCO. Research nevertheless demonstrates the non-discriminatory rules and [intentions](#) of the EU in developing defence capability-development initiatives. Neither the EDF nor PESCO will alter the EU's existing rules on defence procurement, nor will they affect in any way the bilateral relationships between the US and Member States. At the same time, the EU has 'equally legitimate security interests' and is responding to long-standing calls for more 'burden-sharing' in defence. The EU's [close cooperation with NATO](#), for example on building the EDF and PESCO to avoid duplication, reinforces this argument.

The [conclusions](#) adopted on 17 June 2020 by the Defence format of the Foreign Affairs Council call for 'an agreement as soon as possible' on the conditions for third-country participation in individual PESCO projects.

It follows that PESCO is intended as a piece in the larger EU defence puzzle. Maximising the added-value potential of each of these initiatives would ensure more efficient public spending and a lower waste-rate. The EU has every interest in ensuring that the various initiatives slot into the bigger European defence picture. In this respect, the European Defence Agency may play an important [role](#) as the 'European hub for collaborative capability development' and as part of the PESCO secretariat. The EDA facilitates capability-development projects under PESCO, in particular by coordinating the assessment of project proposals in the area of capability development, and it supports Member States by ensuring that there is no unnecessary duplication with existing initiatives including in other institutional contexts. The number of PESCO projects that are or have been [supported by the EDA](#) now stands at six; two of them (in the areas of CBRN surveillance and deployable underwater capabilities) as EDA projects. It is expected that more will follow.

Last but not least, the underlying aim of the various interlinked defence initiatives is to progressively create a common strategic culture and threat perception powered by solidarity and mutual trust – the sine qua non of being strategically autonomous. The ongoing work on the [Strategic Compass](#) is an important step in that direction, in line with the European Parliament's longstanding calls for a more strategic approach to EU defence and to the progressive framing of an EU defence union, as envisioned by the Treaty of Lisbon.

Criticism and challenges

PESCO has received mixed reactions from experts who, on the one hand, have hailed its establishment, but on the other have substantially criticised its implementation. According to a [report](#) by CEPS there are questions surrounding whether the framework for risk and reward within PESCO is sufficiently robust. In the case of rewards for working through PESCO, there will be a helpful financial incentive through the EDF, though whether this is sufficiently high to make an appreciable difference remains to be seen. Success in PESCO projects may also reap political rewards in national reputational terms and in making a concrete contribution to the EU's level of ambition.

There is, in addition, the question as to whether PESCO is coherent as regards encouraging deeper cooperation over capability development, (i.e. pooling, sharing and specialising, on the one hand, and aspiring to develop new force structures on the other). There is, as noted by the report, a tension between the concept of a national 'single set of forces' that can be allocated to different force structures – be they NATO, EU or ad hoc – and deeper forms of cooperation over specific, concrete capabilities that may lead to significant levels of mutual dependence. With regard to PESCO governance, the authors posit that, given that certain PESCO projects may benefit from EU funding through the European Defence Fund and bear implications for the Single Market, there should be further reflection on whether some degree of Commission participation in these projects' proceedings should be mandatory on the basis of Article 7(1) of the [PESCO governance rules](#).

A 2019 report for the European Leadership Network [concludes](#) that, as it stands, PESCO projects are heading in the right direction, in terms of corresponding to the priorities identified in the CDP and marginally also tackling capability shortfalls. The authors identify promising projects in the fields of intelligence, surveillance and reconnaissance, enhanced logistics, ground combat capabilities, and cybersecurity. However, they also note that PESCO projects do not address the main shortfall areas of the EU level of ambition. In terms of capability development, they note that 'projects are often at the low-end of the capability spectrum and consist mostly of what Member States were ready to develop at the national level'.

Perhaps the biggest challenge identified by most experts, however, is that of ensuring coherence and goals. In a [paper](#) for the EU Integration and Differentiation for Effectiveness and Accountability (IDEA) series, Sven Biscop attributes the slow progress of PESCO to the 'absence of a clear purpose'. He argues that the non-binding nature of the CSDP and lack of precision in Member States' objectives through PESCO are not helping. Moreover, his research points at a persisting national focus in Member States' defence planning and criticises the loose implementation of the commitments, highlighting the limited consequences in cases of non-compliance. The paper thus

recommends that PESCO instead be centred on a core project, in this case EUFOR CROC, to provide it with a sense of purpose. Along the same lines, other proposals focus on better incentivising Member States to deliver in PESCO through an [intergovernmental peer-reviewing system](#). It is argued that such a mechanism would bring additional benefits such as advancing towards a shared strategic culture, converging threat perceptions, and increasing solidarity. It would also lead to more accountability and transparency.

In the same vein – of coherence and purpose – a European Union Institute for Security Studies publication '[The CSDP in 2020](#)' highlights the need to ensure that the same priority identification process guides both PESCO and the EDF, and the capability-related decisions deriving from those initiatives. Ultimately, most experts seem to conclude that while the establishment of PESCO is a sign of progress in the move towards more efficient and integrated EU defence cooperation, the real test for PESCO to be able to deliver will be Member State willingness to identify objectives jointly and – jointly again – deliver the relevant capabilities.

Several of the afore-mentioned concerns were voiced by four EU defence ministers in a May 2020 [letter](#) to their counterparts and to the HR/VP. In the letter, the ministers referred to PESCO as the key framework for EU defence cooperation; emphasised the need for PESCO to deliver 'visible and short-term operational output in order to support the EU CSDP military Level of Ambition'; and called for the swift resolution of issues pending, such as third-country participation.

Impact of coronavirus on PESCO

Highly discouraging post-coronavirus crisis economic [projections](#) suggest that the impact of the pandemic will not spare the defence sector, or lessen geopolitical tensions. Therefore the security necessity for PESCO will persist but the ability to invest in PESCO might be weakened. Using the 2008 financial crisis as a reference point, it seems almost inevitable that defence budgets will suffer.

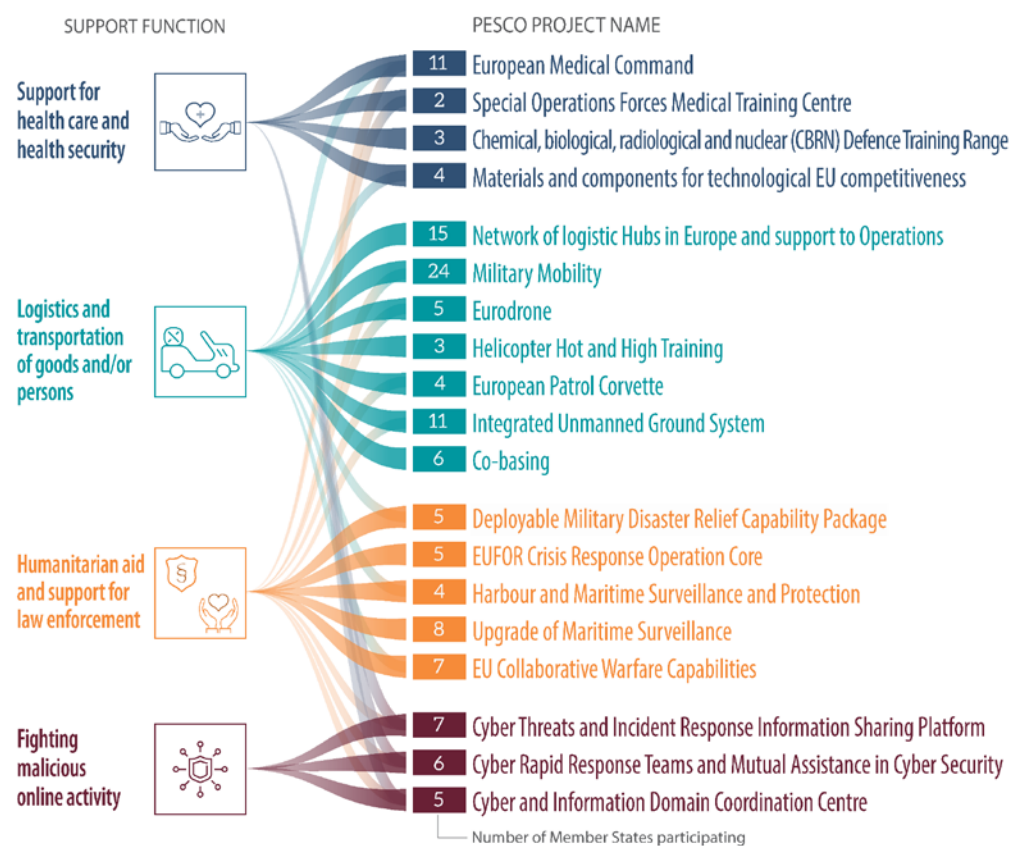
Flagship EU defence initiatives such as the EDF, military mobility and the proposed off-budget [European Peace Facility](#) have seen their funding impacted as negotiations on the EU's next multiannual financial framework (MFF) have unfolded in the context of the coronavirus crisis. The [political agreement](#) of 21 July 2020 on the next MFF in the European Council allocates €7 billion to the European Defence Fund, €1.5 billion to military mobility, and €5 billion to the European Peace Facility. As regards defence allocations, they are close to the European Commission's [budgetary proposal](#) of 27 May 2020. While the proposed funding for these policies has increased compared with previous [proposals, it represents a significant reduction](#) compared with the initial ambition when these programmes were launched. More specifically, the EDF was originally earmarked €13 billion, military mobility €6.5 billion, and the European Peace Facility €10.5 billion. The European Parliament [resolution](#) of 23 July 2020 on the afore-mentioned conclusions of the European Council calls for an increase in funding for certain programmes, including the EDF.

Given that the negotiations have to be finalised by the end of 2020, experts and stakeholders are pleading against these cuts. For instance, a [cross-party group](#) of 45 Members of the European Parliament have called on the European Commission to maintain the initial ambition envisaged for military mobility. In the same vein, [defence experts](#) have argued for defence to be regarded as a critical sector during the negotiations. At the same time, for those Member States with lower perceptions of military threats, the pandemic [necessitates](#) the prioritisation of other policy areas over defence.

Although PESCO is not directly funded from the EU budget (except for projects selected under the EDF), it remains dependent on its Member States' financial contributions. If national defence budgets suffer reductions, PESCO will too. Interestingly, several of the 47 PESCO [projects](#) currently adopted, if funded accordingly, could strengthen Member States' preparedness if or when another public health crisis hits. One example is the [European Medical Command](#). This project is aimed at providing a centralised medical capability to coordinate military medical resources across Member States, but also to 'create a common operational medical picture, enhance the procurement of

critical medical resources and contribute to harmonising national medical standards'. The [objective](#) is for the command to be operational in 2021. Other examples of projects that could at least be partly useful in such a crisis can be seen in Figure 3, but notably include the Special Operations Forces Medical Training Centre, the chemical, biological, radiological and nuclear (CBRN) Defence Training Range, and the Deployable Military Disaster Relief Capability Package. During a [hearing](#) with the European Parliament's Subcommittee on Security and Defence (SEDE) in May 2020, HR/VP Borrell also emphasised the added value of these formats to enhance the EU's preparedness for future crises, including pandemics.

Figure 3 – PESCO projects relevant for fighting pandemics (non-exhaustive)



Source: EPRS, 2020.

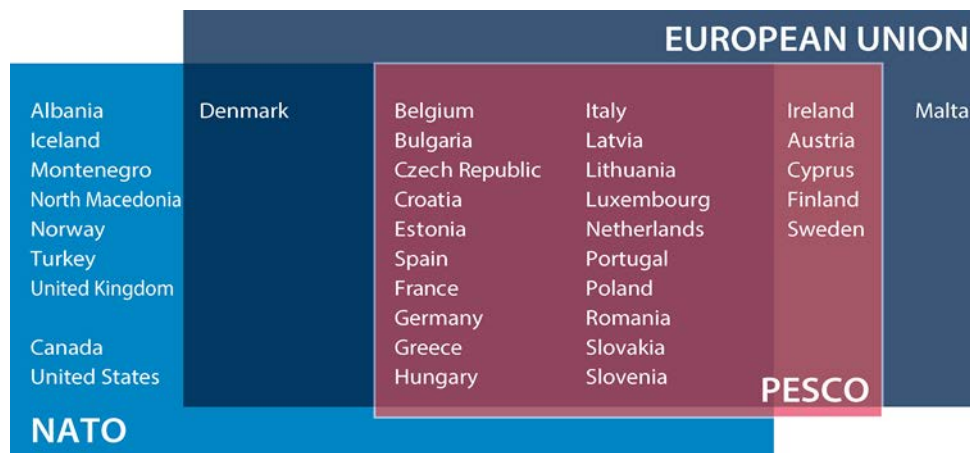
PESCO and NATO

Given the unprecedented nature of a defence initiative such as PESCO to be pursued by the EU, NATO's initial reaction was reasonably cautious. Nevertheless, the launch of PESCO and the suite of EU defence initiatives coincided with the favourable environment created by the landmark signing of the [EU-NATO joint declaration](#) in 2016 and, subsequently by the [second joint declaration](#) in 2018. This relationship aims to establish a continued commitment to bolster security implementation efforts through collective defence principles.

The 2018 declaration notably includes NATO's welcoming of the EU's 'efforts to bolster European security and defence', acknowledging the contribution of PESCO and the EDF to this objective. The fifth and most recent [progress report](#) on EU-NATO cooperation from June 2020 takes stock of the deepened links and close coordination between the two, noting, for example, that NATO staff had been invited to attend meetings regarding the CARD. Evidencing the spirit of complementarity between PESCO and the activities of NATO, the report highlights that '38 out of the current 47 PESCO projects also broadly respond to NATO priorities'. Maritime unmanned systems are only one of many

examples of technologies that are both part of the [PESCO](#) agenda and the [focus](#) of NATO capability development and [exercises](#).

Figure 4 – PESCO, EU and NATO members



Source: EPRS, 2020.

Efforts to ensure coherence of output and synergies between planning instruments and processes in the EU and NATO continue. As discussed in a box above, a key area of positive overlap and mutual interest between PESCO and NATO is military mobility. Finally, the overall complementarity between PESCO and NATO is increasingly accepted, in particular at the higher political level. This follows the continued emphasis by the EU upon the 'single set of forces' principle whereby all capabilities developed through PESCO belong to those Member States that have invested in them and will be made available for deployment in NATO as well as other multinational frameworks.

What role for the European Parliament in PESCO?

Parliament has called [repeatedly](#) for the establishment of PESCO as part of its strong plea to make full use of the provisions of the Lisbon Treaty. As Michael Gahler (EPP, Germany), a Member of the SEDE subcommittee, has [highlighted](#), Parliament has been calling for the activation of PESCO since the entry into force of the Lisbon Treaty in 2009. Consequently, Parliament was quick to [welcome](#) the PESCO notification in December 2017, calling for an ambitious and inclusive framework. In its January 2020 [annual assessment](#) of the CSDP, Parliament welcomed the effective implementation of PESCO, though it did criticise the lack of 'strategic justification' of defence policy considerations and questioned the 'slow start-up of the 34 PESCO projects and the delays to the launch of a third wave of 13 projects'. The same resolution drew attention to the 'lack of ambition and scale' of some projects and called on the HR/VP to keep Parliament informed with regard to changes in the list of PESCO projects. Lastly, addressing the sensitive matter of third-party participation, the resolution recommended 'stringent conditions envisaged from the beginning and based on established and effective reciprocity'.

Parliament's Committee on Foreign Affairs (AFET) is currently drafting a [recommendation](#) for the implementation and governance of PESCO, with Radosław Sikorski (EPP, Poland) as rapporteur. The [draft report](#) (yet to be voted in the AFET committee but due to reach plenary in October 2020) highlights shortcomings such as the lack of compliance with binding commitments and a limited embedding of PESCO in national defence planning processes. It also points to the risk of being constrained by the 'lowest common denominator approach' due to its inclusive membership and includes several points of criticism regarding PESCO projects, such as a lack of coherence and a failure to address priority shortfalls. The report takes into account the impact of the coronavirus pandemic and advocates the establishment of 'an EU common defence strategy in order to be able to respond to an attack on the EU's borders and territories'. Relatedly, it also highlights the potential

of several PESCO projects to leave the EU better prepared in a future health crisis, thus arguing against cutting financial commitments.

The draft report calls for increased consultations with the European Parliament regarding the review of PESCO, following the logic that deeper defence cooperation at EU level 'should go hand in hand with the strengthening of Parliament's power of scrutiny'. Lastly, it advocates the development of an EU security and defence white paper – a longstanding Parliament request – on the basis of the upcoming discussion on the Strategic Compass and for clearer compliance benchmarks for the 20 binding commitments.

During a SEDE hearing in May 2020, the chair of the subcommittee, Nathalie Loiseau (Renew, France), underlined that 'Europe's strategic autonomy is even more necessary today than yesterday' and that the EU's resilience and sovereignty must be strengthened.

Outlook

The post-pandemic geopolitical environment will, by most accounts, be characterised by an aggravation of most sources of insecurity and instability. At the same time, escalating rivalry between great powers is weakening the security guarantees provided by the established multilateral order. In this context, the EU's quest for strategic autonomy – inextricably linked with the pursuit of its level of ambition in security and defence – becomes part of its arsenal for continued relevance and impact in the new global reality. As highlighted by most experts, PESCO – if implemented in coherence with the multitude of EU defence initiatives currently being developed, supported in part by EU financing through the EDF and pursued with strategic purpose guided by the upcoming Strategic Compass – can greatly contribute to bridging capability and operational gaps in the CSDP. In addition, as demonstrated by the role of militaries during the coronavirus crisis, PESCO projects may assist in the development of EU military cooperation suited to address new types of threat – from pandemics to climate change. In this context, the PESCO strategic review, fortuitously coinciding with the launch of the threat assessment exercise of the Strategic Compass process, is all the more relevant in the EU's pursuit of strategic autonomy.

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