

A geopolitical Commission? Beware the industrial-strategic gap in EU defence policy

Luis Simón | Director of the Brussels Office and Senior Analyst, Elcano Royal Institute
| @LuisSimon 

Theme

To what extent will the European Commission's efforts to promote a rationalisation of the European defence industry be based on a common political and strategic vision about the future of European defence?

Summary

In 2017 the European Commission [launched the European Defence Fund \(EDF\)](#), an industrial instrument that draws on the EU budget to promote defence-related research as well as the development of joint European military capabilities. Through the EDF, the Commission will become an important player in European defence policy and politics. Going forward, a key challenge is to ensure that the industrial tail does not wag the strategic dog, and the Commission's vision for the future of the European defence industrial base is grounded in a common strategic vision. To ensure coherence between the industrial and strategic pillars of EU defence, the High Representative and Vice President (HRVP) should have the power to validate any decision regarding the allocation of EDF funds. After all, the HRVP is responsible for overseeing the development of the EU's Common Security and Defence Policy (CSDP) and works closely with the Member States to set the political and strategic direction of EU defence policy. His direct connection with the Member States and role as Vice President of the European Commission places the HRVP in an ideal position to bridge the strategic and industrial pillars of European defence.

Analysis

On 1 December 2019 a new political leadership took the reins of the EU. One of the key priorities outlined by Commission President Ursula von der Leyen is to create a stronger Europe in the world.¹ Where Juncker promised a political Commission, von der Leyen has promised a 'geopolitical Commission'. Delivering on such a promise will require applying a geopolitical lens to most of what the Commission is already doing in key areas like technology and digitalisation, industry, trade, development, energy, global governance and even climate. Against that backdrop, von der Leyen's decision to task High Representative/Vice President (HRVP) Josep Borrell with the coordination of the external dimension of all the Commissioners' work is a positive development. But there is another important policy area in which greater coherence is critical to the EU's global

¹ Ursula von der Leyen (2019), Speech in the European Parliament Plenary Session, Strasbourg, 27/XI/2019, https://ec.europa.eu/info/sites/info/files/president-elect-speech-original_en.pdf.

standing: defence, including its operational, capability development, armaments and research components.

In June 2017 the European Commission launched the European Defence Fund, a vehicle that aims to provide financial incentives to Member States with a view to advancing towards a more efficient and competitive European defence industrial base.² EDF money will be devoted to financing cooperative defence research as well as the joint development of European military capabilities up to the prototype phase. The Commission has proposed to devote €13 billion for the EDF between 2021 and 2027 (or €1.8 billion per year). Going forward, the EDF faces a number of legal, technical, financial and political challenges –as indeed illustrated by current negotiations on the Multiannual Financial Framework, which threaten to reduce the money allocated to the EDF and other defence-related initiatives–. However, what matters is not so much the money devoted during the initial 2020-27 period, but the fact that the EDF can begin to set the parameters for further European defence-industrial consolidation, and even integration.

To what extent will the EDF and the Commission's efforts on the defence-industrial front be based on a common politico-strategic vision about the future of European defence?

The answer to that important question will largely depend on the extent to which the HRVP is implicated in the decision to allocate EDF funds. After all, the HRVP is in charge of the EU's Common Security and Defence Policy and has the 'constitutional' legitimacy and responsibility to ensure that all aspects of European defence policy are strategically or geopolitically grounded. His role as chair of the Foreign Affairs Council underscores the HRVP's connection to the Member States, who remain the pivotal actors when it comes to EU defence policy. Moreover, his status as Vice President of the European Commission means the HRVP is also the natural bridge between the Council and the European Commission. Last but not least, the HRVP is also Head of the European Defence Agency (EDA), an intergovernmental body tasked by the Treaty with the prioritisation of EU defence capabilities and planning.³

To be sure, the EDF is a European Commission initiative, whose legal basis is not defence, but industrial policy.⁴ Decisions are adopted by a process of 'double comitology', which means that the Member States have a vote on the EDF work programme as well as on the final decision to allocate EDF funds. Such decisions, however, are adopted by Qualified Majority Voting, and on the basis of a process coordinated by the European Commission. President von der Leyen has given Thierry

² See, eg, Sophia Besch (2017), 'What future for the European Defence Fund?', CER Insight, 28/VI/.

³ See Jorge Domecq (2018), 'Coherence and focus on capability priorities: why EDA's role in CARD, PESCO and EDF matters', ARI nr 54/2018, Elcano Royal Institute; on the dynamic interaction between the European Commission and European Defence Agency see Daniel Fiott (2015), 'The European Commission and the European Defence Agency: a case of institutional rivalry?', *Journal of Common Market Studies*, vol. 53, nr 3, p. 542-557.

⁴ On the Commission's evolving role in European defence see Chantal Lavallée (2018), 'The European Commission: an enabler for the European Security and Defence Union', ARI nr 59/2018, Elcano Royal Institute, http://www.realinstitutoelcano.org/wps/portal/riecano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari59-2018-lavallee-european-commission-enabler-for-european-security-defence-union.

Breton –the new Commissioner for the Internal Market– direct responsibility for managing the EDF. It is Commissioner Breton who must come up with a proposal to assign EDF funds to different projects, drawing on the support and expertise of the new Directorate General for Defence Industry and Space, which will fall under its remit. Breton himself will report to Executive Vice President Margrethe Vestager (responsible for a ‘Europe fit for the Digital Age’) but will have no hierarchical link with HRVP Borrell.

A number of measures have been adopted to ensure some level of interface between the industrial and strategic pillars of European defence. One such measure includes tasking the EDA with identifying the capabilities Europe needs, through the so-called Capability Development Process (CDP), and ensuring that EDF money allocations use the CDP as a compass.⁵ Another such measure relates to the provision of additional EDF funding for projects linked to the Permanent Structured Cooperation (PESCO), an intergovernmental framework that seeks to promote the joint development of defence capabilities and is coordinated by the HRVP through the EDA. The more PESCO projects are financed through EDF, the more coherent European defence policy will be. In this vein, the European Council explicitly tasked the HRVP in June 2019 to ‘keep promoting the coherent implementation of defence initiatives (CARD, PESCO, EDF) in close coordination with Member States and involving close cooperation between EEAS, Commission services and the EDA’.

President von der Leyen has also taken a number of important steps to strengthen coherence between the different elements of the EU’s defence policy. In her revised mission letter of 1 December 2020, she instructed Breton to ‘work closely’ with the HRVP. Additionally, the Commission will have coordination structures in place at the political level, akin to the Project Team on Defence Union of the last mandate. These are all positive steps. However, the lack of a hierarchical relationship between the HRVP and the Internal Market Commissioner and the absence of enforcement mechanisms to ensure that either CDP’s or the HRVP’s criteria are taken into account in the allocation of EDF funds means there is no guarantee that the funds will be disbursed on the basis of strategic or geopolitical considerations. Not because the Commission is itself unable to think strategically or geopolitically. After all, as a diplomatic service, the EEAS is akin to a foreign ministry, and thus lacks serious expertise in defence policy. In fact, it could be further argued that President von der Leyen’s own background in defence gives her an expertise that few other EU leaders have. And nothing prevents the Commission from hiring defence experts to ensure the EDF is supported by appropriate strategic oversight in-house. But that is beside the point. After all, it is the HRVP who is responsible for the CSDP, and thus the only one who can legitimately claim to safeguard the strategic orientation of EDF funds. Anything other than that may generate fears in national capitals about a communitarisation of defence policy through the back door –and it may backfire sooner or later–.

⁵ For a comprehensive overview of the different EU defence initiatives and how they relate to each other see Pedro A. Serrano de Haro (2019), ‘The bundle of sticks: a stronger European defence to face global challenges’, Working Paper nr 03/2019, Elcano Royal Institute, http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/wp03-2019-serrano-the-bundle-of-sticks-stronger-european-defence-to-face-global-challenges.

Make no mistake: insofar as the EDF draws on the EU budget, only the European Commission can be legally responsible for the allocation or management of EDF funds. It will indeed be largely up to the Internal Market Commissioner to call the shots on EDF money. Whatever proposal he comes up with will have to be validated by Executive Vice President Vestager before going to the College for final approval. It is at that very stage of the decision-making process where the coherence window opens up. All President von der Leyen ought to do to ensure coherence between the industrial and strategic aspects of European defence is to bring the HRVP into the EDF validation loop. This would mean that any proposal from Breton on how to allocate EDF funds would require validation from both Vestager and Borrell before going to the College for final approval.

Conclusions

By leveraging the EU budget to fund defence research and capability development, the EDF constitutes a potential game changer in EU defence policy. In order to launch the EDF, the Commission had drawn on its competences in industrial policy. But to what extent are the Commission's efforts to revitalise the European defence industrial base grounded in a strategic vision? Through his direct link with the Member States, the HRVP plays a key role in setting the strategic direction of EU defence policy. Thus, implicating him in decisions on how to allocate EDF money would be important to ensure coherence between the industrial and strategic pillars of EU defence policy. To be sure, the EDF is a Commission initiative, and we should therefore expect the Commission to remain in charge of its design and management. But requiring that the HRVP signs off on any Commission proposal to allocate EDF funds may suffice.

Bringing the HRVP into the EDF validation loop would have several advantages. For a start, it would create an enforcement mechanism, allowing the HRVP to ensure that EDF money is indeed in sync with CDP priorities, but also open up an avenue for further involving Commission defence experts in CDP discussions. For another, HRVP validation would give the Commission political cover vis-à-vis those more sceptical Member States and shield the EDF from potential accusations of being an opaque process driven by backroom politics. Last but not least, the knowledge that the HRVP's signature is needed for the disbursement of EDF funds would ensure that EDF is in line with a geopolitical commission, and thus ensure coherence between the industrial and strategic pillars of EU defence policy.