

Katalin Horváth

SUPRANATIONALISM
IN EUROPEAN DEFENCE – WHAT DEFENCE
INDUSTRY BRINGS TO THE TABLE

ANALYSIS AND POLICY RECOMMENDATIONS

INTRODUCTION

The geopolitical upheaval associated with the transformation of the international system from the unipolar world order dominated by the U.S. to a more traditional multipolar order based on a balance of power has had many consequences. Although this process in the EU is routinely linked to the Russian–Ukrainian war, that is a rather short-sighted perspective and concentrates on the present and on what is happening in Europe’s immediate vicinity. We believe we have to make sense of this development in a broader perspective both in space and time. We have to connect this to the past, to the series of events and perceptions that led to the Russian–Ukrainian war, and to the future as well, to the potential future war that might not be far off between the U.S. and China, using Taiwan as a pretext/proxy.

The reason why this broader perspective is important is that many still seem to believe that once the Russian–Ukrainian war stops, we have a chance to go back to “normal”, and European defence can be conducted in much the same manner it has been conducted since the end of the Second World War. That is, led and mostly financed by the U.S., in the framework of NATO, a military alliance that serves as a vehicle of U.S. power in Europe and an institutionalised continuation of the alliance that was formed during the Second World War against the Axis powers.

NATO by its very existence discourages European defence integration so as not to allow the EU to become a rival power to the U.S., while at the same time criticises European states for not taking their own defence seriously, not spending enough and letting their national armies atrophy. This situation has changed somewhat since the events leading up to the Russian attack on Ukraine: most European NATO allies are spending significantly more on defence, and making real efforts, especially the Eastern flank allies, to build their national armed forces. However, the logic of doing so has not changed, European states still think about defence overwhelmingly in terms of national defence, as an exclusive national competence and an issue at the

heart of their national sovereignty. This means that the fragmentation of European defence is still very real and the Common Security and Defence Policy (CSDP) of the EU still has a limited level of ambition, that of crisis management, leaving the defence of Europe to NATO, so, in effect, mostly to the U.S. (FIOTT 2023; MOLNÁR 2022; MOLNÁR – JAKUSNÉ HARNOS 2023; 2024).

However, in the EU, the shock of the Russian aggression against Ukraine and the recent shock of the new U.S. approach by the second Trump Administration to handling the situation by negotiation a peace and normalising U.S. relations with Russia, is causing changes not only at the national, but also at the EU level. Still, in the timid EU fashion, Europeans are not talking about independence, or the necessity of establishing a European army. Talk is still only about strategic autonomy. The lack of a true European foreign and security policy (which CFSP is not) and a true European defence that could hold on its own, still makes Europeans stick to the alliance with the U.S., even though there is a general uneasiness and scepticism about how long that alliance will hold in the future (FIOTT 2018).

In this chapter I will describe the process of moving from intergovernmental European defence to supranational European defence. Intergovernmental European defence was the paradigm that has existed for the last quarter century after the end of the Cold War: NATO being responsible militarily for the defence of Europe and the EU doing only crisis management on an intergovernmental basis, operating by consensus. During this time, the EU invented first the European Security and Defence Policy (ESDP), then turned that into a common policy, the CSDP with the Lisbon Treaty. These policies were being responsible for EU crisis management only, not for the territorial defence of the Union. In the EU we also have collective defence, much like in NATO (the EU version is the Mutual Assistance Clause in the Lisbon Treaty), which says that for EU Member States that are also NATO allies, their collective defence will be done in NATO. However, as in NATO, so too in EU collective defence there is no common defence, the Allies and Member States are responsible for their own territorial defence nationally, and collective defence only means that they are mutually responsible for each other, as well.

The slowly emerging new defence paradigm in the EU is about going beyond the intergovernmental level and crisis management, and moving into the supranational level and territorial defence as well. This includes, and is a large part built on, the emergence of the European Commission as a relatively new player in European defence, coming from the competitiveness and industrial policy angle, and using its regulatory and budgetary powers to good effect.

EU DEFENCE INDUSTRY

After the Russian–Ukrainian war broke out, the EU reacted fast, and most of those initial reactions were related to defence procurement and defence industry. The war showed that high intensity conflict can return to Europe, and Europeans are not prepared for it. It also showed that neither is the U.S. prepared enough to support both itself and Europe, including Ukraine, with defence products at a scale and speed needed in a high intensity conventional war. Most European states and the U.S. pooled and transferred defence equipment as soon as their processes would allow, however, that was still not enough, and by depleting European equipment, also made another need apparent, the replenishment of European stockpiles of equipment. Even the U.S. defence industry was not able to ramp up fast enough to produce enough ammunition, and desperate attempts were made in both the U.S. and Europe to speed up production.

The problems in Europe with regard to defence industry are greater than those in the U.S.: both the U.S. Defense Technological and Industrial Base (DTIB) (WILKINSON 2020) and the European Defence Technological and Industrial Base (EDTIB) were optimised for peacetime, but at least the U.S. is a single political entity and, as a consequence, has a consolidated and united defence industry. The U.S. “only” had to ramp up production for war. However, Europe is not so fortunate, we are facing the dual problems of our defence industry being geared for peace, and of fragmentation along the lines of nation states, and as such, having no common defence industrial base. EDTIB and a “single market for defence” are policy objectives, not reality: the EU Member States (those few that do have any defence industry worthy of the name) have national defence industrial bases. The natural amalgamation and consolidation of the EDTIB has started already to a limited extent, without any political push due to the forces of globalisation (European Defence Agency 2012). But that process will not produce a true EDTIB and true European Defence Equipment Market (EDEM) without top-down political and economic intervention (European Defence Agency s. a.a).

The effects of the war led the EU institutions to issue what in the Brussels lingo is called DIGA (Defence Investment Gap Analysis), a document by EU institutions (European Commission 2024a), identifying the problems and recommending solutions. Right after that, the institutions have created the Defence Joint Procurement Task Force (DJPTF) (European Defence Agency 2022), which was a fast-acting clearing house by the European Commission, the European Defence Agency and the European External Action Service to coordinate and deconflict the common procurement of defence products by EU Member States for Ukraine

and for the Member States. Europe also reacted by launching two emergency instruments, namely, regulations that the EU co-legislators, the Council and the European Parliament passed in record time: EDIRPA (European Commission s. a.a) and ASAP (European Commission s. a.b). The process leading to EDIRPA was launched first, but it proved too slow, so ASAP was launched later and passed before EDIRPA, to deal with immediate need for ammunition. ASAP set a true record: from the proposal of the regulation by the Commission until its adoption by the co-legislators and entering into force: the EU did ASAP in 2 months (ANDERSSON 2023). (The normal legislative process, even if it is expedited, takes at least 18 months, and, if it is not urgent, it might take several years.) These two regulations are very much related to the ongoing war and have thus been conceived in a totally different paradigm than the regulations before the war, which were the first of their kind (defence industrial and defence research, and technological in nature): the EDF, and its two precursor programs, the European Defence Industrial Development Programme (EDIDP) and Preparatory Action for Defence Research (PADR)¹ (European Commission 2024b; s. a.e; s. a.f).

Now, after the emergency situation has been dealt with as much as the EU could deal with it at the defence industrial front, the EU is again turning to non-emergency EU regulations in the field of defence industry, which have longer term structural policy objectives relating to the reinforcement of the EDTIB, not the war. At the time of writing this chapter, the Council of the European Union is formally discussing the European Defence Industrial Development Programme (EDIP) regulation, and aims to adopt the general approach (that is, the Council mandate) as soon as possible so that the trilogue discussions among the Council, the European Commission and the European Parliament can start. The intention is to have the co-legislators adopt EDIP by the summer of 2025 and, after its entry into force, set up the EDIP Programme Committee without delay and start the implementation of EDIP, issuing the first calls for proposals before 2025 comes to a close (European Commission s. a.c).

EDIP is conceived as a bridging programme, meaning it will be the bridge between the emergency instruments of EDIRPA and ASAP and the next 7-year financial framework of the EU, the Multiannual Financial Framework (MFF), starting in 2028. EDIP will cover the years 2025–2027. All currently running and under preparation EU defence industrial and defence innovation/research and

¹ Preparatory Action for Defence Research (which is not a regulation, only a Commission action) see European Commission s. a.f.

technology programs² are under the current MFF, so they will all end in 2027 or earlier. It is an open question whether for the MFF the Commission will propose one overarching defence program, merging the current EDF and EDIP and their objectives into one (not to mention other defence-related programs financed from the EU budget, such as military mobility), or it will propose an “EDF2” and an “EDIP2” (under whatever names) (DELASNERIE 2024).

One thing, though, is certain: the Commission intends to spend an order of magnitude more money on defence in the next MFF. The programs enumerated above all have relatively limited budgets, all of them together barely amounting to 20 billion euros. The political level of ambition that the previous Commissioner for the Internal Market Thierry Breton expressed in a speech was 100 billion euros for defence, and the president of the new Commission, Ursula von der Leyen has talked about a 500 billion gap in European defence we have to fill. We will see what the first defence commissioner, now that defence has been promoted to have its own commissioner within the Commission, the former Lithuanian Prime Minister, Andrius Kubilius, will propose in the awaited White Paper on European defence in March 2025, and what Member States will be prepared to agree on for defence, also taking into account all the other policy objectives the Union budget has to serve (DELASNERIE 2024).

Let us examine the most important issues regarding European defence industry. One of the biggest issues is the Europeanisation of supply chains (which are now at higher industrial tiers about 90% still national due to trust and security of supply issues, although at lower tiers and in the civilian sector, supply chains are already much more multinational in Europe). The other challenge is to increase funding available to the industry by orders of magnitude. This funding can come from three sources: national, European (EU budget) and private financing (banks, equities, etc). The EU, with the leadership of the Commission, is also taking great strides towards using more and more of the EU budget on defence (based on its competence in competitiveness and industrial policy), mostly on defence industry.

In terms of private funding, the European Investment Bank has recently changed its lending policy, making funding defence industry companies much easier, and it is working on next steps. Other investment and commercial banks will very probably follow suit and an enormous amount of money can flow into European defence. There is now a brewing consensus to have the funds nationally spent on defence be an exception to the accounting for national deficit under the Stability

² Those are EDF, ASAP, EDIRPA and EDIP. The implementation of the EDIDP and PADR programs has already been finished.

and Growth Pact. There is also a debate, although here there are deep divides among Member States, about issuing common debt for defence spending, the idea of the so-called “Eurobonds”.

Another issue is underinvestment in defence, which has been happening for decades in Europe, and although it has improved somewhat in the last decade, there are still hundreds of billions of euros missing from this sector. This problem itself is twofold: we are not spending enough either nationally or at the EU level, but also, what we do spend, we spend in a fragmented, ineffective way. One distinct problem is that without Treaty change, we cannot legally spend EU budget money on defence (Article 41.2 of the Treaty on the European Union prohibits that). Thus what we do spend is on defence industry, research and technology, military mobility and we are taking great pains, also in the framework of the EDIP negotiations, to avoid spending on anything that could be unlawful. Yet another issue is favouring the products of the U.S. defence industry over the products of the EDTIB, and procuring 60% (before the war) to 80% (since the war started) of our defence equipment from third countries, mainly the U.S. (European Commission 2024c: 15–16). This is the greatest issue within EDIP, and one year after EDIP has been proposed by the Commission, we still have not found a workable compromise (elements can already be known: 65% of the components have to be of EU origin, and those activities that want funding must have European design authority over the product). Also, money is not all, defence industry also needs skilled workforce, knowledge transfer and training, and raw materials.

At the same time, NATO is trying to copy, to the extent it can, the process of the EU turning toward defence industry, based on the Defence Production Action Plan adopted at the Vilnius summit in 2023. Since NATO cannot provide funds for defence industry, it is hoping to use money contributed by the allies for implementing this action plan. We can see both in NATO and in the EU the lobbying of the U.S. for strengthening what they call the “TDTIB”, the transatlantic defence technological and industrial base. This is obviously an Atlanticist concept and attempt to counteract the EU efforts for strengthening the EDTIB, which the U.S. dislikes for fear of losing influence and market share in Europe. This competition between the EDTIB and TDTIB approaches also manifests as the debate within EDIP on defence industrial protectionism (“buy European” approach) and the “flexible” approach, which would allow U.S. (and other third country) components in those EU defence products with which companies would be applying for EU financial support from EDIP.

The defence industrial reinforcement efforts of the EU serve a double objective. The industrial objective is to support the European Defence Technological and

Industrial Base, by creating a single market in defence products, contributing to the competitiveness of the EU globally by reinforcing its defence industry, supporting the technological independence, the design authority, the intellectual property rights, the defence innovation power of the EU, creating jobs, improving exports of European defence products, and creating wealth and prosperity. The defence objective is the mass production of defence products needed by the armed forces of EU Member States, ensuring their timely availability in the quantity and quality needed, ensuring security of supply and the resilience of the EU's defence industrial capacity, and reducing the Union's reliance on third countries. These two objectives can also be described as defence readiness, meaning, most importantly, having the right military capabilities, and the basis that underpins that, which is defence industrial readiness (which can roughly be seen as equal to having an effective and strong EDTIB).

However, these two policy objectives have two distinctive legal bases in the two Treaties. The first Treaty is the TEU (TEU 2012) (foreign, security and defence policy legal bases), which is the basis for military capabilities that are still a national competence and CSDP is only a framework for intergovernmental cooperation in capability development (and operations). The Commission has no competence with regard to the tasks described in the TEU. The other Treaty is the TFEU (TFEU 2012) (defence industrial and competitiveness legal bases), which is where the Commission has varied competence, sometimes exclusive, sometimes shared with the Member States, meaning that the Commission has a very strong competence and role in defence industry, which is seen as part of the internal market. This is the reason why the Commission has "infiltrated" European defence from the industrial (and space) angle.

The Commission acts independently of the governments of Member States, for the general interest of the EU, and is accountable to the European Parliament. This is very similar to how national governments of the Member States are acting in the interest of their countries and are accountable to their national parliaments. Thus, we have a parallel, quasi federal structure on top of the national political structures in the EU. The consequence of this is that the "fight" for European defence is between two types of sovereignty and vision for the future: that exercised at the national level, which up to now has been and still mostly is the sole player regarding defence (this is laid down in the Treaties). The second vision is a European defence that is pooled and exercised at the EU (federal) level, which is not a reality, but more or less a political objective of those quasi-federal institutions: the EP and the Commission.

The above general political situation translates to defence predictably. The Member States themselves have different views about this, which, to make

matters more complex, also changes over time and is not even unitary within a state, different national ministries and political parties holding sometimes very different views. However, in general, Member States hold on to their prerogatives and sole competence regarding defence, but have to endure the encroachment by the Commission, since very simply, they need the money and the regulatory power the Commission can bring to the table in defence. The Commission has exclusive competence over the programming and implementation of the EU budget, which is done using the communitarian method (by comitology).

No EU Member State has the financial means to develop and support a full spectrum force package, some defence capabilities and infrastructure of European scale are beyond the reach of any one of them. The Member States thus need a large dose of EU budget money to subsidise European defence, to complement national defence spending. But the money comes with a political price: the Commission will have more and more influence over European defence itself, which in time might lead to a Hamiltonian moment, when it has to be decided whether the Member States are politically ready to pool sovereignty in defence and move to a European Defence Union, commonly operated and financed from the EU budget, not only in words, but also in deeds.

EDIS AND EDIP

The European Defence Industrial Strategy (EDIS) (European Commission s. a.g) and EDIP, which have been issued by the Commission (and in the case of EDIS, as a joint communication together with the EEAS) on 5 March 2024, are making strides in the above direction. The stated aim of EDIS is to spend more, better and European in order to reach defence industrial readiness in Europe (ramping up industrial capacities, manufacturing enough European defence products). EDIS draws the lessons of the Russian–Ukrainian war, pointing to the need of a paradigm change from emergency instruments to strategic efforts to strengthen the EDTIB. EDIS enumerates a plethora of new measures that are mostly also found in EDIP, which is the first step of the implementation of EDIS (European Commission s. a.d). Below follows a summarising table about the measures in EDIP (European Commission 2024c: 50).

EDIP, as seen above, has three pillars. The first is the Programme, which unites and continues the common procurement logic of EDIRPA and the defence industrial reinforcement logic of ASAP, where we can expect 2–3 calls for proposals for each type of projects over the years 2025–2027. The first pillar also creates other new

Table 1. *EDIP measures*

Specific objective	Legal basis	Pillar	Measure
Strengthen the competitiveness and responsiveness of the EDTIB	Article 173 TFEU	Pillar 1	The programme (EDIRPA and ASAP intervention logic) FAST (fund to support the supply chain) EDPCI (European Defence Projects of Common Interest) Military Sales Mechanism (catalogue, capacity building, readiness pools) SEAP (Structure for European Armament Programs)
Enhance the ability of the EDTIB to ensure the timely availability and supply of defence products	Article 114 TFEU	Pillar 2	Military Sales Mechanism (solidarity clause) Security of Supply regime
Contribute to the recovery, reconstruction and modernisation of the Ukrainian DTIB	Article 212 TFEU	Pillar 3	USI (Ukraine Support Instrument, extension of the EDIRPA and ASAP intervention logic to Ukraine and Ukrainian businesses)

Source: Compiled by the author based on European Commission 2024c: 50.

instruments, such as the Structure for European Armament Programs (SEAPs), the European Defence Projects of Common Interest (EDPCI), the rudimentary beginnings of an “EU FMS”, which is loosely based on the FMS system of the U.S., but has broader objectives due to EU specificities, and a support fund for SMEs working in or intending to enter the defence industry (CLAPP 2024; European Defence Agency s. a.b).

The second pillar is the regulatory pillar, which will stay on the books beyond 2027 as well, creating an EU wide defence Security of Supply (SoS) regime. In this regard, EDIP is a hybrid instrument, both a programme and a classic regulation in terms of creating new legal rules in the area of defence industry. The third pillar is the Ukraine Support Instrument, which basically mirrors the Programme, but for the benefit of Ukraine, and serves to support the reconstruction of the Ukrainian DTIB and common procurement of defence products for and together with Ukraine.

EDIP also intends to increase the competitiveness, industrial capacity and resilience of the EDTIB by financing through calls for proposals and granting funding to the winners’ defence industrial collaborative actions, common procurement

actions and by helping the transfer of successful EU prototypes resulting from EDF projects into mass production. The use of products and components from third states in EDIP is a question of delicate balance. We have to make sure that the European defence industry can use components from third countries (especially electronics, chips) for the foreseeable time, as we are dependent on components (and raw materials) coming from outside the EU. We must protect and support our own industry, but we can only reduce our dependence gradually, so as not to leave our own industry behind, and exclude the defence industry of most Member States from EU funding because of their integration into global industrial supply chains (FIOTT 2023).

At the same time, while reducing our dependence on outside components, we also have to open our largely national supply chains to each other and build up truly European supply chains topped by European defence industry primes, improving cross-border cooperation. This needs a level of trust, also in the field of security of supply, which does not exist at the moment, so we have to build something new and unprecedented at the EU level, including an EU level Security of Supply regime. The EDIP SoS regime proposed by the Commission has as one of its major measures, the Priority Rated Orders (PROs), which would make sure that in a supply crisis, defence industry gets precedence over civilian industry when it has to compete with civilian industry for critical inputs. If this SoS regime is approved, PROs can only be placed on civilian companies, while defence companies would be subject to priority rated requests (PRRs) in similar situations, since when the EU-wide SoS regime was proposed for the first time in the ASAP regulation, Member States rejected it partly because of lack of time to properly discuss it, and partly because PROs in that regime were proposed for defence companies as well, and Member States saw that as a major affront to national sovereignty.

EDIS, building on and intending to supersede the benchmarks related to collaborative defence procurement and R&T, defined three targets: intra-EU defence trade should reach at least 35% of the EU defence market, Member States should procure at least 50% of their defence products from the EDTIB by 2030 and at least 60% by 2035, and common procurement should amount to at least 40% of all defence investment by 2030. These targets, along with EDIS as a whole, are set in a Commission–EEAS joint communication, which the Council has not discussed and has not adopted, and the Member States are certainly not shy about refusing to own them. EDIS is the vision of mostly the Commission about the future directions of the development of European defence industry.

EDIS also outlines the vision regarding the EDPCI, which are also a proposed measure in EDIP. The idea is to secure access to contested spaces for the EU, these

being defined as air, maritime, space, hybrid and cyberspace. EDIS says the EU should have European defence infrastructure in place – or at least in an advanced stage of development – by 2035 that is required to secure Europe’s access to these contested spaces. Examples for this infrastructure are integrated air and missile defence, space surveillance assets, maritime assets, etc. It is worthy of notice that EDIS has covered with EDPCIs all military domains with the notable exception of land, the first and most traditional domain, over which the Member States feel the most concern with regard to their national sovereignty and control.

There is another hiatus EDIS has tried to quite literally bridge, with what is called in the EDIS the “Defence Industrial Readiness Board” (DIRP), which the Hungarian Presidency of the Council since then renamed the EDIS Board, to differentiate it from the EDIP Board (these were two formats of the DIRP in the original Commission proposal for EDIP). The EDIP Board is to advise the Commission during the implementation of the EU Security of Supply regime. In accordance with this, the Hungarian Presidency of the Council has, after separating the two formats of the DIRP into the EDIS Board and the EDIP Board, renamed the EDIP Board the Defence Security of Supply Board during the negotiations on EDIP, which is now responsible for managing the SoS regime only.

The EDIS Board is a much more complex issue, and a fascinating example of a political-legal “bricolage” attempt to solve a problem which cannot otherwise be solved in the political and legal framework we currently have. The current legal framework in which European defence has to operate is schizophrenic: as we have said, we have two EU Treaties, the TEU and the TFEU, and both regulate parts of European defence, with nothing ensuring a coherent overall defence policy at the EU level. We can think of the two Treaties as the left and right brain of the EU, with no corpus callosum to link them and making sure they can work as one.

The EDIS Board has been conceived to act as a bridge between the two Treaties, to link the political-military side of European defence (TEU Title V, CFSP/CSDP) with the economic-industrial competitiveness side of European defence (TFEU, the newly emerging defence industrial policy of the EU). However, Member States were not supportive of the idea of the EDIS Board, and the Commission seems to have abandoned it, so now it can be reasonably said that the idea is dead.

EU DEFENCE PLANNING

The EDIS Board, if it had gained traction, would have taken the aggregated Capability Development Plan (CDP) priorities agreed by the EU defence ministers as a result

of the EU capability development process, and further refined those priorities in order to define the critical capability requirements. It would then have looked at what procurement needs those capability requirements/priorities generate, and what the EDTIB can actually produce. It would have determined where the defence industrial capacity gaps are, and would have come up with development priorities with regard to defence industry. This linking of the two Treaties and ensuring they work together coherently would have contributed to a more coherent European defence system (European Defence Agency 2023).

Without the EDIS Board, we have no forum to discuss EU military capability planning and budgeting/programming together. This means that after the White Paper comes out in March 2025, and hopefully at around the same time a peace is brokered and the Russian–Ukrainian war ends, we will have to find another way, another forum to bring coherence to European defence. We need to come up with an institutionalised way of linking the military capability needs of the armed forces of the EU with the programs available under the Multiannual Financial Framework (MFF). The EU has no defence planning system. Right now the allocation of EU funds to our defence industry and defence procurement is not linked to what our armed forces need, only to defence industrial policy.

According to the relevant regulations, including EDIP, the Commission has to take into account the Capability Development Plan (CDP), which is supposed to ensure that the funding priorities of the programs correlate to the capability priorities of the EU. How does the Commission take the CDP into account? The same way as the national defence planning processes of the Member States do: it does not, because it cannot be done. This is not due to any political ill will towards the CDP or CARD, it is a matter of trying to use an orange as a hammer: the instrument is not right for the job. Both the CDP and CARD are capability development instruments that have been envisaged and established within the intergovernmental paradigm of the European Defence Agency. They are not defence planning instruments and they do not work in the new, partly supranational world of European defence.

The CDP encompasses anything and everything: it is so wide with regard to what military capabilities are, priorities for the EU (virtually all of them) that “taking the CDP into account” in practice means: open it and find the justification for what we want to fund anyway. Other than no real prioritisation in the CDP, the even bigger problem is that the CDP does not quantify the defence capability requirements of the EU, because the CDP is a capability development instrument, not a defence planning instrument. This means that at EU level, we have no idea how many of which forces, units, platforms, weapons, etc. the EU needs.

The situation is due to several factors. One is, the agreed EU level of ambition we have is only for crisis management. Territorial defence is left to NATO. We do have the Headline Goal process that has been made circular a few years ago and is based on the “ancient” Capability Development Mechanism (CDM), which is the basis for the capability development process in the EU. The requirements for crisis management are determined in the Requirement Catalogue every few years, against which Member States voluntarily offer capability contributions in the Force Catalogue, and we compare the two and define and prioritise the capability shortfalls in the Progress Catalogue. The prioritised list of capability shortfalls is the result of the Headline Goal Process, and this is the most important input into the CDP, called Strand A (the other important strands are the long-term vision about military capabilities and operational lessons learned) (MAURO 2019). We also more or less know what the territorial defence needs of the EU are, or at least we can intelligently infer from the Minimum Capability Requirements (MCR) in the NATO Defence Planning Process (NDPP) (NATO Allied Command Transformation s. a.). The NATO MCR is defined within the NDPP every four years for all the military tasks of NATO taken together, but most of the requirements come from its most important core task, the territorial defence of Europe.

The MCR, as all of NATO, is based on the Atlanticist idea of European defence, which is that Europe cannot (and should not be able to) defend itself and needs help from the U.S., so about half of the forces in the event of a major war against Europe would come from the U.S. Not to mention the need for shipping those forces over from North America, and again, not to mention the U.S. nuclear umbrella over Europe. We can mostly equate the forces identified in the MCR for the defence of Europe with the capability requirements that Europe would have in case of autonomous European defence, since NATO is not designed to defend the North American continent at all. Supreme Allied Commander Europe’s (SACEUR) area of responsibility excludes the territory of the U.S. and Canada, and only includes Europe and the part of the Atlantic Ocean over which transportation of U.S. forces to Europe would happen (NATO 2022).

NATO is also the reason why there is no EU defence planning, only NATO defence planning, so currently the NDPP contains the best data for what the EU needs in terms of capabilities. However, the relevant data in the NDPP is of course highly classified and only shared with NATO Allies. Due to the political problems between the EU and NATO caused by the Turkish–Greek frozen conflict over Cyprus, and the clash of the Atlanticist and Europeanist visions of European defence, there still is no security of information agreement between them, and no way of sharing this information. However, EU and NATO membership overlaps to a large extent,

so EU Member States are aware of capability requirements, and those that are NATO allies as well are regularly apportioned their fair share of them as capability targets in the NDPP process.

Allies that are also EU Member States of course see the whole MCR and the capability target packages of other Allies as well. But none of them has either the willingness, the authorisation or the responsibility to think in terms of the whole of the EU. The EU institutions and agencies responsible for capability development, such as the EEAS (and inside it, the EUMS), the European Commission and the EDA do have the responsibility and the task to think in terms of the whole EU, but they do not have the whole data set from NATO, only those parts of the data that the Allies who are also EU Member States decide to share with the EU as well. (In practice, these Allies mostly offer the same forces and capabilities to the EU as to NATO.)

The political decision has never been made to identify what the EU would need to defend itself in a high intensity war without U.S. support. In other words, the EU political level of ambition is still only for the limited scope of crisis management, and that is what the military level of ambition, the headline goal process takes into account. The CDP and the Coordinated Annual Review on Defence (CARD), another capability development instrument managed by the EDA (without explicit political tasking to do this) go beyond assessing capability requirements based only on crisis management, and also take into account wider needs (European Defence Agency 2024). Still, they do not do defence planning and they do not “plan” for territorial defence either. Permanent Structured Cooperation (PESCO) is also ambiguous in this regard, since it has been originally conceived 20 years ago to constitute a step by step roadmap to establishing a European army. However, due to lack of political will, PESCO has been the famous “sleeping beauty” of CSDP for almost a decade between the entry into force of the Lisbon Treaty and the eventual activation of PESCO in 2017. After that, PESCO has also stalled. In the PESCO framework Member States have generated so far 5 waves of PESCO projects (which are traditional intergovernmental cooperation projects), and declared in the PESCO Council Decision that the objective of PESCO is to provide the full spectrum capability package for the EU (for which, no steps have been taken). Right now, we have only 11 project proposals for the 6th wave of PESCO projects, so it can be safely said that PESCO is basically dead. The surest way of knowing that is that we are doing PESCO Strategic Reviews (always a bad sign) and talking about the “revitalisation” of PESCO (BISCOP 2020).

EDIS says the EDIS Board is for the “joint programming and procurement function”, which was supposed to be the defence planning function, but the

Commission and the EEAS chose to use a vaguer workaround expression, since defence planning firmly belongs to the national competence of Member States, as the “hard” side of defence policy, making decisions on how much to spend on what capabilities. At the national level most Member States have more or less developed defence planning processes. The NDPP is intergovernmental in nature, aggregating the military requirements, then apportioning them and leaving the planning, programming, budgeting and procuring to the allied states. NDPP does not have a budget, only the Allies spend on NATO capability targets, out of their own national defence budgets. (NATO’s civilian and military budgets are not for military capabilities, and for allied programs, such as AGS and others, the Allies pay from their own budgets.) This paradigm is not a surprise: NATO is not a supranational body but an intergovernmental alliance of sovereign nations, so it has no supranational level.

What we do not have is an EU level, supranational defence planning process, which would provide an agreed, planned and prioritised input to the EU budget regarding defence. Without this second, parallel process above national defence planning processes, there is very little tangible data orienting the EU budget spending on defence.

Establishing an EU defence planning process would require a political decision, which would also have to include deconflicting with NDPP. Within NDPP, EU allies could be apportioned their capability targets not nationally, but all EU allies together: the EU “caucus”, or European pillar of NATO could be apportioned an EU capability target package. In laymen’s terms, the U.S. and Europe would divide who needs to come up with what military capabilities to be able to respond to NATO’s level of ambition and carry out its military tasks. This of course, is only a valid train of thought in case NATO survives the second Trump Administration.

EU Member States had sole competence for European defence for about 25–30 years and have made little to no progress toward an EU that would be capable of actually defending itself, or at the very least, deal with the crises in its neighbourhood. The inability to deal with the crisis in the Balkans was the reason why the U.S. had to act and why ESDP was invented by the U.K. and France in Saint-Malo in 1998, and since then, we have thoroughly proved that without a top down political push, the Member States lack the political will and direction to go beyond national and allied defence. Common defence of the EU as an objective is enshrined in the TEU, in Article 42.2. Mutual assistance (which was supposed to be called mutual defence but had to be called assistance because of the militarily neutral Member States), or the “EU article V” is laid down in Article 42.7. PESCO, enshrined in Article 42.6, was supposed to be the gradual path towards the European Army. None of these

provisions are one inch closer to implementation than they were when this text was originally conceived as part of the EU Constitution, later reinvented as the Lisbon Treaty, more than 20 years ago (BISCOP 2020).

We will see what the future brings and if the double shock of ending the Russian–Ukrainian war by the U.S. and Russia going over the heads of both the EU and Ukraine, and the downgrading or even dissolution of NATO by the U.S. will lead to the EU finally taking charge of its own defence.

WHAT EUROPEAN DEFENCE INDUSTRY BRINGS TO THE TABLE

The EU entering a new policy area, defence industry, is an organic consequence of the world changing and the EU adapting. Defence cannot exist without industry; defence industry is the natural basis for any credible European defence. Defence industry connects to defence on the demand side through defence planning, and on the supply side through industrial planning. None of these exist yet at the EU supranational level, so in the first few years of this process and in the first few defence programs financed from the Union budget, they were, and still are linked only in an ad hoc manner.

What defence industry thus will bring to the table of European defence is this:

- ♦ funding: EU level funding complements national funding
- ♦ defence planning: EU level prioritisation and defence planning complements national prioritisation and defence planning
- ♦ legislation: defence moves from a strictly national competence, and intergovernmental cooperation (CSDP) into a partly communitarian process, since in anything that gets funded from the EU budget, the Commission has powers of initiation and implementation, establishing and implementing European policy objectives together with the co-legislators, the Council and the EP
- ♦ European Defence Union: all of this will in time naturally turn European defence into an integral part of the European economy and lead to a European Defence Union
- ♦ European Army: the remaining issue will be the size of the European army generated, its tasks (crisis management only or also territorial defence) and its relation to national armies (delineation of tasks), and the political will and extent of pooling national sovereignty in the field of defence based on the principle of subsidiarity

POLICY RECOMMENDATIONS

An EU Defence Union could be defined as a militarily credible, capable EU that has strategic independence, a true European foreign policy, a true European defence policy, defence readiness and both the strong defence industrial base and the strong military capabilities it needs to defend the Union, its citizens, its land territory, borders, infrastructure, airspace, maritime space and outer space against both hybrid and conventional attacks. On top of defending the European Union itself, the EU also has to be able to defend its interests and values in a multipolar world.

A Defence Union could and, if we are serious about taking responsibility for European defence, should encompass these elements:

- ♦ a strategic defence objective set out in a Defence White Book agreed by the Council, that would replace the Strategic Compass, and that would take into account the White Paper by the Commission and the European External Action Service
- ♦ this defence objective could be a European Defence Union, setting the political and military level of ambition that the EU should be able to militarily defend itself, and its interests globally
- ♦ reinforced structures in the EU institutions for defence; the full-fledged defence committee in the EP and having a defence commissioner have already happened, further steps could be: a DG Defence in the Commission, a Defence Affairs Council as a new Council formation, reorganising relevant EEAS defence related structures under the Defence Commissioner, transferring the EDA also under the Defence Commissioner, reinforcing the role of the HR/VP as the Minister of Foreign Affairs of the EU, cleaning the portfolio of the EEAS and turning it into an EU level Ministry of Foreign Affairs
- ♦ tying Union funding through Union defence programs to this strategic objective
- ♦ reinforced European military capabilities and defence infrastructure through European Defence Projects of Common Interest (EDPCI), starting with an integrated air and missile defence shield, cyber, maritime and space defence capabilities, strategic enablers for operations and the Rapid Deployment Capability
- ♦ reinforced EDTIB through EDIP, EDF and their follow-on programs under the next MFF (producing and buying European defence products, reducing strategic dependency)
- ♦ establishing a common European force, starting on the basis of the RDC, not replacing national armed forces, but creating a Union force that is able

to do both crisis management and territorial defence and that can be used for EU military operations, to be financed entirely from a common fund (building on the EPF)

- ♦ turning the EU capability planning process into an EU defence planning process, and linking EU defence planning to EU defence industrial planning
- ♦ amending the Treaties and making sure that defence can be financed from the EU budget

In this way, the subsidiarity principle would be honoured as well, by pooling sovereignty in terms of defence planning and defence industrial reinforcement where this can only be done effectively at the supranational level, and leaving everything below this level to Member States.

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