




## Policy Paper


**How significant is the COVID-19 threat to Europe's  
defence budgets?**

**VOCAL**  
**EUROPE**

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# HOW SIGNIFICANT IS THE COVID-19 THREAT TO EUROPE'S DEFENCE BUDGETS?

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## Introduction

The short-term economic effects of the COVID-19 and the lockdown measures adopted across Europe in response to the pandemic are causing significant pressure for public spending. As national budgets and the EU's long-term budget get revised, defence and security is expected to be one of the areas that will suffer the most from COVID-19.

In the aftermath of the 2008 global financial crisis, defence spending was heavily cut in Europe as priorities shifted towards economic recovery. The impact of the COVID-19 crisis is predicted to be much more serious, which will also necessarily mean revisions of defence spending.

There are several aspects to consider for policymakers when taking decisions about defence spending. Cutting defence funding or putting security cooperation to the back of the to-do list will have implications not only for member states, but also defence industries and the EU's foreign policy ambitions, relations with NATO and Transatlantic relations. It would undermine the Commission's self-declared ambitions to make the EU a stronger global actor, especially given the fact that the pandemic has not removed the ongoing geopolitical changes.

Ultimately, COVID-19 provides an opportunity for EU member states to review their common strategy towards international security and reassess their capability to cooperate, demonstrate solidarity, and provide more coherent and efficient responses to future crises.

## Background: The new Commission's plans for European defence

Ursula von der Leyen's Commission presented its ambitious plans which included pursuing the security and defence initiatives proposed by the previous European Commission President, Jean-Claude Juncker, and his team.

One flagship initiative is the Permanent Structured Cooperation (PESCO), a framework for 25 member states to strengthen defence integration and military capabilities. There are currently 47 PESCO projects, after 13 new ones were launched in November 2019.<sup>1</sup>

The European Defence Fund (EDF) was proposed by the Juncker Commission as a source of partial funding for PESCO projects, as well as to "foster an innovative and competitive defence industrial base and contribute to the EU's strategic autonomy."<sup>2</sup> Strategic autonomy and a more credible Common Security and Defence Policy (CSDP) are named as priorities in the EU's 2016 Global Strategy, the guideline for its relations with the world.<sup>3</sup>

Supporting Juncker's legacy, von der Leyen has declared the strengthening of the European Defence Union a priority in her agenda, adding that her ambition was to spend 30 percent more on external action activities.<sup>4</sup> The new Commission includes a new Directorate-General for Industry and Space, responsible for the competition in the European defence equipment market.

In its initial proposal for the next Multiannual Financial Framework (MFF) – the EU's long-term budget for 2021-2027 – the Commission included a special section for security and defence initiatives.

<sup>1</sup> <https://www.consilium.europa.eu/en/press/press-releases/2019/11/12/defence-cooperation-council-launches-13-new-pesco-projects/>

<sup>2</sup> [https://ec.europa.eu/commission/news/european-defence-fund-2019-mar-19\\_en](https://ec.europa.eu/commission/news/european-defence-fund-2019-mar-19_en)

<sup>3</sup> [http://eeas.europa.eu/archives/docs/top\\_stories/pdf/eugs\\_review\\_web.pdf](http://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf)

<sup>4</sup> [https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf)

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The heading included €13 billion for the EDF, including €8.9 billion for collaborative capability development projects and €4.1 billion for collaborative defence research to address emerging security threats.<sup>5</sup> It also suggested €6.5 billion for the Connecting Europe Facility (CEF) to improve the EU's military mobility, which the Commission considers to be crucial for the EU's strategic autonomy ambitions.<sup>6</sup>

## State of play: The impact of COVID-19 on European defence budgets

The economic effects of the COVID-19 pandemic are already estimated to be seriously damaging for European public budgets. The European Commission predicts a recession of "historic proportions" for all EU member states and a 7.5% contraction of the EU economy in 2020.<sup>7</sup> The Organisation for Economic Co-operation and Development (OECD) evaluates that the effects of the coronavirus lockdown measures "would far outweigh anything experienced during the global financial crisis in 2008-09".<sup>8</sup>

It is sensible to expect that governments will carry out a major review of their spending priorities, and that defence will be one of the areas to suffer the most, as the focus will be the health sector and economic recovery measures, including help for businesses, and the tourism and services industries.

A similar trend happened after the 2008 global financial crisis, which was followed by budget cuts for defence procurement, industries and research and innovation in many EU member states. On average, small member states cut their defence budgets by 30%, and the majority of medium member states by 10%.<sup>9</sup> It then took several years to reverse the trend, with recovery happening only around 2014, when the security environment in Europe changed significantly due to the war in Ukraine and the annexation of Crimea.<sup>10</sup> Therefore, it remains too early to predict the severity or the duration of the COVID-19 impact on defence.

### *Implications for national budgets and defence industries*

Global trends already suggest that the natural instinct of many governments will be to cut on defence spending in order to fund economic and health relief measures. This already happened in South Korea<sup>11</sup>, Thailand<sup>12</sup>, India<sup>13</sup>, and other parts of the world. Given the unprecedented level of economic impact facing Europe, several EU member states are expected to follow the trend.

In **France**, the EU Commission predicts a contraction of 8.25% of GDP in 2020, and the French deficit is forecast to become 10% of GDP this year.<sup>14</sup> Currently France is implementing its Military Planning Act, a strategic guideline according to which France would reach the NATO spending target

<sup>5</sup> [https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-eu-defence-fund\\_en\\_0.pdf](https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-eu-defence-fund_en_0.pdf)

<sup>6</sup> [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/646188/EPRS\\_BRI\(2020\)646188\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/646188/EPRS_BRI(2020)646188_EN.pdf)

<sup>7</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_799](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_799)

<sup>8</sup> <http://www.oecd.org/coronavirus/policy-responses/evaluating-the-initial-impact-of-covid-19-containment-measures-on-economic-activity-b1f6b68b/>

<sup>9</sup> <https://www.europarl.europa.eu/document/activities/cont/201106/20110623ATT22404/20110623ATT22404EN.pdf>

<sup>10</sup> [https://dgap.org/sites/default/files/article\\_pdfs/dgap-policybrief-2020-09-en.pdf](https://dgap.org/sites/default/files/article_pdfs/dgap-policybrief-2020-09-en.pdf)

<sup>11</sup> <https://www.army-technology.com/comment/south-korea-defense-budget-covid-19/>

<sup>12</sup> <https://www.straitstimes.com/asia/se-asia/thai-military-slashes-budgets-amid-backlash>

<sup>13</sup> <https://www.aa.com.tr/en/asia-pacific/covid-19-affects-india-s-defense-spending-acquisition/1833527>

<sup>14</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/ip125\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip125_en.pdf)

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that is 2% of GDP on defence by 2025.<sup>15</sup> However, it is very unlikely that this NATO target will be maintained in the same way considering the multiple challenges posed by COVID-19.<sup>16</sup>

**Germany** had one of the biggest military expense increases in Europe in 2019, and an increase of 15% from 2010.<sup>17</sup> However, the pandemic crisis has already significantly hit Germany's economy. In the first quarter of 2020, it contracted by 2.2%, and the negative trend is expected to maintain in the second quarter.<sup>18</sup> Various German economic institutes predict a recession and a loss of 4.2% of GDP this year<sup>19</sup>, whereas the European Commission estimates a loss of 6.5% of GDP in 2020.<sup>20</sup> The German government previously outlined a goal of raising the defence budget to 1.5% of GDP by 2025, an aim now considered unlikely to be achieved.<sup>21</sup>

The COVID-19 crisis also exacerbates the important questions about **the UK's** global role and its foreign and defence policy after leaving the EU. The UK Government outlined its plan to work on a new Integrated Review on foreign policy, defence, security and international development, but it was delayed due to the pandemic.<sup>22</sup> The Ministry of Defence is already facing financial issues and impact on some of its programs, and it will be challenging to justify any further funding for defence.<sup>23</sup>

Moreover, the impact of COVID-19 has already been felt on defence industries and firms, which are, as many other sectors, suffering important economic losses. In March, companies such as the aerospace and defence group Safran, Airbus, and Dassault Aviation, have all seen their market share fall.<sup>24</sup> Many companies have been hit by the lack of business in the airline industry.<sup>25</sup>

Despite the economic hardship, defence companies in several countries engaged in relief and help, including producing equipment such as ventilators and masks, as well as providing facilities for healthcare.<sup>26</sup> Defence cuts are likely to contribute to the problematic situation of these companies, which in turn would limit their capacity to invest in Research & Development (R&D), in turn affecting European defence capabilities in general.

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<sup>15</sup> <https://www.reuters.com/article/us-france-defence/france-commits-to-boosting-defense-spending-by-35-percent-over-six-years-idUSKBN1FS18Q>

<sup>16</sup> <https://www.lefigaro.fr/actualite-france/apres-le-coronavirus-les-armees-s-inquietent-de-payer-le-prix-de-la-crise-20200424>

<sup>17</sup> [https://www.sipri.org/sites/default/files/2020-04/fs\\_2020\\_04\\_milex\\_0\\_0.pdf](https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0_0.pdf)

<sup>18</sup> <https://www.dw.com/en/coronavirus-lockdown-pushes-germany-into-recession/a-53446866>

<sup>19</sup> <https://www.dw.com/en/economic-researchers-see-germany-head-toward-deep-recession/a-53057069>

<sup>20</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/ip125\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip125_en.pdf)

<sup>21</sup> <https://dsm.forecastinternational.com/wordpress/2020/04/09/how-will-germanys-defense-spending-be-affected-by-the-covid-19-pandemic/>

<sup>22</sup> <https://www.gov.uk/government/news/pm-outlines-new-review-to-define-britains-place-in-the-world>

<sup>23</sup> <https://www.defensenews.com/global/europe/2020/04/23/uk-defense-plans-could-take-major-hit-from-coronavirus-fallout/>

<sup>24</sup> <https://www.meta-defense.fr/2020/03/12/les-grandes-industries-de-defense-europeennes-menacees-par-leurs-cours-de-bourse/>

<sup>25</sup> <https://www.iai.it/sites/default/files/iai2009.pdf>

<sup>26</sup> [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/649401/EPRS\\_BRI\(2020\)649401\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/649401/EPRS_BRI(2020)649401_EN.pdf)

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## Box 1. What Has Been Said So Far – Select Recent Developments across Europe

- Seven Members of the European Parliament (MEPs) wrote to European Commissioner for Internal Market, Thierry Breton, expressing worries about the European space sector. The letter warned that the sector could contract by €1 billion euros in 2020 due to pandemic.<sup>27</sup>
- EU High Representative for Foreign Affairs Josep Borrell told EU defence ministers that “the lessons learnt from this crisis should be an additional driver for capability development and defence cooperation”.<sup>28</sup>
- According to Spanish daily *El País*, the budget of the Spanish armed forces suffered from a loss of €400 million due to COVID-19. The Ministry of Defence is reviewing Spain’s international commitments to defence missions, as it became impossible to participate in all of them.<sup>29</sup>
- Czech Prime Minister Andrej Babiš said his government has not any plans to cut defence spending and will continue its purchase of military equipment.<sup>30</sup>
- In April, the Norwegian government released its Long-Term Defence Plan, in which it confirmed a planned increase in defence spending in the eight coming years.<sup>31</sup>
- Slovak President Zuzana Čaputová stated that the country would continue supporting European integration in security and defence.<sup>32</sup> In a declaration, top Slovak officials have committed to strengthening a foreign policy consensus and increasing defence spending.<sup>33</sup>
- Estonian Defence Minister Jüri Luik said reducing spending would significantly hit Estonian security, and has suggested that borrowing could help avoid cutting the defence budget.<sup>34</sup>

## Implications for the EU budget

Even before the COVID-19 crisis struck, the Commission’s proposals for security and defence have already been revised. In December 2019, the Finnish presidency of the Council has revealed a “negotiating box” in which it proposed severe cuts to the defence, security, migration and border management parts of the budget suggested by the Commission. For instance, €11.5 billion are dedicated to the EDF, and €5.7 billion to for the enhancement of strategic transport infrastructures (military mobility).<sup>35</sup>

In February 2020, the European Council presented a new proposal in an attempt to reach a compromise in the MFF negotiations, which also suggested cutting the EDF’s budget to €7 billion for 2021-2027.<sup>36</sup> The Commission’s proposal for improving military mobility was dropped to €1.5 billion, even with speculations that it might be completely removed from the new proposals, which are currently being developed.<sup>37</sup>

Negotiations over the MFF are already challenging overall, with different member states having different priorities. On the security and defence front, there are also disagreements in member states’ visions for future EU integration in this area. Some, like French President Emmanuel Macron, consider the EU a “political project” and call for more autonomy and self-reliance on European

<sup>27</sup> <https://spacenews.com/coronavirus-could-shrink-european-space-industry-by-1-billion-euros-politicians-warn/>

<sup>28</sup> [https://eeas.europa.eu/headquarters/headquarters-homepage/79219/video-conference-defence-ministers-remarks-high-representativevice-president-josep-borrell\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/79219/video-conference-defence-ministers-remarks-high-representativevice-president-josep-borrell_en)

<sup>29</sup> <https://elpais.com/espana/2020-05-13/los-gastos-de-la-pandemia-dejan-un-agujero-de-400-millones-en-los-fondos-para-defensa.html>

<sup>30</sup> <https://www.euractiv.com/section/politics/news/alcohol-consumption-in-finland-skyrockets-amid-pandemic/>

<sup>31</sup> <https://sldinfo.com/2020/04/norway-releases-its-long-term-defence-plan-2020-resilience-as-a-core-defence-capability/>

<sup>32</sup> <https://twitter.com/ZuzanaCaputova/status/1259098085638144000?s=20>

<sup>33</sup> <https://spectator.sme.sk/c/22401738/eu-and-nato-membership-vital-for-slovakia-top-officials-agreed.html>

<sup>34</sup> <https://news.err.ee/1085916/borrowing-to-cover-defense-spending-not-ruled-out-says-luik>

<sup>35</sup> <https://eu2019.fi/en/backgrounders/security-and-defence-mff>

<sup>36</sup> <https://www.politico.eu/article/8-takeaways-from-the-new-eu-budget-proposal/>

<sup>37</sup> <https://www.euractiv.com/section/global-europe/news/europes-military-mobility-latest-casualty-of-eu-budget-battle/>

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industries and capability building.<sup>38</sup> Others, particularly in Central and Eastern Europe (CEE), fear that the Commission's projects would compete with NATO, which they prioritise as the primary security framework.

For instance, President Macron has argued for Europe to become "autonomous in terms of military strategy and capability", while the Polish Prime Minister Mateusz Morawiecki argued that NATO remains the "cornerstone of European security".<sup>39</sup> Given such disagreements in strategic visions for the EU, defence might become one of the victims in the negotiation process over the next MFF.

Ultimately an important part of budget negotiations remains in the hands of member states and their priorities. If they do not see the EDF or military mobility as a priority, they would not agree to fund it at the same level as the Commission, especially during the times of the COVID-19 impact.

## *Implications for Transatlantic relations*

The COVID-19 crisis has practical implications in terms of severe cuts for defence budgets and industries, but these in turn have significant geopolitical implications, including for NATO and relations with the US. These aspects should also be taken into account when deciding about defence budgets.

US President Trump has been vocal about his desire for European NATO allies to spend more on defence and increase their share in NATO military exercises. Trump's Administration has been particularly keen on monitoring the commitment set by NATO allies in 2014 to spend 2% of national GDP on defence.<sup>40</sup>

In 2019 military spending in Western Europe rose by 3.9%, with Germany increasing its expenditure by 10% and France by 1.6%. All countries in Central and Eastern Europe have also increased their spending.<sup>41</sup> According to NATO calculations, in 2019, Bulgaria, Greece, the UK, Estonia, Romania, Lithuania, Latvia, and Poland were the only European NATO members spending above 2% of their GDP on defence.<sup>42</sup> Several others (see France and Germany above), however, have outlined plans to increase spending with the aim to reach the target.

### **Box 2. Trends in European Defence Spending**

According to the Stockholm International Peace Research Institute, Europe was the continent with the highest military expenditure increase from 2018 to 2019.<sup>43</sup> The whole continent saw an increase of **5%**, including increases of 14% in Central Europe, 4.9% in Eastern Europe, and 3.9% in Western Europe.

From 2010 to 2019, Europe's defence spending increased by **8.8%**, with a 61% increase in Central Europe and a 35% increase in Eastern Europe. However, in Western Europe there was a decrease of 0.6% from 2010 to 2019.

Now, achieving this pledge is less likely to be realistic. NATO Secretary General Jens Stoltenberg stated that he expected NATO member states to remain committed to their defence spending goals, despite having to admit that national defence budgets will be seriously damaged.<sup>44</sup> However, it is not

<sup>38</sup> <https://www.ft.com/content/7e7e1bb8-0223-11ea-be59-e49b2a136b8d>

<sup>39</sup> <https://www.ft.com/content/a0a71b16-03a1-11ea-a984-fbbacad9e7dd>

<sup>40</sup> <https://www.cnn.com/2020/05/13/what-coronavirus-means-for-nato-and-defense-spending.html>

<sup>41</sup> [https://www.sipri.org/sites/default/files/2020-04/fs\\_2020\\_04\\_milex\\_0\\_0.pdf](https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0_0.pdf)

<sup>42</sup> [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2020/3/pdf\\_publications/sgar19-en.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2020/3/pdf_publications/sgar19-en.pdf)

<sup>43</sup> [https://www.sipri.org/sites/default/files/2020-04/fs\\_2020\\_04\\_milex\\_0\\_0.pdf](https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0_0.pdf)

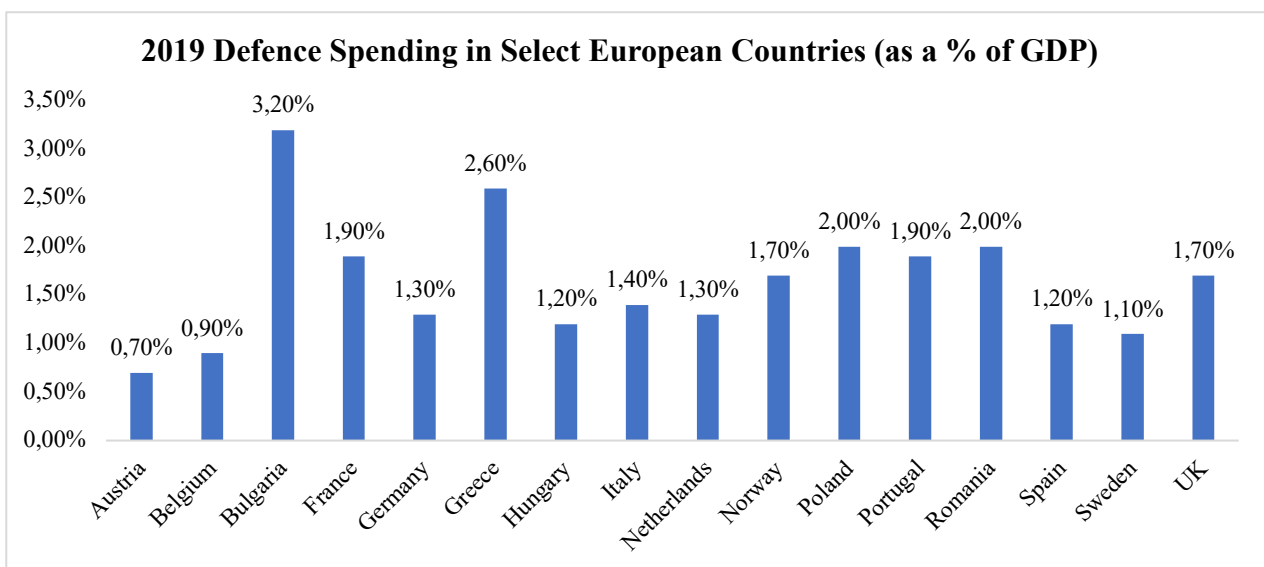
<sup>44</sup> <https://www.capital.fr/entreprises-marches/defense-les-budgets-des-allies-seront-plombes-par-le-coronavirus-alerte-lotan-1365196>

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just a matter of political will. Even if governments intend to keep trying to reach the NATO target, it might not be possible given the economic constraints, depending on the damage to the GDP.<sup>45</sup>

The long-term effect of these developments on Transatlantic relations is currently difficult to evaluate. An increasing reliance on the US' military capabilities could contribute to tensions, as well as to damaging the EU's self-proclaimed goal of strategic autonomy and its credibility as an ally. Meanwhile, if the US becomes more focused on dealing with China or the Asia-Pacific region, Europeans will have to be able to provide for their own security and rely on their own capabilities.

Finally, in case of severe defence budget cuts, the role of NATO as an organisation is also likely to be affected. Its focus and mandate might need to be reevaluated, just like after the end of the Cold War. While some NATO exercises have been postponed or cancelled,<sup>46</sup> the organisation has also been involved in crisis management operations including the delivery of medical equipment, suggesting that it is capable to adapt its activities and use member states' contributions accordingly.<sup>47</sup>



Graph 1. 2019 Defence Spending in Select European Countries (as % of GDP). The graph generated by the author using data from the SIPRI Military Expenditure Database.<sup>48</sup>

## ***The impact on the EU's role in neighbourhood and the world***

Von der Leyen's Commission, as well as several EU leaders, have been pointing out that European strategic autonomy – broadly defined as a more active, self-reliant and assertive EU on the international stage – must remain a priority in the development of the Common Foreign and Security Policy (CFSP) and the CSDP. Major defence budget cuts would create major obstacles for these foreign and security policy ambitions.

<sup>45</sup> <https://www.iiss.org/blogs/military-balance/2020/04/defence-spending-coronavirus>

<sup>46</sup> <https://www.reuters.com/article/us-health-coronavirus-nato/nato-scales-down-exercises-due-to-coronavirus-idUSKBN21627V>

<sup>47</sup> <https://www.csis.org/analysis/nato-responds-covid-19-pandemic>

<sup>48</sup> <https://www.sipri.org/sites/default/files/Data%20for%20all%20countries%20from%201988%E2%80%932019%20as%20a%20share%20of%20GDP.pdf>



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The COVID-19 pandemic is not happening in a vacuum and has not removed the need to be able to engage in geopolitics.<sup>49</sup> As the High Representative for Foreign Affairs, Josep Borrell, noted, the crisis is actually “likely to deteriorate the security environment in the years ahead.”<sup>50</sup>

The global balance of power is changing, and power-based politics are becoming more prominent. With the UK's departure, the EU already had a number of questions to answer about its future foreign and security policy.<sup>51</sup> For instance, would it move to Qualified Majority Voting (QMV) on some foreign policy matters? How far are member states prepared to go in terms of defence integration?

Then, the year began with a number of crises, such as events in Libya or Iran, in which the EU has failed to demonstrate its ability to meet its ambitions of reacting quickly and effectively. Other issues in the neighbourhood, such as migration flows or the ongoing war in Ukraine, have not disappeared off the map in the meantime.

Then came the pandemic, and the EU's initial actions also did not help to strengthen its narrative of being a stronger global actor. Instead, it strengthened the narrative about the ‘lack of European solidarity’. The slow and ineffective response, for example the lack of solidarity towards Italy, has opened a space for a Eurosceptic discourse not only within member states, but also in its neighbourhood. For instance, politicians in Serbia, who is one of the countries currently in negotiations over joining the EU, were quick to capitalize on China's aid and the EU's absence at the beginning of the crisis.<sup>52</sup>

Only at the end of April 2020 did the Commission announce an aid package for the Western Balkans,<sup>53</sup> a strategically important region where the EU traditionally has significant influence due to its soft power. To make its strategic autonomy goals more credible, Brussels could engage in building stronger security partnerships in its neighbourhood, for instance with some members of the Eastern Partnership (EaP).<sup>54</sup>

More broadly, defence cuts would harm the EU's ability to act and react to crises and consequently affect its global image and role. The COVID-19 crisis is another trigger for geopolitical change, and Europe must be ready to react if it wants to demonstrate its strategic autonomy.<sup>55</sup>

This could be a good moment to carry out a major revision of security approaches, in terms of strengthening cooperation and developing more effective response mechanisms to future crises. The EU 2016 Global Strategy states that the EU “will work for more effective prevention, detection and responses to global pandemics”, but the current crisis demonstrated that this aspect of EU foreign policy needs a lot of improvement.<sup>56</sup> The European External Action Service (EEAS) has already pointed out the need for more cooperation in such crises in its preliminary review of takeaway lessons:

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<sup>49</sup> [https://www.ecfr.eu/article/commentary\\_how\\_the\\_coronavirus\\_threatens\\_a\\_geopolitical\\_europe](https://www.ecfr.eu/article/commentary_how_the_coronavirus_threatens_a_geopolitical_europe)

<sup>50</sup> <https://www.euractiv.com/section/defence-and-security/news/europes-defence-budget-up-in-the-air-amid-covid-19-recovery-spending/>

<sup>51</sup> <https://euobserver.com/opinion/145992>

<sup>52</sup> <https://cep.org.rs/en/publications/what-have-we-learned-from-the-covid-19-crisis-in-terms-of-sino-serbian-relations/>

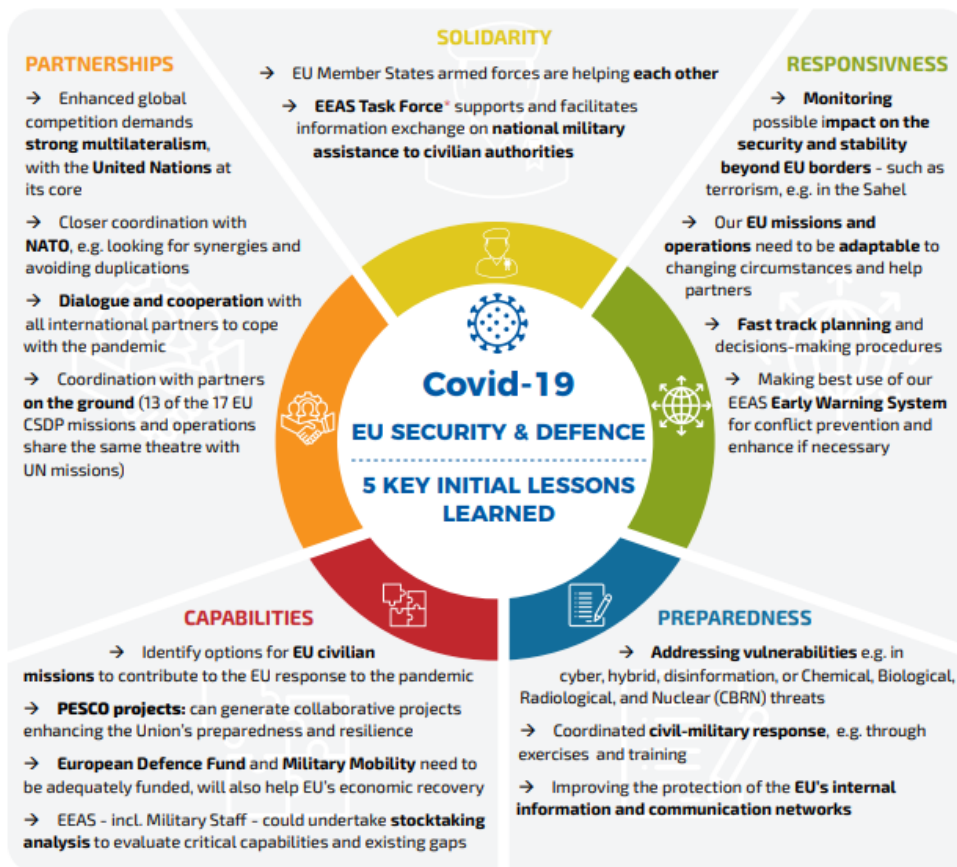
<sup>53</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_777](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_777)

<sup>54</sup> <https://www.euractiv.com/section/eastern-europe/opinion/eus-strategic-sovereignty-start-in-eastern-europe/>

<sup>55</sup> <https://www.euractiv.com/section/defence-and-security/opinion/covid-19-and-the-eus-security-and-defence-policy/>

<sup>56</sup> [http://eeas.europa.eu/archives/docs/top\\_stories/pdf/eugs\\_review\\_web.pdf](http://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf)

# HOW SIGNIFICANT IS THE COVID-19 THREAT TO EUROPE'S DEFENCE BUDGETS?



Graph 2. COVID-19 EU 5 Key Initial Lessons Learned. Source: European External Action Service.<sup>57</sup>

As security and defence mostly remains an intergovernmental area, much will depend on the willingness of EU member states and their ability to find agreement on a way forward for the MFF budget or crisis management. This can be challenging, but not impossible. For instance, there has been a fair amount of bilateral cooperation between defence industries and member states, or engagement with NATO.

Moreover, it will not be the case that all support for EU security initiatives will be cut. At the end of March 2020, the European Council approved the new naval Operation IRINI in order to enforce the UN arms embargo on Libya, demonstrating that EU crisis management operations have not come to a complete halt.<sup>58</sup>

## Future prospects: Limiting the COVID-19 damage

While it is very likely to expect budget cuts for security and defence in member states as well as at the EU level, there are two main aspects that should be considered by EU governments in their budget evaluations and MFF negotiations.

First, member states should consider the practical reasons for avoiding heavy cuts, not least because of the role of defence forces and industries in mobilizing and supporting the authorities and the health sector during the COVID-19 crisis. Military personnel helped transporting equipment, building

<sup>57</sup> [https://eeas.europa.eu/sites/eeas/files/factsheet-covid-19\\_lessons.pdf](https://eeas.europa.eu/sites/eeas/files/factsheet-covid-19_lessons.pdf)

<sup>58</sup> <https://www.consilium.europa.eu/en/press/press-releases/2020/03/31/eu-launches-operation-irini-to-enforce-libya-arms-embargo/>

## HOW SIGNIFICANT IS THE COVID-19 THREAT TO EUROPE'S DEFENCE BUDGETS?

medical sites, providing vehicles, bringing back EU citizens, flying doctors, and in many other ways.<sup>59</sup>

Armed forces of some countries, including non-EU member states like Norway or the UK, have engaged in cooperation over COVID-19 relief activities. For instance, France, the Netherlands and the UK are working together in a regional military joint cooperation operation in the Caribbean to provide support for their overseas territories.<sup>60</sup>

Moreover, some of the common EU defence initiatives, including those part of the PESCO framework, would actually be useful for enhancing cooperation between member states in the wake of a health emergency. The military mobility project would help a more efficient transport of equipment, for example a rapid shipment of the essentials that medical workers and patients across the EU need. Another useful PESCO project is the European Medical Command, due to be operational in 2021, which would specifically help coordinating military medical resources.<sup>61</sup>

Second, there is a symbolic and strategic importance in not leaving the security and defence sectors behind, as it happened after the global financial crisis. The new Commission began its work by setting expectations about the EU's global role: a stronger, more competitive, self-assertive Union which "upholds" but also "updates the rules-based global order."<sup>62</sup> Cutting investments in key technological industries or defence cooperation would neither help the EU's global competitiveness, nor increase its strategic autonomy.

It remains unclear where the international balance will tilt after this crisis. Would US-China relations become more conflictual? And what role does Europe have to play? The COVID-19 could provide an opportunity to review and reassess the EU's 2016 Global Strategy, as well as the CSDP and the European approach to security in general. It could also be a good opportunity for the EU to lead the world in rethinking the threats to global security, and contribute to the "update" of the global order, perhaps based on the von der Leyen Commission's goal to champion multilateralism.

After the end of the Cold War and 9/11, a number of international institutions, including the UN and the OSCE, have broadened their concepts of security threats by 'securitizing' issues which are traditionally not associated with military threats. The EU could do the same by pushing for a deeper global discussion of the security threats coming pandemics or health issues.

In sum, if some defence budget cuts are unavoidable, for the EU's global role and its ambitions to remain credible, member states must be prepared to make commitments and make their ambitions more realistic.

Maintaining a considerable level of cooperation, coordination and financial contribution in security and defence both at the national and EU level will be necessary in order to maintain a credible image abroad. The COVID-19 crisis has not cancelled the EU's need to pursue its geopolitical ambitions, to enter the narratives battle with concrete strategies and to face future crises with more preparedness. On the contrary, the pandemic has given the EU a bigger push to also become an influential actor in world politics and defend its interests in its neighbourhood.

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<sup>59</sup> [https://ec.europa.eu/headquarters/headquarters-homepage/79159/military-assistance-fight-against-covid-19-europe-%E2%80%93-solidarity-action\\_en](https://ec.europa.eu/headquarters/headquarters-homepage/79159/military-assistance-fight-against-covid-19-europe-%E2%80%93-solidarity-action_en)

<sup>60</sup> <https://www.navalnews.com/naval-news/2020/04/french-british-and-dutch-armed-forces-are-deploying-military-assets-in-the-caribbean/>

<sup>61</sup> <https://pesco.europa.eu/project/european-medical-command/>

<sup>62</sup> [https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf)

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