



COMMENTARY


Next Generation EU: the complexity of the European Defence Fund

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Introduction

The European Defence Fund (EDF) is based on the article 173 of the Treaty on the Functioning of the EU, which provides the legal framework for cooperation between the EU Member states through initiatives focusing on the “better exploitation of the industrial potential of policies of innovation, research and technological development”.¹

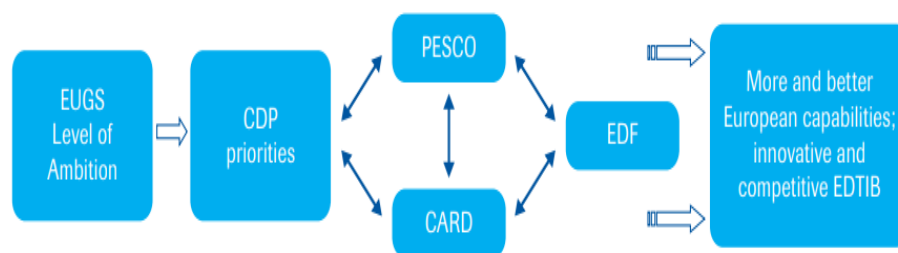
To begin with, European security and defence cooperation reached a new level of ambition in the EU after 2016, when the Global Strategy was published. Thus, defence cooperation began to develop more rapidly. For instance, the funding for the EDF for 2021-2027 was initially expected to be €13 million, but in the Next Generation EU the financial budget for the EDF was decreased.

This paper focuses on the changes that the recovery plan brought regarding the EDF in the aftermath of the Covid-19 pandemic, by presenting a brief historical overview of the initiative, the current debates around the defence sector and the future scenarios.

Historical background of the EDF

The publication of the European Union’s Global Strategy constitutes the cornerstone for defence integration in the EU. The Global Strategy highlighted the role of the EU as a global power, while one of the key priorities was to protect its citizens.² Moreover, the notion of strategic autonomy was introduced and resulted in the creation of various defence initiatives, such as the European Defence Fund (EDF), the Permanent Structured Cooperation (PESCO) or the Coordinated Annual Review on Defence (CARD).³

During the last decade, Europe has been facing many challenges, such as illegal migration, cyberthreats, terrorism, and none of the Member States could face these issues alone.⁴ Thus, defence cooperation via the abovementioned defence initiatives represents the right answer to existing and emerging crises, including the Covid-19 pandemic.⁵ The main aim of the EDF is to boost joint defence research and the common development of capabilities, such as the industrial development of military equipment.⁶ Moreover, the three initiatives (CARD, PESCO, EDF) are interlinked and none apart is able to deliver results.



Source: Drent, Margriet, and Dick Zandee. “More European Defence Cooperation:” *Clingendael Institute*, 2018, 13.

¹ [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/603478/EXPO_STU\(2019\)603478_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/603478/EXPO_STU(2019)603478_EN.pdf)

² https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

³ <https://carnegieeurope.eu/2020/06/11/eu-security-and-defense-challenges-toward-european-defense-winter-pub-82032>

⁴ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

⁵ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

⁶ Drent, Margriet, and Dick Zandee. “More European Defence Cooperation:” *Clingendael Institute*, 2018, 13.

To summarize, as it can be seen from the above graph⁷, following the publication of the Global Strategy, new defence priorities were set and the creation of the defence initiatives represented a way to fulfill this new level of ambition. To be more exact, “CARD can highlight capability gaps and the potential for collaboration; PESCO provides a binding framework for operational and capability cooperation; whereas the EDF can provide incentives for relevant research and capability projects.”⁸

Four years later the results of these defence initiatives varied; on the one hand, member states have become more committed to the development of defence cooperation inside the EU, on the other hand these initiatives lack operational ability.⁹ In addition, after the outbreak of the COVID-19 crisis, many questions arose on whether defence initiatives and most importantly the EDF are still representing key priorities for the EU.

Current debates around the development of the EDF and the defence sector

*“The Commission has proposed an EU budget of €166.7 billion for 2021, to be complemented by €211 billion in grants and approximately €133 billion in loans under Next Generation EU. Together, the annual budget and Next Generation EU will mobilize significant investments in 2021 to address the immediate economic and social damage caused by the coronavirus pandemic, kick-start a sustainable recovery and protect and create jobs. The budget is also fully in line with the commitment to invest in the future in order to achieve a greener, more digital and resilient Europe”.*¹⁰

Moreover, the EDF will take over from 2021 to 2027 with a proposed adjusted budget of €7014 million and will focus on research and development of the defence sector.¹¹

However, before the pandemic, the EU budget for the EDF was €13 billion.¹² Thus, the budget for the EDF underwent a significant cut. Almost the same situation was observed during the financial crisis of the 2008, when EU’s defence spending was cut by about 11% in total.¹³ Hence, nowadays a similar situation could undermine Europe’s defence capabilities and limit EU investments in defence sector.

As a result, Europe may not be able to contribute around 2% of GDP in NATO, which has been one of its goals for the coming year.¹⁴ In order for EU defence to continue developing, member states should promote unity and solidarity. But during the pandemic these values often came under question. “Political will is □ salso□1□ the EU is ever to become an effective framework for European security – alongside NATO – as well as a credible partner.”¹⁵

To continue, despite the development of defence initiatives in the EU, such as the EDF, CARD, PESCO, defence budget remains a “taboo” for many European countries.¹⁶ Nowadays, there □ salso the danger that COVID-19 interrupts the development of EU defence policy, hindering European

⁷ Drent, Margriet, and Dick Zandee. “More European Defence Cooperation.” *Clingendael Institute*, 2018, 13.

⁸ Drent, Margriet, and Dick Zandee. “More European Defence Cooperation.” *Clingendael Institute*, 2018, 13.

⁹ <https://www.chathamhouse.org/expert/comment/covid-19-strengthens-case-eu-defence#>

¹⁰ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1171

¹¹ <https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf>

¹² https://ec.europa.eu/commission/presscorner/detail/en/IP_18_4121

¹³ <https://www.chathamhouse.org/expert/comment/covid-19-strengthens-case-eu-defence#>

¹⁴ <https://www.chathamhouse.org/expert/comment/covid-19-strengthens-case-eu-defence#>

¹⁵ <https://www.chathamhouse.org/expert/comment/covid-19-strengthens-case-eu-defence#>

¹⁶ <https://www.defensenews.com/global/europe/2020/05/29/the-european-unions-defense-ambitions-are-still-showing-signs-of-life/>

defence cooperation.¹⁷ The main reason why EU's defence sector may become a victim of the pandemic is that the member states will have to mitigate the economic impacts of the crisis.¹⁸

However, the ambitions that were set in the Global Strategy in 2016 are still valid and essential in order for the EU to move towards strategic autonomy, otherwise the role of EU as a security provider may become weakened.¹⁹ To provide an example, the European Defence Agency's chief, Jiří Šedivý, highlighted that the development of collective capabilities has become even more crucial and urgent under the COVID-19 crisis.²⁰

It is worth to mention that despite the economic uncertainty that resulted from the current crisis, EU member states will still benefit from the development of common defence capabilities.²¹ If the member states continue and increase multinational capability development under EU mechanisms such as PESCO or under the European Defence Agency, then the □ salto□l be less than moving towards the development of defence capabilities in the national level.²² Beyond the financial benefits, the operational interoperability of the EU will increase. Consequently, both the EU and the member states could benefit, and EU could be characterized as a credible partner to NATO.²³

At the same time, further advancement of EU defence policy was never more vital than it is today, both for geopolitical and economic reasons. Europe is nowadays facing many challenges, and thus political analysts argue that the EU has become "imprisoned" between US-China competition.²⁴ Moreover, EU member states should invest in defence sector through the EDF in order to be able to do more for their own security and defence.²⁵ The pandemic crisis highlighted the importance of supporting the local production to be able to provide critical material of high quality and in satisfactory quantities when crises emerge, such as masks or other health related utilities.²⁶

European strategic autonomy does not only refer to high-tech or high-end capabilities but also to basic industrial production aptitudes. Industrial production could provide new capacities in Europe and lead to strategic autonomy.²⁷

To conclude, with public budgets under strain, governments will probably assign resources to tackle health and fiscal implications of the pandemic. □ salto□l likely become difficult to convince EU member states to invest more on current defence projects or CSDP missions or move forward to the creation of new ones, especially if these projects or initiatives do not reproduce the countries' national interests or priorities.²⁸

¹⁷ <https://www.chathamhouse.org/expert/comment/covid-19-strengthens-case-eu-defence#>

¹⁸ <https://carnegieeurope.eu/2020/06/11/eu-security-and-defense-challenges-toward-european-defense-winter-pub-82032>

¹⁹ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²⁰ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²¹ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²² https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²³ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²⁴ <https://www.chathamhouse.org/expert/comment/covid-19-strengthens-case-eu-defence#>

²⁵ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²⁶ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²⁷ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

²⁸ <https://carnegieeurope.eu/2020/06/11/eu-security-and-defense-challenges-toward-european-defense-winter-pub-82032>

Future scenarios

Almost all the future scenarios of the development of EU's defence sector indicate that less financial resources will be dedicated to defence.²⁹ One important issue is that EU has made a plethora of promises to European citizens regarding becoming a security actor and provider in order for the citizens to feel safer in EU territory.³⁰

The advancement of Europe's role as a security actor is also essential in preventing violent conflicts in its neighboring countries and becoming a reliable partner within NATO. After the financial crisis of 2008, EU needed about 6 years to invest more in defence.³¹ It was not before 2014 when Russia invaded Ukraine and annexed Crimea, when EU decided to start developing the defence sector.³²

At this time, Europe may not have the privileged of time, especially if we think the uncertainty that the international environment provides. The security challenges in 2020 differ much than those in 2008. Nowadays, threats have become more complex. In other words, Russia's revisionist behavior, China's assertive behavior, terrorism, climate change, cyberthreats, migration, non-proliferation require EU to keep its promise as a global security provider.³³

Through the Permanent Structured Cooperation (PESCO), the Coordinated Annual Review on Defence (CARD) and the European Defence Fund (EDF) EU Member States could counterbalance budgetary pressures and unnecessary costs.³⁴ In addition, if we take into account that the EDF aims to ease the impact of the crisis for the defence industry, then it is crucial that Member states continue investing in the defence sector.³⁵

EDF was designed to become a major toll regarding investments in defence sector and foster industrial cooperation, and thus despite the current crisis the full potentials of the initiative should be used.³⁶ Through the aforementioned defence mechanisms, the EU will gain the ability to become a major player in international arena, like US, China or Russia.³⁷

Conclusion

The EU has -after almost a decade since the Lisbon Treaty- entered a new phase in moving towards defence integration, which was recently challenged by the emergence of Corona pandemic. The EDF is designed to support EU collaboration in defence research and capability development by offering financial incentives for cooperation.³⁸

Thus, EDF should not represent a complex issue for the EU or the member states, defence cooperation has been proven necessary even in times of health crisis. The ambitions set by the Global Strategy in 2016 could still be applicable in the Next Generation EU, by at the same time advancing defence integration inside the Union and tackling the economic challenges of the current crisis.

²⁹ <https://carnegieeurope.eu/2020/06/11/eu-security-and-defense-challenges-toward-european-defense-winter-pub-82032>

³⁰ <https://www.euractiv.com/section/defence-and-security/opinion/its-time-to-vaccinate-europes-defence-budgets/>

³¹ <https://www.euractiv.com/section/defence-and-security/opinion/its-time-to-vaccinate-europes-defence-budgets/>

³² <https://www.euractiv.com/section/defence-and-security/opinion/its-time-to-vaccinate-europes-defence-budgets/>

³³ <https://www.euractiv.com/section/defence-and-security/opinion/its-time-to-vaccinate-europes-defence-budgets/>

³⁴ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

³⁵ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

³⁶ https://eda.europa.eu/docs/default-source/eda-magazine/edm19_web.pdf

³⁷ <https://carnegieeurope.eu/2020/06/11/eu-security-and-defense-challenges-toward-european-defense-winter-pub-82032>

³⁸ [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/603478/EXPO_STU\(2019\)603478_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/603478/EXPO_STU(2019)603478_EN.pdf)

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