

European Defence Integration: Bridging the Gap between Strategy and Capabilities



Conference Report

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Table of Contents

INTRODUCTION	
New Defence Agenda (NDA)	3
Center for Strategic and International Studies (CSIS)	
ABOUT THE CONFERENCE	5
EXECUTIVE SUMMARY	7
OPENING REMARKS	8
KEYNOTE ADDRESS	
Nick Witney, Chief Executive of the European Defence Agency	10
PANEL 1: "TRANSFORMING EUROPEAN DEFENCE CAPABILITIES: A NET ASSESSMENT OF EFFORTS AT THE NATIONAL LEVEL"	12
PANEL 2 : "NATO'S ROLE IN EUROPEAN DEFENCE INTEGRATION: CHALLENGES AND OPPORTUNITIES"	15
PANEL 3 : "THE EU AND EUROPEAN DEFENCE INTEGRATION: PROGRESS AND PROSPECTS FOR FUTURE SUCCESS IN LIGHT OF RECENT DEVELOPMENTS"	17
PANEL 4 : "PARTNERS OR RIVALS? THE EU-NATO RELATIONSHIP"	19
EXECUTIVE SUMMARY: CSIS REPORT "EUROPEAN DEFENCE INTEGRATION"	22
LIST OF PARTICIPANTS	28

The work of the Initiative for a Renewed Transatlantic Partnership is made possible through the generous support of EADS. The organizers would also like to thank Raytheon for supporting this event.

Introduction – NDA

The New Defence Agenda is proud to present this report from the CSIS-NDA joint conference of the launch of the CSIS report *“European Defence Integration: Bridging the Gap between Strategy and Capabilities.”*

A high-level cross section of 200 security and defence experts gathered in Brussels on October 12 to debate the transformation of European defence capabilities, the needs of the European Defence Agency in order to improve R&T development, and NATO and EU roles in defence integration.

Since its conception almost 5 years ago, the NDA has monitored efforts of European capitals, the EU and NATO to coordinate European defence capabilities. Working closely with our members, a cross-section of major defence and security corporations on both sides of the Atlantic, the NDA aims to create a common debate not only for the very different worlds of the EU and NATO, but also for security and defence related industries worldwide. This event on European defence integration was a representative blend of those stakeholders and the NDA is honored to have partnered with CSIS for the launch of their report.

The CSIS report is an important contribution to the major project that is European defence integration and the NDA looks forward to working with CSIS in the future as the debate continues to evolve.



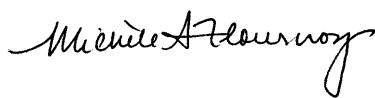
Giles Merritt
Director
New Defence Agenda

Introduction – CSIS

On October 12, 2005, the Center for Strategic and International Studies (CSIS), in cooperation with the New Defence Agenda, held a one-day conference to launch its report, **“European Defence Integration: Bridging the Gap between Strategy and Capabilities.”** The report, conducted under the auspices of the CSIS Initiative for a Renewed Transatlantic Partnership, is the culmination of a one-year project that examined various strategies for defence integration as well as the challenges and incentives associated with this concept.

Following opening remarks from General Rolando Mosca Moschini and Generals Klaus Naumann and Joseph Ralston – the two co-chairs of the CSIS project – four panels of European experts debated the key recommendations associated with each chapter of the report. Nick Whitney, Executive Director of the European Defence Agency, provided the keynote address over lunch where he discussed the role that defence industry plays in driving defence integration. A full summary of the conference follows.

Our hope is that the CSIS report and this summary of the launch in Brussels will spur greater debate – and action – across the European continent in the area of defence integration. Given the political and budgetary constraints that European capitals face in increasing their defence budgets, the obvious way to enhance European defence capabilities and address existing shortfalls is through a greater degree of defence integration – that is, coordinating the efforts of individual European countries, the European Union and NATO to create an enhanced and more interdependent set of collective defence capabilities to meet Europe’s future defence needs. Our report, which provides over 50 recommendations on how to do so, can be found on the CSIS website: www.csis.org.



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About the conference

The conference “European Defence Integration: Bridging the Gap between Strategy and Capabilities” attracted an audience of several hundred industry leaders, government officials, members of the European institutions and NATO officials. Held in Brussels at the Bibliothèque Solvay, the event was organised by CSIS and the New Defence Agenda, with the support of EADS and Raytheon.

Robin Niblett, Executive Vice President and Director, Europe Program, CSIS & **Giles Merritt**, Director, New Defence Agenda welcomed delegates. The opening remarks were made by **General Joseph Ralston**, Former Supreme Allied Commander, Europe & Former Vice Chairman of the US Joint Chiefs of Staff & **General Klaus Naumann**, Former Chairman, NATO Military Committee & Former Chief of Defence, Germany.

General Rolando Mosca Moschini, Chairman, EU Military Committee gave the introductory address. During lunch, **Nick Witney**, Chief Executive, European Defence Agency made the keynote address, with an industry response by **Jean-Louis Gergorin**, Executive Vice President & Head of Strategic Coordination, EADS.

The conference programme

“The Need for European Defence Integration: Key Findings from the CSIS Report”

Michèle Flournoy, Senior Advisor, International Security Program, CSIS
Julianne Smith, Deputy Director, International Security Program, CSIS

First panel: “Transforming European Defence Capabilities: A Net Assessment of Efforts at the National Level”

Difficult choices lay ahead for European nations as they restructure their military forces for out-of-area operations. What kinds of incentives should national capitals devise to encourage accelerated force transformation? How should nations contribute to the greater European force posture? What kinds of defence assets should be pooled? Which capabilities are more suited towards specialization?

Moderator: **General Christian Hvidt**, Former Chief of Defence, Denmark

- **General Klaus Naumann**, Former Chairman, NATO Military Committee & Former Chief of Defence, Germany
- **Brig. General Ian Abbott**, Chief of Policy and Plans Division, European Union Military Staff
- **Muriel Domenach**, Defence Counsellor, Permanent Representation of France to NATO

Second panel: “NATO’s Role in European Defence Integration: Challenges and Opportunities”

NATO is undergoing a number of significant changes as it adjusts to the demands of the new security environment. Should it change the way it funds and conducts operations? How should NATO move beyond the PCC process? What should ACT’s role be in coordinating national transformation strategies, and how can it be leveraged to do so? How can NATO itself be further streamlined to more effectively act in future contingencies?

Moderator: **General Joseph Ralston**, Former Supreme Allied Commander, Europe & Former Vice-Chairman of the Joint Chiefs of Staff

- **Jamie Shea**, Director, Policy Planning, Private Office of the Secretary General, NATO
- **Ana Maria Gomes**, Vice-Chairperson, Subcommittee on Defence and Security, European Parliament

Lunch Session: The Industry and Technology Drivers of European Defence Integration"

How can industry more effectively support bridging the gap between European strategies and existing capabilities? What does EDA need in order to improve collaborative Research and Technology, development and industrial production efforts?

- Introduction: **David Scruggs**, Fellow, International Security Program, Defence-Industrial Initiatives group, CSIS
- Keynote Address: **Nick Witney**, Chief Executive, European Defence Agency
- Industry Response: **Jean-Louis Gergorin**, Executive Vice President, Head of Strategic Coordination, EADS

Third panel: "The EU and European Defence Integration: Progress and Prospects for Future Success in Light of Recent Developments"

The EU is currently conducting seven operations overseas, gaining valuable experience in both the military and civilian spheres. But it is still struggling to sustain less than five percent of its overall military manpower on vital peace support tasks, a sign that a number of key shortfalls remain. How can the EU strengthen its defence planning processes and empower the EDA to do more than coordinate and convene?

Moderator: Admiral Juhani Kaskeala, Chief of Defence, Finland

- **Claude-France Arnould**, Director for Defence Aspects, Council of the EU
- **Marcin Zaborowski**, Research Fellow, EU-ISS

Fourth panel: "Partners or Rivals? The EU-NATO Relationship"

While NATO and the EU have significantly improved their working relationship since 2000, a number of steps need to be taken at both the strategic and tactical levels to eliminate the mistrust, unhealthy competition and information sharing blockages that continue to plague the relationship. How can links between the two organizations be strengthened? How can NATO and the EU broaden their strategic dialogue?

Moderator: Admiral Jacques Lanxade, Former French JCS Chairman

- **Ambassador Sir Peter Ricketts**, Permanent Representative of the UK to NATO
- **Stephan de Spiegeleire**, Program Director, Defence Transformation, Clingendael Centre for Strategic Studies



Executive summary

CSIS' **Michèle Flournoy** brought a wide-ranging conference to a close by hoping that it was just the start of the debate. That was never in doubt. The CSIS' report *"European Defence Integration: Bridging the Gap between Strategy and Capabilities"* had made the front page of the *Financial Times* on the day of the conference and this only underlined the attention that its recommendations were receiving.

Both the New Defence Agenda's **Giles Merritt** and EADS' **Jean-Louis Gergorin** welcomed the chance to hear a fresh view on European defence, involving input from several European former CHODs, with Gergorin referring to the CSIS report as "eurocentric". The report had recommended the need for greater pooling of resources and a more integrated approach to defence, and the majority of speakers supported these arguments without reservation.

The issue on the table was a serious one, as the report said it was necessary to act now or compromise Europe's ability to defend itself against 21st century threats. **General Klaus Naumann** was one of the most outspoken participants, as he argued that the EU-US gap was not only in capabilities but also in Europe's ability to think like its transatlantic allies. He described a future network-centric world where Europe would not be capable of participating on the battlefield. Naumann concluded that without the ability to create genuine multinational component forces, Europe would "pay with blood".

The report's recommendation that the EDA's budget should be increased ten-fold was certainly welcomed by the Agency's **Nick Witney**. In his remarks, Witney focused on what he expected from national governments and highlighted the need for additional investment if Europe was to retain an effective technological and industrial base. He concluded that both governments and industry had "a massive job" ahead of them.

General Rolando Mosca Moschini was also supportive of greater integration and he argued that the EU and NATO could combine their assets to produce a "comprehensive basket of capabilities". That was based on the assumption that nations were willing to go along with the plan. This was not, however, obvious during the panel that focused on that very subject. General Naumann was pessimistic about Germany's willingness to increase its investment on defence, although he did reason that it was the most likely of the major nations to go down the route of multinationalism. **Muriel Domenach**, French delegation to NATO, was certainly not about to put France at the front of that particular queue, as she described France's disappointment with the results of the NATO Response Force and its scepticism about the demand for EU member states to specialise. Domenach saw this as a route to the US performing all of the "high-end" operations with the EU specialising in peacekeeping and stabilisation.

Doubts also from MEP **Ana Maria Gomes**, as she could not agree with General Naumann's assertion that the EU and the US had the same view of the threat perceptions. Gomes was not convinced that the US wanted the EU to be an equal and autonomous partner. The EU-ISS's **Marcin Zaborowski** said that was not an issue as the US had already said that it wanted exactly that. Perhaps, but **Stephan de Spiegeleire** later gave several reasons why he thought that Europe was "not cutting it".

Following de Spiegeleire in a lower key, **Ambassador Sir Peter Ricketts** concluded that there was perhaps not as much consensus on the ground as appeared at first sight. He did not feel that the time was right to rewrite NATO's strategic concept. This debate is likely to continue for months and years to come.

Welcome

Robin Niblett, Executive Vice President and Director, Europe Program, CSIS and **Giles Merritt**, Director, New Defence Agenda, welcomed a distinguished audience of EU and NATO leaders to a conference that focused on European defence integration. The conference coincided with the launch of the CSIS report entitled “European Defence Integration: Bridging the Gap between Strategy and Capabilities”. The report, that called for greater pooling of resources and cooperation between the EU, NATO and their respective member states was the lead story of that day's *Financial Times*.

Opening remarks



Generals Klaus Naumann, Rolando Mosca Moschini and Joseph Ralston

The conference's opening remarks were presented by two former NATO generals, **General Joseph Ralston**, Former Supreme Allied Commander, Europe & Former Vice Chairman of the US Joint Chiefs of Staff & **General Klaus Naumann**, Former Chairman, NATO Military Committee & Germany's Former Chief of Defence, who had contributed the report's foreword and chaired the group of former European senior military officers who advised the study. **General Rolando Mosca Moschini**, Chairman, EU Military Committee joined them in introducing the conference.

General Naumann welcomed the CSIS report as it came at a time of great technological change and during a period when Europe was spending about 60% of the amount spent by the US on defence, but only achieving 20% of America's capabilities.

General Naumann argued that Europe was “not sufficiently prepared”, due to a lack of ambition in the capitals and a lack of necessary investment. Reasoning that the threat assessments in the US and Europe were identical, he applauded the CSIS report as it called for a “greater degree of defence integration” and “increased transatlantic technology transfer”. Naumann argued that a debate on the subject was a necessity as it was necessary to spend money more effectively or risk compromising the ability to defend European interests.

General Joseph Ralston also saw a changing landscape. Although he saw both the EU and NATO as ambitious participants in the defence arena, Ralston felt that the EU was struggling to meet demand. Describing a Europe where defence spending was decreasing across the board, and where demographic changes were putting pressure on governments to increase expenditure on social services, Ralston reached the same conclusion as Naumann – Europe has to “spend smarter”.

Ralston argued that Europe had to make some “hard choices” with those decisions being critical to both itself and the US. He saw the EU and NATO as being complementary organisations; a stronger Europe would help security, as the international community would have more choices as to how it reacted at times of crisis.

For **General Rolando Mosca Moschini**, the conference came at the right time, as several factors were converging. The first of these, **globalisation**, was leading to more open borders, which brought both increased risks and opportunities.

Moschini saw **cooperation** as being the only possible solution, adding that the EU through its “security strategy” document had chosen this route. He argued for a policy that included several components, from military action to post-intervention activities. Concluding that the EU had all these necessary components, based on its policies with its neighbours and its synergies with international organisations (NATO, UN, AU, etc.), Moschini defined the need for joint military forces that could act rapidly in a multi-disciplinary context.

At a time of declining budgets, Moschini also called for **effective capabilities** to be generated through the innovative use of “soft and hard” components. He referred to this as “a comprehensive basket of capabilities”. Moschini saw the EU’s battlegroups as “the spearhead of this comprehensive package” and insisted that the need for such a package had to be made clear to the political masters.

Moschini’s fourth factor was **the emergence of the European Defence Agency (EDA)**, a body that could help reduce “the gap between requirements and declining defence budgets.”

Concluding that there was much still to be done, Moschini said that although the ESDP had made good progress, there were many political issues that warranted greater coherence between sovereign states. He wanted military and non-military components to be used to shape Europe’s forces and assets in the most effective way. This was General Moschini’s “comprehensive basket of capabilities”.

Three guiding premises of the study

1. *New challenges* (such as the need to be rapidly deployable, conduct multiple missions and be interoperable) mean that *new capabilities* are required;
2. Resource constraints imply the need for *a more integrated approach to defence* between member states, the EU and NATO; demographics mean that both sides must “spend smarter”;
3. Improved capabilities are *good for both Europe and the US*; the US needs a strong partner across the Atlantic.

(As outlined by **Michèle Flournoy**, Senior Advisor, International Security Program, CSIS, and **Julianne Smith**, Deputy Director, International Security Program, CSIS)

Keynote Address: Nick Witney, Chief Executive, European Defence Agency

David Scruggs, Fellow, International Security Program, Defence-Industrial Initiatives group, CSIS, introduced **Nick Witney** in a lunchtime session that looked at how industry could bridge the gap between European strategies and existing capabilities, and how the EDA could improve collaborative R&T, development and industrial production efforts.

Looking to how integration could be enhanced, Scruggs called for open markets and further incentives to promote public and private partnership. He also identified problems within the European defence industry, including fragmented markets and a Cold War asset base. Moving to transatlantic co-operation, Scruggs warned that neither the US nor the EU could afford to be self-sufficient. He therefore called for both governments to open the doors to competition.



Key issues

Witney welcomed the “important and influential” CSIS report that supported the EDA’s agenda and objectives. Underlining the need for the agendas of governments and the defence industry to interact, Witney looked at the issues and challenges facing the former. He stated that governments had to:

- provide industry with correct requirements; money must be spent “wisely and well”
- define a long-term route for the defence industry, not just for tomorrow
- pool requirements as the future is multinational, bringing economies of scale
- increase investments more in equipment than in personnel

“The best form of interoperability is commonality.”

-Nick Witney

Witney emphasised that the EDA’s main preoccupation was to create a “consolidated market”. Arguing that 50% of the European market was sheltering behind national treaties, Witney backed the need for a “voluntary non-binding code of conduct” that would remove trade barriers. He did not regard this as “fortress Europe”, but more as a way to improve the way in which member states cooperated. He was at pains to point out that this was not part of the transatlantic debate.

Noting a wind of change, Witney said there was an appetite in European member states to think not only about national technologies and industrial bases, but about European ones as well. As it was recognised that no individual national defence budget was sufficient for the EU’s purpose, Witney called for an evolutionary approach to “increased mutual dependence”.

Turning to the “most important” issue, Witney said Europe faced a major challenge in preserving and developing its technology base. He acknowledged that although an increase of expenditure from 1.9% to 3% of GDP on R&T had been targeted, progress had stalled. With the US spending five times as much as the EU on research, Witney insisted that a healthy defence technological and industrial base was required to provide political support for the EU’s defence ambitions. That required significant investment and, for now, Witney concluded that governments and industry had to recognise they had “a massive job” to do.

Responding on behalf of industry, **Jean-Louis Gergorin**, Executive Vice President, Head of Strategic Coordination, EADS, was in total agreement with Witney and the CSIS report's recommendations. He had three main points for his audience:

- *Military transformation is essential:* Gergorin argued that the Agency was in the right place at the right time and it should drive European transformation
- *The homeland security and defence arenas are blurred:* the actions are the same in different scenarios, and terrorism does not stop at the borders
- *A greater R&T effort is required:* With the failure to meet the Lisbon Agenda, Europe has to maintain a strong industrial base by overcoming bureaucracy and the imbalance between the US and Europe.



Jean-Louis Gergorin

Q & A session with Nick Witney

EDA – ACT relationship

Raytheon Europe's President **Norman Ray** wanted to know if the relationship between the Agency and the Allied Command Transformation (ACT) was a healthy one. Witney admitted that the formal link was difficult but that the informal one was easy. He added that it was a given that Europe had to be aware of NATO's emerging architectures.

CSIS recommendations – “Industrial base and European defence integration”

- NATO must take a more active role in creating transformational capabilities
- NATO should focus on purely military applications of high complexity, such as strategic airlift, air-to-air tankers, space-based C4ISR and airborne C4ISR
- The Commission's FP7 and the EDA must be actively involved in channelling industry towards transformational defence capabilities that require large investments and dual-use technologies

The code of conduct and offsets

The WEU's **Paolo Brito** was interested in the Agency's proposed code of conduct and the potential impact of offsets. Witney stated that the code had “article 296” fairly and squarely in its sights, as the proposed code would allow all EU countries to bid for all contracts. As for offsets, he admitted that they had the potential to derail the code. There were differences of opinion as to the value of offsets; some said they were “an essential fact of life” while others said they were bad for competition. Witney concluded that the Agency would deal with that particular problem over a period of time.

Defence integration

In response to a question concerning the CSIS report's definition of “integration”, Witney said he had no problem with that. He noted the inter-governmental aspect of integration and emphasised that “sovereign decisions” had to be taken.

Technology transfer

On the subject of technology transfer, Scruggs said the report assumed that trade barriers would be reduced across the Atlantic. However, he stated that this would take “a long time”. There was an educational job to be done, especially among lawmakers.

Panel I: “Transforming European Defence Capabilities: A Net Assessment of Efforts at the National Level”

Denmark’s Former Chief of Defense **General Christian Hvidt**, moderated the first panel. Hvidt was not impressed by the current situation. He had heard nice words but he had seen little action. Where defence savings had been achieved by individual nations, the money had in many cases been used for non-military purposes. He saw a picture of synergies disappearing under the threat of national interests and Hvidt wanted to know why.

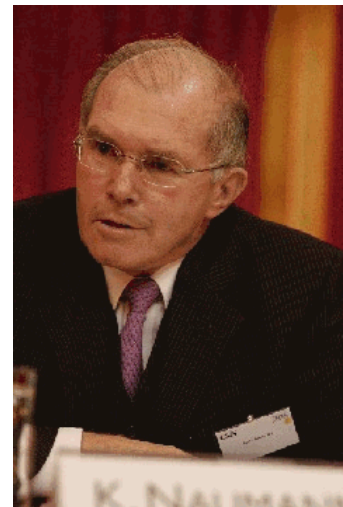
“National efforts” – recommendations from the CSIS report

- Promote greater dialogue between nations
- Allocate at least 25% of national annual budgets to R&D and procurement and no more than 40% on personnel
- Reinvest any savings generated from restructuring back into transformational capabilities
- Shift to five-year defence budget cycles in order to improve stability
- Pool infrastructure and logistics assets across member states
- Promote specialisation within member states, as part of country clusters, to enhance Europe’s collective defence capabilities

First speaker: General Klaus Naumann, Former Chairman, NATO Military Committee & Former Chief of Defence, Germany

General Naumann came straight to the point. He saw no possibility of Germany’s defence expenditures being increased in the foreseeable future. Furthermore he did not think that the German government would look at public/private partnerships or “smarter spending” in defence. Painting a bleak picture, Naumann reasoned that if savings were made there would be no guarantee that they would be reinvested in the armed forces. As for reducing conscription, this would only lead to increases in regular forces and hence an increase in personnel costs and a decrease in technology investments.

Looking at the broader European picture, Naumann said the only answer was to pool resources and capabilities. This meant depending on other partners. This implied that individual nations would relinquish the right to say no at a time of crisis and give up some elements of national sovereignty.



Despite his gloomy outlook on Germany’s future defence expenditure, Neumann opined that it was still the most likely country to go down the route of multinationalism.

“Multinationalism is the only approach, but Europe is haunted by nationalism.”
-Klaus Naumann

General Naumann’s recommendations were therefore :

- Investigate the pooling of training establishments
- Reduce overheads by creating multinational components (headquarters, management, etc)
- Use “force multipliers”¹ to create multinational component forces (including NATO)²
- Move to a “more years” budget, as opposed to annual budgets

¹ A force multiplier is a term referring to a factor that dramatically increases (hence, “multiplies”) the combat-effectiveness of a given military force.

² General Naumann later said that without force multipliers, such as Air Ground Surveillance (AGS), Europe would “pay with blood”. These could be NATO owned or operated, or multinationally funded.

Second speaker: Brigadier General Ian Abbott, Chief of Policy and Plans Division, EU Military Staff

Abbott also welcomed the CSIS report but added that due to the rapid rate of change, some of the recommendations had been overtaken by events and were already being put in place. Accepting that national strategies had to be orchestrated, Abbott argued that both public and private sectors had to be fully involved.

Turning to the relationship between the EU and NATO, Abbott examined the differences and concluded that the real issues existed between member states rather than between the organisations.

Abbott also had the following comments:

- There is a general lack of resources across the member states
- On funding, there must be a system that “credits the contributors”
- Information sharing: this needs to be improved at all levels of classification – it works well on the ground but not on a strategic basis

Abbott had no problems with the CSIS report’s *procedural recommendations* (on battlegroup deployments, combined training, EDA, NRF / EU battlegroup de-confliction, etc) but he saw problems between member states. Overall, he wanted all actors to be able to communicate freely and some nations had to avoid having a complex when dealing with others.



Ian Abbott

Differences – NATO Response Force and EU Battlegroups

- NATO Response Force: generated, unified command structure, no recourse to civilian instruments
- EU Battlegroups: voluntary, relies on effectiveness and a “lessons learnt” procedure, has the ability to produce a multi-disciplinary capability

Third speaker: Muriel Domenach, Defence Counsellor, Permanent Representation of France to NATO

Domenach opened on a positive note, stating that France had increased defence spending since 2002 by taking advantage of the development of the ESDP. Its existence had helped to convince public opinion that an increase was required.

She was not so positive however on the subject of NATO’s transformation. Domenach’s position was that France had believed this would improve interoperability between the US and its allies, whereas in reality, it was focusing purely on “lower spectrum capabilities”. Insisting that France was committed to the NATO response force, Domenach said it was becoming a “pool of forces” and an “ambulance provider” and was not helping EU nations to genuinely transform their own forces.



“The NRF is not helping the transformation of our own forces.”

-Muriel Domenach

Domenach was also sceptical about the concept of specialisation as recommended in the CSIS report. She felt there was a possibility that European nations might specialise in stabilisation, with the US

performing all the military interventions. Remaining pessimistic, Domenach was also fearful of the heavy burden on the shoulders of the involved nations.

First panel – Q&A

Turning the debate over to the audience, **General Hvidt** insisted on the need for nations to recognise the benefits that existed for both themselves and for the communal good.

A balanced approach and the question of sovereignty

Raimonds Graube of the Latvian Delegation to NATO asked if specialisation, which was the most popular topic of the day, always meant “unbalanced defence systems” for individual member states. General Hvidt saw no alternative to specialisation, as already practiced in Denmark, as his country was not big enough to cover the total spectrum of defence. He suggested that countries concentrated on what they were good at and use alliances for other needs.

General Naumann supported that view, stating that no European nation would be able to afford a balanced solution in the future. Identifying the need to change international organisations’ planning systems, he argued that the ACT should recommend what nations should provide, with actual decisions remaining with governments. This implied that individual nations had to rely on others, so it was an effective “transfer of independence”.

If this did not happen, General Naumann was concerned that the capabilities gap between the US and Europe would grow. Even worse, he reasoned that it would be accompanied by a transatlantic gap in the actual ability of how to think in a transformed way.

Brigadier General Ian Abbott said there was a need to maintain national balanced forces, at “the deployable brigade structure” if a member state was to be a player in the EU Battlegroup.

Defense News’ **Brooks Tigner** reasoned that it was an illusion that real progress was possible, as outlined in the report, without some transfer of sovereignty.

Hvidt said that none of panellists were under the illusion that sovereignty would be given away by member states, but he did argue that integrated initiatives had been achieved since the start of NATO. There was certainly a need for common will and statesmanship.

Muriel Domenach repeated her position vis-à-vis specialisation. It would result in nations abandoning their sovereignty to an international organisation. This was not on the cards for France and she asked rhetorically to whom nations would be seceding sovereignty to, especially in the case of NATO.





Joseph Ralston

Panel 2: “NATO’s Role in European Defense Integration: Challenges and Opportunities”

General Joseph Ralston moderated the second panel that focused on NATO’s role in European defence integration. After reviewing NATO’s achievements in the post-Cold War period, Ralston concluded that although the NATO response force was a catalyst for change, there was still much work to be done. He argued that the NRF concept did not reflect the current rate of change or the need to meet 21st century requirements. Ralston turned to the panel, hoping to hear their thoughts as to what NATO should do.

CSIS report recommendations – NATO

- NATO must rewrite its 1999 Strategic Concept to reflect the paradigm-shifting events of recent years
- The Alliance must overhaul its defence planning processes, via an independent commission of outside experts
- ACT to be made the centre of gravity for European transformation efforts and to have primary responsibility for reinvigorating the PCC
- The US should increase its contribution of ground forces to the NRF
- NATO should expand its common funding for operations, as the “costs lay as they fall” system is inadequate
- NATO multinational logistics command and units to be created
- Streamline the committee structure and reduce bureaucracy at NATO HQ.

First speaker: Jamie Shea, Director, Policy Planning, Private Office of the Secretary General, NATO

Shea opened in a positive frame of mind, stating that “NATO needs the EU and the EU needs NATO”. However, he argued that a new strategic concept should be in place by 2008 at the latest and that it should incorporate both the EU and member states’ views. This had to be much more than the Berlin Plus arrangements, as that was only a starting point. Pointing to NATO’s enormous military capacity, Shea acknowledged that NATO could not define its own exit strategy. He therefore argued that NATO and the EU were complementary, and that they had to work closely together as partners.



Jamie Shea

Turning to how NATO could help promote European defence integration, Shea said that it must initially transform itself to become a more attractive partner for the EU. Areas earmarked for attention included: common funding, an overhaul of forces planning, adequate resourcing of the NATO response force, etc. Although NATO and the EU currently have a “limited agenda”, Shea called for an increase in informal working arrangements, as the status quo was not acceptable.

Shea also identified areas where NATO could help in EU’s defence planning, quoting the need to cover “full spectrum planning” and the avoidance of duplication. In the latter regard, Shea spoke against both NATO and the EU pursuing items such as “strategic lift” and called for increased synergies.

Shea also called for the Prague Capability Commitment (PCC) to be linked to ECAP. He added that there would never be separate EU and NATO forces, both had to be available to the other organisation. Therefore priorities had to be linked and planned for.

Second speaker: Ana Maria Gomes, Vice-Chairperson, Subcommittee on Defence and Security, European Parliament

Gomes was fully supportive of increased synergies between NATO and the EU. She was also in agreement with the CSIS report's recommendations (especially to increase EDA funding and move towards greater pooling of resources). However, Gomes highlighted the fundamental question as to whether the US would be happy to deal with a Europe that had "greater clout". In effect, she asked if the US wanted the European defence policy to work.

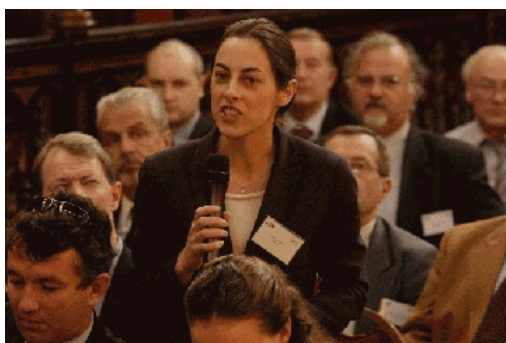
In this regard, Gomes did not agree with Naumann's view that US and European threat perceptions were converging. She saw this as the greatest existing challenge to transatlantic co-operation. She concluded that for the sake of the European industrial base, Europe had to deal with the US on an equal footing. She argued that the US had to accept that there was a "new game in town". Europe had to do more in the key areas and the US had to accept that the EU was a genuine strategic partner.



"[The lack of convergence of threat perceptions] is the greatest challenge facing transatlantic co-operation today."

-Ana Maria Gomes

Second session – Q&A



What is the future vision of the EU-NATO relationship?

Boeing International's **Rachel Winks** was dismissive about the current relationship between the EU and NATO, commenting that there is no cooperation against terrorist attacks, and asked for details on the future vision.

Shea agreed that it was not as good as it should be, but he was confident about the future. Calling for greater involvement from the European Commission, Shea also highlighted the crucial need for civil-military missions.

Gomes appreciated the question, as she had been stunned to learn that there was hardly any exchange of intelligence information between the EU and the US within Afghanistan. She added that this was also the case within Europe itself.

Does the US want a stronger Europe?

Marcin Zaborowski, Research Fellow, EU-ISS, intervened to disagree with Gomes on the subject of what the US wanted from Europe. He argued that the differences across the Atlantic should not be exaggerated as the US had already decided that it wanted a strong transatlantic partner.

Panel 3: “The EU and European Defence Integration: Progress and Prospects for Future Success in Light of Recent Developments”

Admiral Juhani Kaskeala, Chief of Defence, Finland, took control of the third panel that examined the EU’s role in defence integration. Kaskeala was fully supportive of the report and he stated that Finland already met several of the reports transformational goals like spending on average one third of the defence budget on procurement and not more than one third on personnel costs. He was positive about the future, while realising that more progress was required.

CSIS report recommendations – EU

- Strengthen the EU’s own defence planning processes, specifically, the implementation of the Comprehensive Capability Development Process
- Empower the EDA to take full responsibility for ECAP
- Provide the EDA with a larger R&T budget, of 200 million euros
- Strengthen the EU Battlegroups concept through regular training and certification, preferably using NATO standards
- Expand the EU’s common funding for operations and continue to encourage member states to enhance their deployable civilian and military capabilities.



Panel III: Marcin Zaborowski, Juhani Kaskeala and Claude-France Arnould

First speaker: Claude-France Arnould, Director for Defence Aspects, Council of the European Union

Arnould applauded the efforts to integrate the work of the member states, the EU and the US in the defence arena. In particular, she singled out Finland as an example of a non-NATO member that was supporting the EU battlegroup concept. Arguing that the ESDP assisted the European capitals in their decision-making, Arnould added that it now went far beyond classical operations as it offered a whole range of capabilities. It was a true comprehensive approach.

Despite that, Arnould acknowledged the need to convince politicians to increase resources. To this end, she said the public supported the ESDP, as they wanted the EU to get involved in: crisis management, the protection of EU citizens and the fight against terrorism.

Second speaker: Marcin Zaborowski, Research Fellow, EU-ISS

Zaborowski reviewed the CSIS report's recommendations in the area of EU involvement. Welcoming the report, he added that the EU-ISS had some reservations. Zaborowski called for a strategic long-term vision that covered the next 30 or 40 years, while acknowledging that this was a complex issue given the current status of the EU itself. He also called for the recommendations in the EU's "strategic security" document to be enabled.

On the subject of the EDA taking over full responsibility for ECAP, Zaborowski aired doubts as to whether this was a wise course of action given that EDA staff were on 5-year contracts. This could mean that the Agency would lack the necessary expertise.

Zaborowski also questioned the increased R&T budget for the Agency, as he wanted to know exactly what this money would be spent on. The EU-ISS's fear was that the increased R&T budget would benefit those member states with large R&T activities.

Zaborowski had no problems with the other recommendations.

Third panel – Q&A

Funding

General Christian Hvidt did not welcome the "destructive" nature of **Marcin Zaborowski's** comments. He wanted a positive discussion on the report's recommendations as it was vital to develop a European research environment that would attract the best students in the world to Europe.

The WEU's **Paulo Brito** then asked if the ESDP's funding was sufficient, given the expansion of EU missions to locations such as Africa and Afghanistan.

Claude-France Arnould saw this as a key question as the funding was certainly insufficient. Even if it were doubled, it would still not be enough. However, she added that the current method, under the ATHENA agreement, was not correct as it meant that the member states, that provided equipment and troops, also had to pay.

ESDP – stalled or not?

Brito also asked if the ESDP was a stalled political project. **Admiral Juhani Kaskeala** did not see the ESDP showing any signs of slowing down, on the opposite, development has been positive and Zaborowski did not see the rejection of the Constitution as having any real impact on the progress of the ESDP. He did argue that the "no" vote had had one negative result, as there was no foreign minister for Europe.

Responding to Arnould's description of the ESDP's "comprehensive approach", UK Rep's **Sandy Johnston** said that the world had changed in the last five years. It was no longer a matter of simply displaying military force. He argued that "joined-up capability" was the order of the day. Such operations "spanned the pillars" and it was therefore unclear as to who would pay. Would it come from CFSP or the member states' budgets?



Johnston added that it was difficult to persuade citizens to pay more for security, when it was not clear what Europe was being defended against – drugs, illegal immigration or terrorism?

Juhani Kaskeala

Arnould answered that assistance following natural disasters was also needed, but the majority of these areas were outside of the ESDP. But she felt that progress could be made, and she argued it was important to show benefits of the defence budget to the EU citizens. Kaskeala said homeland defence had existed in Denmark for decades. However, he added that the military forces had had to do some marketing to show the citizens what they were actually doing.

The EDA

Responding to Zaborowski's comments about the Agency's expertise, Johnston was supportive of the EDA staff being on contracts. This meant that the Agency was more relevant to the member states and there would be a constant influx of experience from those states.

Panel 4: "Partners or Rivals? The EU-NATO Relationship"



Former French JCS Chairman **Admiral Jacques Lanxade** was the moderator of the final panel. Starting off the debate, Lanxade gave his full support to the ways in which the relationship between NATO and the EU could be improved. More dialogue, increased information sharing and greater coordination between battlegroups and the NATO response force were all essential.

However, he saw the need for a comprehensive change in the relationship on both sides of the Atlantic. The two organisations, NATO and the EU, were not of a similar nature. NATO had transformed successfully post Cold War, while the EU had added defence and security to its role as a political union. He admitted that the "NO's" had stalled momentum but he argued that the EU must develop its own foreign policy, with its own foreign minister and diplomatic service.

NATO was of core importance for the US but rivalry between the EU and NATO had to be avoided. Lanxade wanted a strategic cooperative policy to assess which organisation could lead each intervention.

CSIS report recommendations: "EU-NATO Cooperation"

- Take steps to eliminate the mistrust, unhealthy competition and information sharing blockages that plague the relationship
- Expand the strategic dialogue beyond the Balkans and military capabilities, to include topics such as combating terrorism, the proliferation of WMD, or regions such as Ukraine or Moldova,
- Renew and strengthen the PCC/ECAP links
- Make concerted efforts to solve the information sharing problem
- (NATO and the EU) to work together to de-conflict force commitments (on the NATO Response Force and EU Battlegroups)
- Consider a "Berlin Plus in reverse" arrangement, so NATO would have access to EU civilian capabilities.

First speaker: Stephan de Spiegeleire, Program Director, Defence Transformation, Clingendael Centre for Strategic Studies

Stephan de Spiegeleire had heard the arguments presented during the day and he had one conclusion - everyone was being "too complacent".

Listing key areas, de Spiegeleire saw examples where the organisations were "not cutting it".

1. At a time of great turbulence, the military instruments are not seen to be working in places such as Iraq, the Balkans, Afghanistan, etc.
2. Despite its political outreach and economic muscle, the EU is not able to meet its defence objectives.

3. At a time of great military change, the EU is not embracing the concept of network centric warfare (described as the “application of the information revolution in military affairs”) and effects-based operations³.

In regard to the EU-NATO interface, de Spiegeleire argued that NATO was not the solution for the EU's problems, as it did not have access to the full range of capabilities or to effect-based operations. He gave three examples of why NATO could not be the solution:

- *Defence planning*: NATO has a flawed “defence review” procedure – it has not changed since the Cold War. Planning is done over the heads of the member states.
- *Operational planning*: the facts show that NATO and the EU are not working in an harmonised way
- *Transformation agenda*: the ESDP and ACT exist in radically different worlds. If this continues, Europe will no longer be on the battlefield in 10 years time (in a network centric world). The transformation agenda is even limited within NATO, in comparison to the US situation.

That was gloomy enough, but de Spiegeleire was even more concerned about the EU-US relationship and he called for closer co-operation, citing that the US was extremely interested in the EU's actions in the defence arena. He wanted a “solid strategic link” that would enable the two sides to decide what military components were required in a particular crisis. These requirements could then be fed into NATO. This would relieve NATO of any political obligations. This was a “good thing”, as de Spiegeleire reasoned that NATO was no longer able to supply all the answers in this new age.

Expanding the scope of integration, de Spiegeleire demanded that the EU look at technological integration as well. He argued that Europe should take the “network centric” developments more seriously, as this was a topic that was “made for Europe”. This would allow the EU to take advantage of its undoubted expertise, in Finland for example, and make Europe more capable as a global player.



“Competition between the Council and the Commission is increasing and is an impediment to cooperation (between NATO and the EU)”.
-Stephan de Spiegeleire

Second speaker: Ambassador Sir Peter Ricketts, Permanent Representative of the United Kingdom to NATO

Ricketts accepted many of the report's recommendations and de Spiegeleire's criticisms of NATO's defence planning. However, he argued that NATO was “already on the case” in several areas, including defence planning. Ricketts explained that NATO was working with member states to get a “statement of willingness” to work in a more flexible way.

In vital areas, Ricketts said the report had put a finger on the pulse of the organisation's transformation. He agreed that the ACT and NRF were key drivers and that they needed additional attention. However, he was less pessimistic than de Spiegeleire. Ricketts saw NATO doing a good job, with 37 countries taking on roles that they would never



Peter Ricketts

³ **Effects Based Operations (EBO)** - A process for obtaining a desired strategic outcome or “effect” on the enemy, through the synergistic, multiplicative, and cumulative application of the full range of military and non-military capabilities at the tactical, operational, and strategic levels. (<http://www.jfcom.mil/>)

have imagined 10 years ago. He admitted that there was much work to be done, but he did not see NATO's nations as failing. Maybe it was not "high-end" operations, but peace-keeping and stabilisation were important areas for the future.

On EU-NATO relations, he argued they were "difficult in theory, but less difficult in practice". In this regard, Ricketts gave the example of Bosnia where the transfer of responsibility from NATO to the EU was working well. He welcomed the pragmatic approach and applauded EU's methods of defence planning.

However, Ricketts admitted that the EU-NATO debate was non-existent at the strategic level. Giving several reasons for this, including the disagreement on the role of NATO in the modern world. His solution was to "keep working at it", and this was working at the ministerial level. Ricketts admitted to frustration, as it was easy to define the objectives:

- The ESDP to be strengthened and working so it complemented NATO
- NATO concentrating on the things it does best, complemented by an EU that has instruments that NATO will never have

Accepting that EU should focus on smaller-end operations, "but not exclusively and not for all-time", Ricketts did not support the reports recommendations of "Berlin Plus in reverse". However, he wanted more coordination along the lines mentioned above.

As for the US, Ricketts said it would always prefer to work with NATO, as it was "one-sided", as opposed to a US-EU "two-sided" dialogue. Finally he felt the time was not right for a new Atlantic Charter, as there was probably not as much consensus as there first appeared.

Fourth panel – Q&A

The need for reform in NATO

Having heard Jamie Shea and Sir Peter Ricketts, **General Klaus Naumann** insisted that there is a division in the strategic thinking between the US (with its national strategy), the EU with its strategic paper and NATO, which is being left behind with its "outdated strategic concept". He warned that the big issues that separate the US and Europeans are being avoided. General Naumann foresaw a future where, within the Alliance, the US would be doing the hard jobs ("quick in and out") and the Europeans would be stabilising ("cleaning up the mess") with a need to accept casualties and with little political credit.

The General added that at a time of rapid technological change, the European armed forces would remain where they are (in terms of expertise). Although he admitted that the UK was doing a fantastic job, General Naumann argued that it was more or less "yesterday's mission". He feared that one day Europe would lose the capability to interoperate or even to think like the Americans do.

Following those remarks, EADS' **Pierre Sabatié-Garat** suggested that Europe make more use of the ACT. It has 500 men and is the "de-facto moderniser of European forces". He also argued that the UK had been heavily involved in the thinking behind "effects-based operations" and in adapting network-centric warfare tactics to the reality of European forces.

Sabatié-Garat concluded that it was time that Europe advised the US as to how the network-centric concepts could be effectively utilised within peacekeeping and stabilisation operations.

Stephan de Spiegeleire did not agree that C4ISR was exclusively for high-end operations, as those techniques were equally valid for peacekeeping (use of sensors, etc.). On Sabatié-Garat's comments in regard to ACT, he was disappointed that ACT and JFCOM were hardly speaking to each other. As a final comment, de Spiegeleire warned that the US was catching up Europe in the area covered by the Petersberg tasks.

Ricketts agreed with Naumann that NATO had to move on. Accepting that the NRF was an important step forward, he wanted Europe to focus on interoperability. But he still thought it was too soon to re-write the strategic concept, it had to be worked out "in real life". He wanted the ESDP to grow, but he repeated that at the moment it should focus on civil-military operations.

Bringing it to an end

Michèle Flournoy brought the debate to a close by stating her hope that this was just a beginning. She looked forward to a dialogue that would continue in Brussels and the other capitals of the world.

Executive Summary

CSIS report: “European Defense Integration”

Since the end of the Cold War, European countries have made substantial contributions to a number of military operations, most of them far from Europe’s borders. Nevertheless, forces that were structured to defend the European heartland from attack have found it difficult to perform the kinds of expeditionary operations that have come to define the post-Cold War international security environment.

In the future, the gap between European security strategy and military capabilities threatens to widen. As European strategy documents make clear, Europe needs enhanced capabilities to combat terrorism and the proliferation of WMD, deal with failed or failing states, contend with regional conflicts and respond to humanitarian crises and other challenges. Yet in the near term defense spending in most European countries remains flat or in decline and in the long term it will have to compete with even larger social spending requirements. European investment in new capabilities will also be constrained by the fragmented nature of European defense demand, the rules of the European defense trade and industrial capabilities that are focused largely on legacy platforms and job creation rather than transformation.

In the future, the gap between European security strategy and military capabilities threatens to widen.

To date, European leaders have generally lacked the political will to do what is necessary to close this strategy-capabilities gap. Although enhancing Europe’s military capabilities has been identified as a top priority by both NATO and the EU, progress has been slow and uneven. This study proposes pragmatic ways in which European countries – working together and in conjunction with NATO, the European Union and the United States – can create the military capabilities needed to protect their interests and support their security strategies in the 21st century.

The study begins with three guiding premises:

- New challenges require new capabilities;
- Resource constraints require a more integrated approach to defense; and
- Stronger European defense capabilities are ultimately good for both sides of the Atlantic.

Given the political and budgetary constraints that European capitals face, the obvious way to enhance European defense capabilities is through a greater degree of defense integration — that is, coordinating the efforts of individual European countries, the European Union and NATO to create an enhanced set of collective defense capabilities and supporting processes to meet Europe’s future security needs. This will require a much more collaborative approach to defense planning and investment among European countries, the EU and NATO. Given the substantial overlap in the membership of NATO and the EU, defense collaboration and cooperation of this nature should be not only possible, but logical, if not unavoidable.

Throughout this report, we examine four key defense integration strategies:

- *Developing more compatible visions* of Europe’s future defense needs and the military doctrines and capabilities required to meet them.
- *Cooperative research, development and procurement* of priority military capabilities
- *Pooling* of national capabilities to train, support and field national and multinational units.
- *Specialization* by some countries in niche capability areas that make high-value contributions to collective security.

These strategies are examined in several contexts that define the basic structure of this report: how individual European countries are restructuring and transforming their forces to meet new requirements; how NATO is seeking to enhance the Alliance's capabilities; how the EU is fostering the development of both civilian and military capabilities for new missions; how NATO and the EU can and must work together in the future; how the industrial base and technology will drive defense integration; and how NATO, the EU and member states can use "country clusters" to address the most critical capability shortfalls that have been identified.

National Efforts

Difficult choices lay ahead for European nations as they restructure their military forces for out-of-area operations. Political leaders must create incentives and financial headroom for their forces to undergo the necessary changes. Of primary importance is the need to redirect any savings generated from restructuring back into investment in transformational capabilities. Militaries will be more inclined to identify efficiencies if they believe this will ultimately enable them to enhance their capabilities. Political leaders should also seek to stabilize defense budgets by creating separate funds for operations – either on an ad hoc or annual basis – and by putting defense planning on a multiyear rather than yearly cycle.

Capitals should also set defense planning targets that adequately address transformation priorities. At a minimum, at least 25 percent of their annual budgets should be allocated toward research, development and procurement and no more than 40 percent should be spent on personnel. Nations must also take a hard look at their conscription and territorial defense forces. In those instances where these are absolutely necessary, defense planners must ensure that they make positive and cost-effective contributions to the total force structure. All of this work should be done in close consultation with NATO's Allied Command Transformation and the European Defense Agency so as to minimize capability excesses across Europe and ensure that critical shortfall areas are addressed.

Because no European state can afford to "go it alone," reform and transformation efforts must be accompanied by a greater degree of defense integration with like-minded partners and allies. Such integration is essential to ensure that the composite European force posture is ultimately greater than the sum of its parts.

In the near term, states must seek out new opportunities for integration with their European partners. Pooling of infrastructure and logistics assets, including training facilities for common equipment, will generate significant savings if individual countries no longer have to maintain cumbersome support elements ("logistical tails") for each series of equipment. Such efforts should be accelerated and broadened. Nations would also do well to forge service partnerships across national lines with like-minded allies, as the Spanish-Italian Amphibious Force has done. However, nations should be cautious about the number of participants in each new multinational venture, as pooling efforts are most effective when they start small and grow slowly.

Nations that cannot afford to field expeditionary forces capable of performing the full spectrum of 21st century missions should make greater use of specialization to enhance their contributions to Europe's collective defense capabilities. States that choose to specialize in a particular capability area should do so as a part of a country cluster, so as to minimize the political and operational tempo risks associated with specialization.

In order to make integration strategies sustainable in the long term, national capitals must cultivate a mentality of integration in their future military leadership. As such, they must devise strong incentives for military personnel to gain combined operations and multinational military experience.

NATO

The North Atlantic Treaty Organization is undergoing a number of significant changes as it adjusts to the demands of the new security environment. NATO's evolution has allowed it to undertake missions unimaginable during the Cold War in theaters ranging from Kosovo to Afghanistan.

But in order for it to remain relevant in the future, NATO must rewrite its 1999 Strategic Concept to reflect the paradigm-shifting events of the last several years and to chart a way forward for the Alliance in the 21st Century. The Alliance must also overhaul and better integrate its defense planning processes. Given the often fierce bureaucratic turf battles associated with these processes, the

NATO Secretary General should appoint an independent commission of outside experts, with full access to key NATO personnel, to redesign NATO's defense planning processes to be more rational, integrated, agile in the face of a dynamic security environment and more responsive to the needs and decisionmaking cycles of member states.

NATO must also strengthen the structures and initiatives mandated at the Prague Summit. Allied Command Transformation should be made the center of gravity for European transformation efforts and given primary responsibility for reinvigorating the Prague Capabilities Commitment. NATO should take the lead in alleviating shortfalls in high-end capabilities – such as C4ISR, sealift, strategic airlift, air-to-air refueling aircraft – that are critical to its ability to project and sustain power out of area.

NATO members should also continue to leverage the NATO Response Force to enhance member state capabilities for expeditionary operations. The United States should increase its contribution of ground forces to the NRF, as its other operational commitments allow, in order to enhance allied training and interoperability. NATO should increase its capacity to support stabilization and reconstruction operations.

NATO must also change the way it funds and conducts operations. The “costs lay as they fall” system is inadequate; NATO should expand its common funding for operations. Every member should contribute .17 percent of GDP annually to a fund designed to reimburse those states that absorb front-end costs and ensure that the financial burden is shared equitably between those who contribute forces and those who do not.

The “costs lay as they fall” system is inadequate.

Similarly, the “bring your own” approach to logistics should be replaced by the creation of a NATO multinational logistics command and multinational logistics units in areas where a great deal of commonality exists, such as fuel, water, food and spare parts and maintenance for common platforms. This effort should be pioneered in the context of providing support to the NRF. NATO should also share its standards and best practices for multinational logistics support with the EU and partner nations to facilitate standardization.

All of this will be difficult to achieve if NATO does not take the initiative to further reform its standing structures. Efforts should focus on streamlining the committee structure and reducing the bureaucracy at NATO headquarters. Costs saved through streamlining NATO should be redirected toward investment in building up NATO's expertise on potential theaters of operation such as the Middle East, Central Asia, and Africa.

The European Union

Within the space of five years, the European Union has launched a number of initiatives aimed at improving its capabilities in the security and defense arena. The results of these initiatives to date have been mixed. On the one hand, the EU is currently conducting seven operations in Africa, Southeastern Europe, Iraq and the Caucasus where it is gaining valuable experience in both the military and civilian spheres. On the other hand, the EU, whose 25 member states combined control the second largest military force in the world, is still struggling to sustain less than five percent of its overall military manpower on vital peace support tasks, a sign that a number of key shortfalls remain.

Tackling those shortfalls will become increasingly difficult in light of recent developments regarding the EU Constitution. But member states cannot afford to allow debates about the future of the Constitution to slow the Union's continuing evolution in the area of foreign and security policy. To be sure, the next decade will be critical as the EU continues to work on a requirements and force catalogue; creates 13 Battlegroups; staffs and resources the European Defense Agency and trains the European Gendarmerie Force. As EU member states begin to tackle this ambitious agenda, we recommend that they make better use of the various types of defense integration strategies called for in this report.

The EU should begin by strengthening its own defense planning processes. Specifically, it should accelerate the implementation of the Comprehensive Capability Development Process, which aims to articulate Europe's future military roles and missions, determine the military capabilities required, identify shortfalls and develop projects and initiatives to address the most critical gaps.

The EU should also empower the EDA to do more than coordinate and convene by moving full responsibility for ECAP to the EDA and supporting its efforts to consolidate demand at the European level within the next two to five years. In the near term, EDA should be given a large research and technology budget (200 million euros). Over the longer term, bolstering the EDA's role will also require a larger staff capable of managing medium to large investment projects and a significant common procurement budget.

The EU should also take a number of steps to improve its ability to conduct operations. The EU Battlegroups should be strengthened through regular training and certification, preferably using NATO standards. The EU Military Committee should hold regular Battlegroup generation conferences to solicit country contributions to future formations. The Battlegroups should also be expanded to include maritime and air components for missions such as maritime interdiction and close air support for ground troops. The EU should also expand common funding for operations and continue to encourage member states to enhance their deployable civilian and constabulary capabilities as well as their military capabilities.

EU-NATO Cooperation

While NATO and the EU have significantly improved their working relationship since 2000, a number of steps need to be taken at both the strategic and tactical levels to eliminate the mistrust, unhealthy competition and information sharing blockages that continue to plague the relationship. First, the two organizations need to expand their strategic dialogue beyond the Balkans and military capabilities. Opening up the often pre-scripted and stale dialogue between the North Atlantic Council and the EU's Political and Security Committee to include topics such as combating terrorism and the proliferation of weapons of mass destruction, or regions such as Ukraine or Moldova, would enable NATO and the EU to look at future scenarios and examine ways they can work together to prevent and manage international crises.

Second, as both organizations develop new capabilities such as the NATO Response Force and the EU Battlegroups, they must work together to de-conflict force commitments to those multinational forces. They also need to de-conflict all existing and future coordination cells and harmonize NATO and EU standards and metrics for force planning. NATO and the EU should consider developing a "Berlin Plus in reverse" arrangement. Such an agreement would provide NATO access to EU civilian and constabulary capabilities for crisis management operations.

Third, links between organizations serving similar functions in each organization should be strengthened. The European Defense Agency should establish close links with NATO's Allied Command Transformation to enhance transparency and collaboration on transformation and defense planning. In addition, the PCC/ECAP links must be renewed and strengthened. Many experts agree that both initiatives have stalled in recent months. Most of the exchanges between the two groups tend to be largely informational and unproductive. This argues for restructuring the PCC/ECAP relationship based on a clearer sense of which countries have a comparative advantage to lead in what capability areas and which institutional context – NATO, EU or ad hoc cooperation among member states – makes the most sense in specific areas. Consistent with the migration of ECAP to the EDA, future meetings of the two groups should also include representatives of the National Armaments Directors of EU and NATO nations.

Finally, few of these recommendations will be possible without concerted efforts by both organizations to solve the intelligence sharing problem. A failure to launch a major diplomatic effort to resolve this issue will result in increased tension and mistrust in the EU/NATO relationship; a deterioration in operational success where both institutions are involved (i.e., the Balkans); for the EU, a souring of relations with one of its strongest allies in the Muslim world; and for Turkey, less influence if European countries are forced to conduct EU work on defense independent of NATO.

The Industrial Base and European Defense Integration

European industry is an important factor in European defense integration. The key industry parameters of jobs, technology innovation, and security of supply are all essentially political as well as economic considerations. This industry, however, suffers from fragmented demand, counterproductive intra-European trade regulations and a Cold-War asset base. Specialization of military capabilities and industrial efforts by certain member states show operational and economic promise but need to be coordinated to avoid producing duplicative and non-interoperable

capabilities. Transatlantic defense trade needs to be leveraged to a greater extent to augment European capabilities at the lowest possible cost.

Both NATO and the EU have roles to play in working with industry to enhance Europe's defense capabilities. Given the new security environment and its requirements, NATO must take a more active role – sometimes a leadership role – in creating transformational capabilities. This includes interacting closely with companies developing these capabilities. Specifically, since NATO is the only defense organization today with a proven track record of bringing large, strategic, multinational programs into existence, it should focus on those capability areas that involve purely military applications of high complexity and require transatlantic technological competence, such as strategic airlift, air-to-air tankers, space-based C4ISR and airborne C4ISR.

Both NATO and the EU have roles to play in working with industry to enhance Europe's defense capabilities.

As for the EU, the European Commission's FP7 Thematic Priority on Security and Space and the EDA should become more actively involved in channeling industry towards several transformational defense capabilities – specifically, those capabilities requiring medium to large investments and dual-use technologies of medium to high complexity that require strong Europe-wide collaboration. Specific opportunities include UAVs, large communications networks and advanced sensors.

The Country Cluster Methodology

Europe needs a new methodology for highlighting concrete opportunities where a more integrated approach could meaningfully enhance its defense capabilities and for identifying those actors that are most likely to have the right mix of operational, political and industrial competencies – and, perhaps most importantly, the incentives – to act.

The first step in our proposed approach is to identify which capability areas are truly critical to the ability of European military forces to conduct expeditionary operations and to assess whether current and planned forces can meet projected requirements. Rather than undertake a comprehensive, *tabula rasa* assessment of European capability shortfalls, we used nine critical capability shortfalls already identified by both NATO's Prague Capabilities Commitment and the EU's European Capabilities Action Plan as a starting point: strategic sealift, strategic airlift, air-to-air refueling, deployable logistics, C4ISR, CBRN defense, precision munitions, special operations forces and deployable follow-on forces.

The second step is to identify, for each capability area, a cluster of countries that have a comparative advantage and the incentives to play a lead or supporting role in addressing the shortfall. Several factors should be considered in developing a "country cluster" for a particular capability area:

- Operational capability or experience;
- National level of ambition;
- Political leadership;
- Historical and political-military ties; and
- Relevant industrial capacity and expertise.

Identifying a "country cluster" is more of an art than a science; there is no formula for weighting these factors and a good deal of expert judgment is involved.

Once a country cluster has been identified, the next step is to determine the best institutional context for the effort: Should the action be taken under the auspices of NATO, the EU, or as a more ad hoc cooperative effort among individual nations?

In each of the nine capability areas noted above, we offer a specific set of recommendations and a way forward. Taken together, these cases are meant to be a starting point for applying the methodology more comprehensively in the future.

A Final Thought

Some question whether further defense integration can occur among European nations which value their sovereignty and see the world from diverse perspectives. But the strategies for defense integration recommended in this report do not require ceding decisionmaking on defense to supra-national bodies or reaching complete consensus among each and every EU or NATO member state.

Rather, pursuing a greater degree of defense integration will require greater cooperation among European capitals and institutions *based on a more explicit discussion and accounting of rational interests, perspectives, strengths, and constraints*. In this sense, the types of defense integration advocated here are very much rooted in the distinctive contributions that each European nation can make to Europe's collective defense capabilities based on its comparative advantages.

No doubt such integration will require the sustained personal leadership of heads of state and government, military leaders and the leaders of NATO and the European Union. Although this will be no small challenge, there really is no viable alternative. Staying the course is not an option – indeed, it is a recipe for disaster. Seen in this light, defense integration is not just an appealing or interesting idea; it is an imperative.

For the full report, please consult the CSIS website: www.csis.org.

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