

Bring back the spirit of PESCO!

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Five years after the launch of the Permanent Structured Cooperation (PESCO), and five waves of projects later, it is the right time to ask whether the tool still corresponds to what its designers had in mind. Is this the PESCO we want?

THE SPIRIT OF PESCO

PESCO is one of the main tools in the hands of the EU Member States to further the Common Security and Defence Policy (CSDP). It is a dynamic instrument: in the last five years seventy-two projects have been launched – which could be considered a success – while progress has been made in fulfilling the most binding commitments assumed by the participating Member States (pMS) – albeit not to the desired degree. Yet PESCO faces a series of obstacles and debates that may lead to question its validity and future. Shortly after the approval of a fifth wave of projects, and in view of the fact that the review of the PESCO mechanism will begin in 2024, now is the time to ensure that it is on track.

A good starting point would be to recover what one could call the “spirit of PESCO”. Beyond what is set out in official documents, the *raison d’être* of PESCO is to enable the pMS to generate capabilities that, separately, they would be incapable of and, furthermore, to do so in such a way as to generate centripetal forces so that even the most reticent State ends up taking part in at least some of the projects. This implies that the focus should be on those capabilities that the pMS in the Capability Development Plan (CDP) and the Coordinated Annual Review on

Defence (CARD) identify as truly strategic. It also implies that the pMS with the biggest military, industrial, financial, technological, and human weight assume a leading role until the mechanism reaches “cruising speed”, hence the importance of the “PESCO 4” group, which is now at a low ebb.

THE POLITICAL IMPETUS AND THE ROLE OF PESCO 4

The main requirement for the success or failure of PESCO is the political will of the pMS to sustain over time the necessary *momentum* to keep open projects underway, while at the same time launching new ones, and making progress in the fulfilment of the binding commitments. Not only the political momentum at the EU level or the domestic politics of the pMS come into play, but also the personal affinities between leaders.

In this regard, the leadership role of France, Germany, Italy, and Spain, the “PESCO 4”, has been fundamental. Because of their weight and their level of commitment, they acted as a real driving force, getting the other pMS involved in more and more projects. Not all pMS can contribute at the same level. While many can produce components, only a few can design and produce systems, and even fewer are able to act as system integrators or platformers. This is not the only differentiating factor. Others are more ethereal but, in practice, greatly limit the role that each pMS can play. For example, only a few pMS have the know-how for managing large and complex programmes. The same applies to sectoral orientation: some pMS have been positioning their industry in a specific segment but are severely lacking in others. This is the case of Estonia, for example, which specialises in cyber and robotics but

is incapable of designing and manufacturing armoured vehicles or warships on its own.

It is essential to understand that the role of the PESCO 4 cannot be played by others. Given that in the short term pMS such as Poland or the Netherlands cannot surpass Spain or Italy in economic or human volume, only they, together with France and Germany, can generate the centripetal forces that PESCO needs to function.

PESCO may survive the end of the PESCO 4, but at the cost of greatly lowering the level of ambition. On the contrary, if this forum can be revitalised and the four put back on the same page, it will generate the necessary political momentum for the 2024 strategic review of the mechanism. To this end, two stalled debates must be finalised: (1) the divide between the most open-minded pMS regarding the participation of entities from third countries and from the pMS themselves versus those who are committed to limiting it as much as possible, an issue that touches on the very governance of PESCO itself; and (2) the debate about fair share.

LEARNING BY DOING

Why should the pMS launch projects via PESCO and not outside of it? The answer lies in the “plus” that PESCO provides – which is often difficult to explain.

Each time PESCO generates a new project, that is, each time *x* states overcome the difficulties and organise themselves, their ministries and industries learn to work together better, formal and informal meetings take place, and human ties are established. In short, the mechanism is lubricated, thus limiting *friction*. Friction, in the form of conflicting views, differing strategies, legal obstacles, transaction costs and many other factors, has traditionally been the greatest enemy of defence cooperation, along with the *fog of war*, i.e., a lack of information about the progress of programmes or suspicions about the intentions of others. The fact that PESCO provides a stable and predictable framework, as well as facilitating *learning by doing*, avoids many of the problems of ad hoc projects, although it is good to recognise that it generates others

that should not be ignored and will be addressed below. On the other hand, although “peer pressure” does not determine the participation of pMS in a specific project, it does condition the attitude of pMS insofar as it forces them to participate in at least one. Not only are participants required to be on time to submit a new proposal, but they must also meet a series of milestones throughout the life of the project, as no State wants to be the one to be fingered if things do not go as planned. This applies even more to pMS acting as coordinators.

At this point, one must not forget that it is individuals who give life to PESCO. Individuals with their own personal preferences, with very different personal and professional backgrounds (including civilian and career military personnel), with varying degrees of support from their ministries and knowledge of PESCO itself, and so on. These individuals are, if possible, even more reluctant to assume failure than the pMS themselves, as someone who has dedicated a good number of hours to a project will not want to be the one who is singled out if the project fails, or who must transmit the message to his/her superiors.

The human aspect is directly influenced by the question of resources. It is common understanding that some pMS have a more active role than others. However, this does not mean that pMS are not required to meet minimum requirements, for example in terms of human resources assigned to PESCO. It is therefore not unusual to find real “bottlenecks” at the human resources level in certain pMS, or for some projects to be better managed than others, simply because some countries devote more staff than others.

A LITTLE BIT OF COURAGE

Overcoming these debates requires courage, as does the assessment that the number of PESCO projects cannot be unlimited and is probably already excessive. There is a limit to the management capacity of the pMS and the amount of resources, especially human resources, they are willing to allocate. In this respect, on 23 May 2023, 11 new PESCO projects were approved and 3 were

cancelled,¹ leaving 68 projects ongoing. Two of these have reached full operational capability: the European Medical Command (EMC), and the Cyber Rapid Response Teams and Mutual Assistance in Cyber Security (CRRT).

It is worth noting that: (1) the PESCO 4 continue to lead in terms of the number of projects in which they participate; (2) the most participative States in this 5th wave have been France and – surprisingly – Sweden; (3) a total of twelve states have taken part in new projects; and (4) four states have joined projects that were already underway. Furthermore, Denmark, renouncing its traditional opt-out, has joined PESCO as well as the European Defence Agency (EDA). It is not yet known in which projects it will participate, though Military Mobility may be the first.

Of the PESCO 4, France participates in 51 projects and leads 15; Italy participates in 36 and leads 13; Spain participates in 30 and leads 5, and Germany participates in 25 and leads 10. Other active pMS are Greece (18), Portugal (17), Romania and Hungary (16), the Netherlands and Sweden (15), and Poland (13). These impressive figures suggest that for in quantitative terms (number of projects and involvement of states), PESCO is a success. Unfortunately, to evaluate PESCO properly, this is not enough. One must also look at the relevance of the projects, whether they meet expectations, and whether the return they offer to the pMS and the EU as a whole in the form of capabilities is adequate. In other words, one needs to know whether when the 26 pMS look for a spoon to eat soup, what they get is a spoon or, on the contrary, a fork.

In this regard, it is positive that the EU decided to change the timing of the adoption of new projects from November to spring, in an attempt to align with the planning cycles of the pMS. However, choosing a fixed date, whatever it is, for the submission of proposals puts artificial pressure on pMS, which are obliged to bring “something” to the meeting, otherwise PESCO could be seen as failing. Could one imagine France, traditionally the country most involved in PESCO, not submitting a new project in every wave?

On the other hand, maintaining a fixed date conditions participation in another sense – difficult to quantify, but very evident: the pMS – at least the main ones – compete to a certain extent, seeking a representation in line with their economic, political, and human weight. This is why the PESCO 4 are permanently the most involved and assume the most responsibilities. A constant which, in turn, forces one to question whether they do not end up embarking on projects that do not fully respond to their needs – and those of the EU.

Coming back to the last wave of projects, France and Slovakia notified their decision to put an end to three: EU Test and Evaluation Centres (EUTEC), Co-Basing, and EuroArtillery. An unprecedented situation, since of the dozens of projects approved in the four previous waves, only one, the European Union Training Mission Competence Centre (EU TMCC), had been cancelled.

This is precisely one of the most controversial and fascinating aspects of PESCO. By closing a project if it does not achieve the expected results, pMS demonstrate maturity in management and the worth of PESCO as an instrument. After all, in the defence sector, developments in many cases are not measured in months or years, but decades. Also, given the speed at which warfare is changing, many of the paths chosen lead to the wrong place. In other words, it is natural that the percentage of cancelled projects is high, as has always been the case with the defence industry. And yet, only 4 projects out of 72 have been cancelled...

This brings us back to the *raison d'être* of PESCO: to develop capabilities – not to feed the defence industry, nor to strengthen the position of certain states within the EU, nor any other objective. Achieving this means renouncing anything that detracts from this objective. Even more so since the human and financial resources of the pMS are limited. This being the case, there should be no problem in closing any project that: (1) does not deliver the expected results; (2) appears to lack interest on the part of the pMS; (3) creates redundancies with other European projects outside PESCO; (4) dies a “natural death” once its objectives have been achieved.

THE ROLE OF THE INDUSTRY AND THE CREATION OF SYNERGIES

PESCO must remain a Member State-led initiative. If at some point along the way participants start proposing new projects with the industrial side in mind, rather than the objectives set out in the CDP or in their own national defence plans, the mechanism will be perverted. This does not imply, however, that the industrial side of PESCO should be denied, as it plays a crucial role in capability development. However, one should never lose sight of the fact that these should be the capacities that states really need and not others (spoon vs. fork). Moreover, industry often has its own timelines, which are not necessarily those of the pMS. Similarly, it should not be forgotten that another of PESCO's objectives is to strengthen the EU's Defence Technological and Industrial Base (EDTIB), as well as to achieve a single defence market in the EU, something that clashes with the interests of some companies, which are comfortable with their domestic market without competition.

There is a risk of eroding the mechanism from within if projects are designed not through the lens of CARD or CDP, but through that of other tools, such as the EDF, which is focused on industrial rather than defence policy, and where competition prevails. Avoiding this requires an arbitrator, i.e., a neutral actor to help bring the situation back on track if necessary. This role should be played by the PESCO Secretariat, which implies enhancing its competences, something that not all pMS are inclined to do for now.

In order to ensure the pre-eminence of the pMS over industry, as well as to ensure that projects are truly strategic – which ought to interest the pMS – it is also worth considering whether the minimum number of pMS in each project should be increased.

Furthermore, it is necessary to establish mechanisms that allow all pMS, whether or not they participate in a given project, to obtain the capabilities derived from it once it ends. Under no circumstances can what has been learned during the life of a project be allowed to disappear when

the project dies because Member States that did not take part in it cannot become involved afterwards and obtain the same capabilities as their counterparts. Member States may initially be unable to support a project because of a lack of budgetary availability or because the priorities of the government of the day were different. This is not a minor point, as one of the *raison d'être* of PESCO is also to achieve full interoperability between the militaries of the pMS. Mechanisms must therefore be put in place to regulate the way in which the know-how generated by the projects can be used and disseminated.

Additionally, it is necessary to extract the full potential from forums such as the EDA's Capability Technologies groups (CapTechs), which bring together national government representatives the companies involved according to their field of activity (land, maritime, aviation, components, etc.). Involving the State (meaning the relevant ministries) and industry promotes a direct dialogue and understanding that, in turn, facilitates the definition of priorities and the alignment of new projects from the outset.

THE PLACE OF PESCO

PESCO is one of a wider range of tools in the hands of the European Institutions and the Member States. Thus, for example, the EDA has continued to have its own projects in parallel, funded by the Member States, which have sometimes ended up becoming PESCO projects – which may also seek to nourish themselves from the EDF. Indeed, 29 out of 60 PESCO projects approved up to the fourth wave were mirrored by 43 EDIDP and EDF projects. Finding the right PESCO fit between these and other tools – some of which do not yet exist – will not only maximise projects' chances of success but will also make the CSDP more coherent.

In this vein, it would be worth considering if “below” PESCO, a new instrument should be created, similar - to the DARPA agency in the United States. With sunk investments, with funds earmarked for basic science, acting as a technological seedbed, it would be the appropriate tool for bringing to light those technologies

that should be converted into tangible capabilities. In the case of the EU, this role would correspond to HEDI (Hub for EU Defence Innovation), although it would require more funds and ambition. With the advantage that it is also in line with NATO's innovation initiative, DIANA (Defence Innovation Accelerator for the North Atlantic).

“Above” PESCO, the obvious tool – already used as one of the ways to obtain financing – is the EDF. However, a further step, still under development, which has been directly boosted by the war in Ukraine, is common procurement. This would bring to a coherent conclusion to a cycle composed of HEDI-PESCO-EDF-EDF-Joint Procurement, which would also be perfectly in line, if done well, with the CARD and the CDP and, more broadly, with the Strategic Compass.

FINAL REMARKS

Generating capacities that can be harnessed by pMS is at the heart of PESCO. In this sense, one must neither fall into the error of using this tool to feed the industry, nor into the error of valuing its success by the number of projects in place. That PESCO is a *way* and must therefore be aligned with the *means* (provided by the pMS) and the *ends* (mainly set by CARD and the CDP). Undertaking an excessive number of projects, not all of them strategic, turning PESCO into an end in itself, is a major mistake.

The PESCO 4 has a key role to play here, both in terms of their industrial, technological, human, and economic capacity, as well as their political weight (which confers momentum) and their role as a driving force, encouraging other states to join projects and promoting the fulfilment of commitments.

However, the (currently declining) role of PESCO 4 is not the only factor when it comes to reorienting PESCO, back to serving its original purpose. The level of involvement of each pMS must also be homogenised. Not in terms of the number of projects in which it participates, but in terms of the way in which this participation takes place and the management of these projects. And, if necessary, daring to discard all those projects that no longer serve the objectives set.

Finally, PESCO, as a tool, should be considered within a wider range of instruments available to the 27. It needs to find its exact place among initiatives such as HEDI, and mechanisms such as EDF, and those established for joint procurement. Of course, avoiding overlaps and duplication and in accordance, at all times, with the CARD, the CDP and, needless to say, with the Strategic Compass.

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The author warmly thanks her colleagues and practitioners for their insightful and even sharp comments on PESCO, which add priceless value to these lines. She also hopes that this contribution will inspire the Spanish and Belgian presidencies to contribute to the definition of the PESCO that we really want.

Endnotes

- 1 Council Decision (CFSP) 2023/995 of 22 May 2023 amending and updating Decision (CFSP) 2018/340 establishing the list of projects to be developed under PESCO ([OJ L 135, 23.05.2023, p. 123](#))





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