

EU Defence After Versailles: An Agenda for the Future

Fiott, Daniel; Simón, Luis

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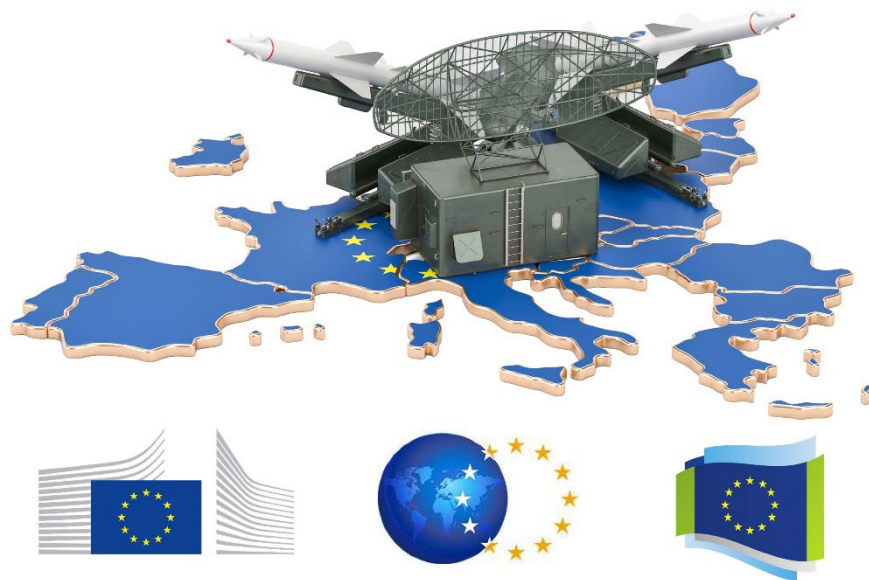
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EU defence after Versailles: An agenda for the future



Authors:

Daniel FIOTT, Luis SIMÓN

European Parliament coordinator:

Policy Department for External Relations
Directorate General for External Policies of the Union
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IN-DEPTH ANALYSIS

EU defence after Versailles: An agenda for the future

ABSTRACT

This analysis focuses on developments in European Union (EU) security and defence since the Versailles Summit, held on 10–11 March 2022. It shows how the Union's response to Russia's war on Ukraine has unleashed and spurred on a range of operational, industrial and political initiatives that will influence security and defence policy for the years to come. The EU is presently trying to grapple with the growing relevance of deterrence and defence while affirming the importance of projecting stability beyond Europe's borders. In this study, we argue that the next institutional cycle offers an opportunity to balance those priorities. We advance two sets of recommendations: a) the need to rebalance the focus of EU defence policy instruments such as EDF, PESCO or EPF towards generating the skillsets, technologies and capabilities required for deterrence, and strengthen EU-NATO relations; and b) the need to rethink the EU's approach to external crisis management and adapt to the requirements of non-permissive political and operational environments.

AUTHOR(S)

- Daniel FIOTT, Assistant Professor, CSDS, Vrije Universiteit Brussel;
- Luis SIMÓN, Director, CSDS, Vrije Universiteit Brussel; Senior Analyst and Brussels Office Director, Elcano Royal Institute.

PROJECT COORDINATOR (CONTRACTOR)

- Ecorys Poland

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CONTACTS IN THE EUROPEAN PARLIAMENT

Coordination: Jérôme LEGRAND, Policy Department for External Relations

Editorial assistant: Grégory DEFOSSEZ

Feedback is welcome. Please write to jerome.legrand@europarl.europa.eu

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List of abbreviations

A2/AD	Anti-Access / Area Denial
ASAP	Act in Support of Ammunition Production
CARD	Coordinated Annual Review on Defence
CBRN	Chemical, Biological, Radiological and Nuclear
CDP	Capability Development Plan
CEE	Central and Eastern Europe
CFSP	Common Foreign and Security Policy
CMP	Coordinated Maritime Presences
CSDP	Common Security and Defence Policy
DEFIS	Directorate-General for the Defence Industry and Space
DIANA	Defence Innovation Accelerator for the North Atlantic
EDA	European Defence Agency
EDF	European Defence Fund
EDIRPA	European Defence Industry Reinforcement through Common Procurement Act
EDTs	Emerging and Disruptive Technologies
EDIP	European Defence Industrial Plan
EEAS	European External Action Service
EPF	European Peace Facility
EU	European Union
EUDIS	EU Defence Innovation Scheme
EUMAM	EU Military Assistance Mission
EUPM	EU Partnership Mission
FCAS	Future Combat Air System
FIMI	Foreign Manipulation and Interference
HEDI	European Defence Innovation Hub
HICGS	High Impact Capability Goals
ISR	Intelligence, Surveillance, Reconnaissance
PESCO	Permanent Structured Cooperation
MCGS	Main Ground Combat System
MPCC	Military Planning and Conduct Capability
NATO	North Atlantic Treaty Organisation

NDPP	NATO Defence Planning Process
NIF	NATO Innovation Fund
MFF	Multi-annual Financial Framework
RDC	Rapid Deployment Capacity
TEU	Treaty on European Union
UK	United Kingdom
UN	United Nations
US	United States

Executive summary

Russia's invasion of Ukraine in February 2022 has shattered Europe's security architecture, and had a pervasive impact on how the EU approaches security and defence. At present, EU security and defence policy seeks to reconcile two sets of priorities. The first is the realisation that deterrence and collective defence have become a strategic and political priority for most EU Member States. This has incentivised the EU to prioritise capabilities and technologies geared for deterrence and defence, as indeed reflected in the 2022 Versailles Declaration or the evolution of instruments like the European Defence Fund (EDF). The second relates to the fact that, ever since the Common Security and Defence Policy (CSDP) was launched more than two decades ago, defence and deterrence have been largely seen as NATO's prerogative, and the EU's security focus has almost exclusively centred on external crisis management operations. Even in the wake of Russia's war, the 2022 Strategic Compass yet again underlines the importance of crisis management. A good example is the recently launched Rapid Deployment Capability (RDC), intended for the initial phase of stabilisation and rescue and evacuation missions.

Given NATO's post-Ukraine focus on deterrence and defence – and the Alliance's advantages in those areas – some may be tempted to advocate for the EU to double down on external crisis management. But such a course of action would run against Europe's new strategic and political realities, not least considering that deterrence has become the continent's main strategic problem, and indeed a life-or-death matter for many EU Member States (especially in Central and Eastern Europe (CEE)). Also relevant in this regard is the growing aversion to costly and lengthy out-of-area operations, as illustrated by the hasty withdrawal from Afghanistan or the situation in the Sahel. Furthermore, intensifying geopolitical competition in and around the EU's (near and wider) neighbourhood and the proliferation of precision-guided technologies raise questions about the Union's ability to conduct out of area interventions – as the Strategic Compass recognises, the EU is faced with less permissive operational environments.

The EU's security and defence policy is thus at a crossroads. The Union is presently trying to grapple with the growing relevance of deterrence and defence while affirming the importance of projecting stability beyond Europe's borders. The next institutional cycle offers an opportunity to balance those priorities in a strategically meaningful and politically realistic way. This study seeks to contribute to that debate. We make two sets of arguments. First, we advocate for an overall rebalancing of EU security policy towards generating the skillsets, technologies and capabilities required for deterrence and defence. In practice, this will mean leveraging the EU's own competitive advantages (e.g. the common budget and industrial policy), including EU defence instruments such as the EDF, Permanent Structured Cooperation (PESCO) and the European Peace Facility (EPF). It also means reframing EU security and defence in political terms. For example, although Article 42.1 of the Treaty on European Union (TEU) stresses the importance of crisis management missions to be deployed outside of the Union, Article 42.2 TEU speaks of the 'progressive framing of a common Union defence policy' without prejudice to what this means in operational terms. Thus, while NATO will continue to do the heavy lifting when it comes to the defence planning and operational aspects of deterrence and defence and the EU focuses on generating the skillsets, technologies and capabilities required for deterrence and defence, there is a basis for closer EU-NATO cooperation around a common strategic objective: strengthening deterrence in Europe.

Second, we argue that while the EU should make a larger contribution to defence and deterrence *in* Europe it cannot neglect threats emanating from *outside* the Union. However, the prioritisation of deterrence and defence, growing opposition to expeditionary operations, and non-permissiveness provide the EU with an opportunity to think differently about how it projects stability in out of area contexts, i.e. beyond sizeable and lengthy 'executive' missions. New initiatives like Rapid Deployment Capacity (RDC) or the Coordinated Maritime Presences (CMP) offer an opportunity for the EU to bolster its common defence and enhance its presence in the maritime domains (see section 2.3 below). More generally, the need to deal with 'non-

permissive' operational environments and to enhance its presence in strategic domains should guide EU efforts to develop relevant technologies and capabilities (i.e. through EDF and/or PESCO).

1 Introduction

1.1 The significance of the Versailles Summit

Russia's full-scale invasion of Ukraine in late February 2022 has had a pervasive impact on the EU's security and defence agenda. Suddenly, the question of how to support Ukraine to defend itself against Russia – and how to develop the capabilities and industry geared for deterrence and collective defence – became a strategic objective for the EU and its Member States. Shortly after the invasion, there was much focus on the need to bolster NATO's deterrence posture in eastern Europe. Calls for such a qualitative leap in terms of allied military presence in the east were informed by the assumption that Russia's hold on parts of Ukrainian territory would be much more significant than it has turned out to be so far. A distinct fear was that Russia's military success would have put Moscow in direct or almost direct contact with NATO and EU territory. However, even if Russia's military performance in Ukraine has so far been underwhelming, the EU and NATO have made a firm commitment to Ukraine's defence. Both the EU and NATO have in recent months underpinned Ukraine's defence through military and economic assistance, training and the provision of weapons and equipment.

Russia's war has led to a revitalisation of NATO and triggered much discussion about the need to rethink the EU-NATO partnership. It has, however, also constituted an incentive to reorient many of the EU's defence initiatives and develop new ones. One of the key challenges has been to balance the short-term needs of Ukraine with the Union's long-term capability and industrial requirements. The need to supply the Ukrainian armed forces with lethal equipment has exposed certain manufacturing vulnerabilities in the European defence industry: firms have found it difficult to produce ammunition, munitions and equipment in sufficient amounts and time. This problem finds its roots in the fact that, for a long time, most EU Member States have failed to give industry reliable commitments about purchases, which means industry faced uncertainty about gearing up its capabilities. Furthermore, the war on Ukraine has exposed severe vulnerabilities in the military inventories of European armed forces. Such was the scale of the support to Ukraine, several European armed forces emptied their Soviet-era inventories, meaning that replacement military capabilities (jets, tanks, armoured vehicles, missiles and artillery) were required to fulfil EU and NATO defence and capability requirements.

At the same time, the EU and its Member States have sought to balance the need to prioritise deterrence and defence in a European context with expeditionary capabilities and missions beyond Europe. The shift towards collective defence and deterrence since Russia's invasion, and the lessons European armed forces and leaders learned from state building and stability efforts in Afghanistan and the Sahel, has put a spotlight on the EU's capacity for military action beyond the shores of the EU. Any effort to tackle deterrence and territorial defence in an EU context requires deep and sustained coordination with NATO, but the EU is also developing a RDC for the initial phase of stabilisation, military reinforcement and rescue and evacuation missions (Meyer, Reykers and van Osch, 2022). Additionally, new concepts such as the CMP alter the nature of the EU's maritime engagement, which poses questions about its partnerships in regions such as the Indo-Pacific and any potential EU role for defence in other regions such as the Arctic and the Mediterranean and Black Seas. Thus, while the EU and its Member States are increasingly focused on the defence of Europe since Russia's invasion, they also continue to underline the importance of missions and operations out of area.

These and other essential questions about the EU's security and defence found expression in the Versailles Declaration, which was agreed at an informal meeting of the Heads of State or Government on 10–11 March 2022. Scheduled during the French Presidency of the Council of the EU, the Versailles Declaration is more than just a written account of the Versailles Summit as it has set in motion a political agenda to address Europe's response to Russia's war and the state of EU security and defence. In this sense, the Versailles Declaration can be likened in tone and urgency with the European Council Conclusions that followed the first-ever dedicated meeting of the Heads of State or Government on defence matters on 20 December 2013.

Box 1. Terminology

Versailles – some terminology

'Versailles Summit'

This refers to the physical meeting of Heads of State or Government in Versailles, France, on 10–11 March 2022.

'Versailles Declaration'

This refers to the final declaration by Heads of State or Government released after the Versailles Summit on 1 March 2022.

'Versailles Agenda'

This refers to the areas of policy action that were outlined in the Versailles Declaration and which form the foundation for EU policy in the areas of investment, industry and capability since the Versailles Summit.

In essence, the Versailles Declaration affirmed that the war had made the task of enhancing the EU's responsibility for its own security and defence, and the need to develop autonomous capabilities and action, even more of a necessity (European Council, 2022: p. 3). More specifically, the Declaration addressed three inter-related dimensions of Russia's war: 1) the need to bolster European defence capabilities; 2) the need to reduce Europe's energy dependencies on Russia; and 3) the need to build a more robust economic base (European Council, 2022: p. 3). On security and defence matters, the Versailles Declaration called for a rapid and joint development of defence capabilities by EU Member States, backed up by increased defence spending and investment in strategic enablers (cyber, space-based capacities). The Declaration also highlighted the need to boost collective

investments in capability shortfalls and called on the European Commission to provide an assessment of these gaps. This focus on capability gaps is hardly new for the EU, but they have taken on even more urgency in the wake of Russia's war on Ukraine. In this regard, the Versailles Declaration is significant for at least three reasons:

- it outlined a plan of action for EU security and defence based on a need for the defence of Europe and to deter Russia, whereas crisis management beyond the shores of the EU took a much less prominent role;
- it placed more stress on the need to commonly or jointly develop defence capability gaps and it empowered the European Commission to analyse the existing gaps alongside the European Defence Agency (EDA), which is a novelty for at least two reasons. First, the Commission has hitherto been excluded from capability development at the EU-level. Second, jointly tasking the Commission and EDA opens up a new dynamic in intergovernmental/communitarian cooperation;
- it was an important political signal in the wake of Russia's war, but it was also the last opportunity for the Heads of State or Government meeting in the European Council to jointly provide strategic direction for the Union's first-ever defence strategy, the 'Strategic Compass', which was published ten days after the Versailles Summit on 21 March 2022.

However, we should also put the Versailles Declaration in a longer-term political context. As Figure 1 demonstrates, the European Council has in the past consistently called for greater EU efforts in the areas of defence capability development, defence investment and support for the European defence industry. In this sense, one of the chief reasons why the Versailles Declaration is deemed important is that it directly

responds to Russia's aggression. Thus, the EU has known for decades that it needed to enhance its investment, capabilities and industry but it took Russia's military aggression to provide these calls with a proper sense of urgency. Nevertheless, these political objectives will remain relevant even in case of Russian defeat in Ukraine. The risk that any decisive Russian defeat will lead some in the EU to question the relevance of large-scale and sustained defence investments should be avoided. The assumption should be that Russia will present a major risk to European security over the longer-term, despite what happens in Ukraine, with Moscow seeking to regenerate its military forces and modernise its nuclear weapons.

Finally, it should also be noted that the Versailles Summit could not anticipate the full extent of the war on Ukraine. While the Declaration was released in the wake of the war, we have seen the EU act in new ways not anticipated at Versailles including its provision of lethal equipment to Ukraine and the training of Ukraine's armed forces. In this respect, the Versailles Declaration and the Strategic Compass should be read together for the Compass provides more granular guidance on how the EU should act in security and defence. To be sure, the Strategic Compass also underwent revision due to the war but the bulk of its stipulations on the provision of lethal equipment and training remain relevant even today. It is thus important not to read the Versailles Declaration in isolation from the Strategic Compass, which, we must recall, was endorsed by the European Council on 24 March 2022.

Table 1: The Versailles Declaration and a Decade of Objectives

	Versailles Declaration, 2023	Strategic Compass, 2022	European Council Conclusions, 2013
Support the European defence industry	✓	✓	✓
Ensure EU-NATO cooperation	✓	✓	✓
Increase defence spending	✓	✓	✓
Fill capability shortfalls and gaps	✓	✓	✓
Develop joint projects and joint procurement	✓	✓	
Invest in strategic enablers (cyber and space)	✓	✓	✓
Foster civilian, defence and space synergies	✓	✓	✓
Support defence SMEs	✓	✓	✓
Counter-hybrid warfare and protect critical infrastructure	✓	✓	
Enhance the security and defence dimensions of space	✓	✓	
Improve military mobility	✓	✓	
Provide solidarity through Article 42.7, Treaty on EU	✓	✓	
Ensure security of supply of critical technologies	✓	✓	✓
Develop certification and standardisation for defence		✓	✓
Ensure the effectiveness of CSDP civilian and military deployments		✓	✓

Source: Authors' own, 2023

1.2 The purposes of this analysis

This in-depth analysis focuses on EU security and defence policy since the 10–11 March 2022 ‘Versailles Summit’. It has two main objectives. First, the Analysis will put the EU’s response to Russia’s war and the Versailles Agenda in the context of the initiatives developed by the EU since 2016. These include the publication of an EU Global Strategy and a number of specific initiatives, notably the EDF to finance defence research and capability development, and PESCO, which was initiated to assist with military capability development. After 2016, the EU also initiated an EPF, which was designed to help finance the training and equipping of partners, as well as cover common costs for EU-led military missions and operations. Taking stock of these developments, the EU then released in March 2022 its ‘Strategic Compass’.

The second core aim is to analyse the coming years in EU security and defence, as it will be a period of transition for the Union. The return of high-intensity, inter-state war in Europe has underscored NATO’s centrality, but the EU is demonstrating added value in areas such as capability development, the defence industry and defence innovation. In fact, one of the novelties of EU action since Russia’s war has been a much closer linkage between the EPF and new CSDP deployments such as the EU Military Assistance Mission in Support of Ukraine (EUMAM), which itself marks a new departure for the Union in the way it is, for the first time, actively training military personnel on the territory of the EU. In addition, the war on Ukraine has led the EU to deploy new types of CSDP missions, such as the EU Partnership Mission to the Republic of Moldova (EUPM Moldova), which sees the EU directly address hybrid threats, cybersecurity and foreign manipulation and interference (FIMI) for the first time.

The coming years will require careful management of the EU-NATO relationship and need a clearer articulation of the EU’s role in European defence. Not only will dynamics of Russia’s war on Ukraine continue to affect European security, but the Union will be undergoing a period of institutional and political change. The June 2024 European Parliament elections and a new European Commission will have a considerable bearing on the direction and shape of EU security and defence. To build on the dynamic unleashed by the Versailles Agenda, this Analysis will reflect on the critically important areas of EU security and defence that should be given due consideration by the new European Parliament legislature and the incoming European Commission.

To this end, the Analysis will make recommendations on what further steps are required in the way the EU acts, secures, invests and partners in security and defence. We write this Analysis under the assumption that the EU treaties will not be amended in the coming years. This is not to say that treaty change cannot happen, and any amendments to the treaties will have an important effect on security and defence. However, as we cannot foresee the various permutations that any treaty change may entail in the area of security and defence, we base our observations and recommendations on the legal and political parameters found in the existing treaties.

The Analysis is divided into three main chapters. First, we look at the steps taken to develop a EU RDC and how it relates to European defence and deterrence. Here, we argue that such an initiative could make a meaningful contribution but only if it embeds in national defence planning, is seen to complement NATO conventional defence and if it is used to build EU partnerships in security and defence. Second, we look at defence investments and the defence industry and here we analyse to what extent the Versailles Declaration has injected new impetus for joint procurement. Finally, we look at the future of EU security and defence over the next five years to provide guidance on the issues that will require attention by the next European Parliament legislature and European Commission.

2 Deterrence and European defence

2.1 Russia's war and the future of European defence: between deterrence and external crisis management

Russia's invasion of Ukraine in late February 2022 contributed to a wholesale refocus on European defence and deterrence. To be sure, this refocus already started back in 2014 after Russia's illegal seizure of Crimea and its de-facto control of parts of the Eastern Donbas, which led NATO and the EU to focus on the security of their respective members through conventional deterrence and the development of counter-hybrid threat strategies. Even before Russia's invasion, however, there was already growing fatigue towards out-of-area or expeditionary missions (Bond and Scazzieri, 2022; Fiott, 2023a: p. 4). The experiences of Western forces in Afghanistan and the Sahel – although distinct cases with differing underlying security dynamics – nevertheless demonstrate that there is limited appetite for state building and stability efforts. This trend has also partly contributed to the broader rebalancing towards collective defence and deterrence in European security policy (Simón, 2023). In fact, since Russia's invasion of Ukraine, the EU has engaged in an unprecedented response for the defence of Europe. This includes its provision of lethal equipment to the armed forces of Ukraine and EU Member States and the training of Ukraine's armed forces on the territory of the Union – a clear signal of the EU's added-value and complementarity to NATO's efforts. When combined with all the other support measures provided to Ukraine and Member States (e.g. refugee support, humanitarian aid and economic assistance), the EU has gained credibility as a security and defence actor, even as the war in Ukraine has underscored the indispensability of the United States to European security.

Although NATO has reinforced its position as the ultimate guarantor of European security, and the United States' presence in Europe has increased since Russia's invasion (Simón, 2022: p. 2), the Union has developed in ways not even foreseen by the Versailles Declaration. Still, even though the EU has improved its contribution to European security, it still remains committed to external crisis management. Indeed, in the Strategic Compass published in March 2022, the Union re-committed to the core tasks of the CSDP: civilian and military crisis management tasks. What is more, the Strategic Compass even outlined a new tool called the EU RDC to 'swiftly deploy a modular force of up to 5 000 troops, including land, air and maritime components [...] [to] be used in different phases of an operation in a non-permissive environment, such as initial entry, reinforcement or as a reserve force to secure an exit' (Council of the EU, 2022: p. 14). Such a tool responds to the EU's continued desire to conduct crisis management operations out of area, even if the idea itself was not deemed very novel and analysts have pointed out that the EU has failed in its past attempts to create such forces (Biscop, 2021; Zandee and Stoetman, 2022; Clapp, 2023).

In this respect, it is worth asking whether the EU RDC will make much difference to European security and defence in the future. To be sure, deployment of the EU RDC will depend on the political will of EU Member States to deploy the force. In cases of rescue and evacuation, such as that witnessed in Kabul in 2021, governments would presumably want to use the RDC to protect EU citizens. However, the RDC is not designed to engage in large-scale stability operations and missions, which is understandable given that valuable military resources are required to ensure European defence. Alternatively, any serious downgrading of the US' military and political presence in Africa and the Middle East could open the door for greater Russian and Chinese presence in these regions, which, given the close geographical proximity of these regions to Europe, may require direct EU military action to protect EU citizens and EU interests. Additionally, the ongoing spread of jihadism and organised crime, the security implications of climate change, and the proliferation of arms and growing assertiveness of regional powers further underscore the importance of the southern neighbourhood for European security.

Here, the Strategic Compass' reference to the EU RDC being able to act in non-permissive environments with a range of modular air, maritime and land forces is of crucial importance as it presupposes that the

Union will develop the muscular defence capabilities needed to enter and operate in non-permissive environments. However, the Strategic Compass states that ‘the development of [the RDC] will be based on operational scenarios that will initially focus on rescue and evacuation operations, as well as the initial phase of stabilisation operations’ (Council of the EU, 2022: p. 14). We believe that this is too narrow a focus for the RDC, especially if it is to operate in non-permissive environments, and it effectively closes the door to the RDC being used in contexts where the EU’s interests in and access to strategic domains (air and sea) is undermined by great power rivals. Far better, we argue, to lean into the Compass’ call for the EU will start to conduct scenario-based advance planning for a range of operational scenarios as a basis for planning under the RDC (Council of the EU, 2022: p. 17). This approach appears to offer far greater flexibility to plan for the types of operations the EU could be engaged with in the coming years, especially in non-permissive environments.

2.2 EU defence and non-permissive environments

The stress on ‘non-permissive environments’ is important and it requires unpacking. To date, the EU has operated in a largely non-executive manner where military missions are deployed on the basis of a United Nations (UN) Security Council Resolution and an invitation by a host country. In specific cases, the EU has also conducted executive missions and operations where only a UN Resolution has been granted. For example, deploying EU naval forces to the Mediterranean Sea and Horn of Africa required no host country permission. However, in light of the Strategic Compass’ stress on acting in ‘non-permissive environments’ (Council of the EU, 2022: p. 2, p. 14, p. 18), we should take into account that: 1) UN Resolutions may not always be forthcoming due to a potential Russian or Chinese veto in the Security Council; 2) once deployed, EU forces are likely to be engaged in an increasingly hostile operational environment marked by government, rebel or terrorist forces and new (improvised) technologies that will test the capabilities of European forces; 3) that operational theatres will increasingly become bound up with broader geopolitical considerations related to Russia’s global interests and US-Chinese great power competition. In each of these cases vital EU interests could be at stake, and this could spur on military action.

All three of these instances presume that the EU will decide to deploy force in the first place, which is far from a given in the current operational context. We have seen in the context of the war on Ukraine that the proliferation of precision-guided munitions and anti-access, area-denial (A2/AD) capabilities make it exceedingly difficult to sustain military operations. Even superior military powers operating in such environments are faced with the daunting task of dealing with high attrition rates and the proliferation of even basic missile and air systems (e.g. improvised drones). When viewed through the prism of great power competition, the issue of A2/AD can be seen as a key component of any future Russian strategy in Europe’s southern neighbourhood. Russia’s failure to win in Ukraine may incentivise it to play on and animate security dynamics in the southern dimension through the proliferation of cheap yet sophisticated A2/AD capabilities such as munitions¹.

The EU RDC cannot be based on the operational assumptions made popular in the 1990s, when the capability assumptions revolved around general operational permissiveness and platforms such as strategic or tactical airlift. In fact, analysis shows that initial entry operations require a different order of magnitude of military tools including suppression of enemy air defence, electronic warfare, counter chemical, biological, radiological and nuclear (CBRN) and anti-submarine warfare capabilities – military capabilities that European governments have been investing in for many years (Brustlein and Simón, 2019: p. 38). What is more, acting in non-permissive environments requires changes to doctrine. The US Marine Corps, for example, is already experimenting with modular forces that can operate in smaller and dispersed units precisely in non-permissive environments (Work, 2023).

¹ On Russia’s contribution to the proliferation of A2/AD capabilities in the southern neighborhood see, e.g., Brustlein (2017)

To be clear, we expect the EU to continue to operate civilian and military missions and operations but increasingly doing so will be challenging without sustained political will, personnel and capabilities. This will mean that the RDC will need to contend with unexpected and more hostile operational environments. Increasingly, there is a risk that major powers with key interests in regions of importance to the EU will seek to deny the Union access to these areas. The use of State-backed paramilitary groups such as Wagner have already been used to suppress European influence in places such as the Sahel. The risk that such paramilitary groups liaise with rebel and/or terrorist outfits in conflict areas could greatly curtail the Union's influence in its (wider) neighbourhood. Therefore, if the EU RDC is to make a meaningful contribution to EU security and defence it needs to be geared to conducting the most ambitious and robust military operations.

Additionally, we believe that the RDC needs to keep up with the broader evolution underway in CSDP missions. The RDC is a specific military tool that should be used for military purposes, but it can complement the Union's efforts elsewhere in CSDP. For example, in 2022 the EU deployed a civilian monitoring mission to Armenia to contribute to security between Azerbaijan and Armenia. In 2023, it launched a military partnership mission with Niger to support the country with conflict prevention, peacebuilding and dialogue. The Union has even deployed new types of mission to places like Moldova (EUPM) to assist with countering hybrid threats and FIMI and it is actively training Ukraine's armed forces through its EUMAM mission. In this sense, CSDP is now addressing security concerns related to strategic rivalry and great power competition (i.e. countering hybrid threats, combating FIMI, building cyberdefence capacities for partners, supplying lethal equipment, etc.).

2.3 Rapid deployment, strategic realities

We believe that the EU RDC can make a serious contribution to European security and defence in four key ways. First, although the EU is committed to the principles of conflict prevention, peacebuilding and stability, it seems unlikely that EU Member States will give these objectives precedence over collective defence and deterrence. To ensure that the EU RDC can secure the attention of national defence planners and armed forces, it needs to connect with Europe's wider objective of defending Europe from Russia and to help manage the growing military risk posed by China. In this sense, the EU RDC should be primarily focused on evacuating EU citizens and protecting them in case of human-made and natural disasters. Additionally, we believe that the EU RDC can – with the correct capability suite and doctrinal focus – make a credible contribution to deterrence and security by helping to deny strategic adversaries gaining a harmful political foothold in the Union's (wider) neighbourhood and in strategic domains such as sea lanes of communication and airspace.

Second, the EU RDC can contribute to reforming EU defence planning and capability development. Indeed, the Strategic Compass already views the RDC as more than just a force of 5 000 troops. It considers the RDC as a means to better structure defence capability development, to enhance how, where and with whom to conduct military exercises and it connects to discussions about CSDP decision-making processes. In particular, CSDP deployments can only occur on a unanimous basis with agreement by all 27 Member States. Yet, the Strategic Compass calls attention to Article 44 TEU which permits 'a group of willing and able Member States to plan and conduct a mission or operation within the EU framework and under the political oversight of the Council' (Council of the EU, 2022: p. 14).

Furthermore, the RDC will need to depend upon a larger and more-effective Military Planning and Conduct Capability (MPCC) to ensure command and control functions – today, however, the MPCC continues to be under-staffed and under-resourced for even the most basic operational tasks. In this sense, any EU RDC that is backed by effective command and control, enhanced military training, more robust capabilities and faster deployment times could result in a lasting contribution. With more robust command and control structures in place the EU could play a greater role in military training. Although the Union has been involved with capacity building for some time through CSDP, what the EU is doing in cooperation with

Ukraine's armed forces opens the door to more robust military partnerships. In this sense, RDC could be opened up to partners for exercises and military training.

Third, in addition to capabilities, decision-making and exercises, the EU RDC can also unlock a necessary, albeit sensitive, political debate about the financing of EU operations and missions. Previously, under the Athena Mechanism some common costs for EU deployments were permitted but the bulk of the finances came from Member States under the 'costs lie where they fall' principle. With the introduction of the EPF, however, common costs have increased, but only partly. Here, there is a question of the financial sustainability of EU operations and missions through the EU RDC. We have already witnessed how the EPF has been routinely increased by Member States since Russia's invasion, not least to be able to finance the lethal equipment required by Ukraine. Yet, a lack of common EU funding has served as a disincentive for Member States to engage in military action because it presumes that the lead nations will pick up the bulk of the costs, even though they are providing security for the Union as a whole.

Fourth, the EU RDC can be of use to the Union's broader security and defence agenda of securing the strategic domains (specifically maritime, land and air). Keep in mind that the RDC is built on a modular approach of maritime, land and air capabilities and the Strategic Compass underlines that 'free and safe access to global strategic domains is more and more contested' (Council of the EU, 2022: p. 12). To this end, the EU has been developing new flexible tools designed to ensure that the Union has a credible situational picture and strategic presence in key regions. The EU's CMP in the Gulf of Guinea and the north-western Indian Ocean allows the Union to work with partners to share maritime domain awareness. The CMP is built on the exchange of maritime data and the naval presence of European vessels.

What CMP lacks today is a rapid reaction military capability to act – when required – on the maritime data it collects and the vessels it puts to sea. Combined with a sizeable and robust naval force, the EU RDC could become the main spearhead of the CMP and enhance the Union's presence in the Indo-Pacific and other maritime regions such as the Arctic or the Gulf regions. This would not only allow the EU to respond to threats to sea lanes of communication, but it would also provide the Union with a flexible and effect tool for partners to engage with. For example, a combined CMP and EU RDC could allow close partners such as the US, Japan, South Korea, Australia, India and the United Kingdom (UK) to 'plug and play' with EU maritime assets, while allowing for greater intelligence and information exchanges between the partners.

Looking to the next five years and the EU's transition to a new European Parliament and European Commission, we believe that it is necessary to continue to focus on developing the EU RDC in the ways we outline above. Our conclusions are based on the assumption that the EU's neighbourhood will remain in a state of general crisis. We assume that pockets of conflict (the Sahel, Syria, Gulf of Guinea) will remain for the foreseeable future and we cannot rule-out the return of groups such as Daesh. Likewise, we expect the next five years to be marked by great power competition in the Union's near abroad. Russia may seek to offset its underperformance in Ukraine by animating crises in other geopolitical locations that are of interest to the EU – a mixture of disinformation campaigns, support to proxy forces, the engagement of paramilitary forces and/or the supply of weapons to rebel groups could undermine the Union's interests. Furthermore, today we cannot reliably know how China and Russia – in the context of their partnership – may strategically act together to disrupt EU interests in places like the Middle East, north Africa or the Sahel.

3 Defence investments after Versailles

3.1 Versailles, Ukraine and EU defence production

One of the key areas emphasised at the Versailles Summit, and subsequently developed further by the EU, relates to defence investments, capabilities and the defence industry. The war in Ukraine has underlined the importance of defence manufacturing capacities, and European countries have not been alone in suffering from a lack of industrial capacity in key capability areas (e.g. the production of missiles or the refurbishment of main battle tanks) (Cook, 2023; Boswinkel, 2023). This ability to replenish stock and develop cutting-edge defence technologies has become a hallmark of the present-day global order. Security of supply chains, dependencies on critical raw materials and an ability to out-produce adversaries in basic goods such as ammunition have returned as defining features of a world once again characterised by great power competition (Alvarez-Couceiro, 2023). In theory, at least, a sudden realisation in Europe that the defence industry is a strategic asset should lead to increased defence spending, not least because Europe has presided over 25 years of declining investment and the downsizing of the defence manufacturing base (Aries, Giegerich and Lawrenson, 2023; McKinsey & Company, 2023).

Since Russia's war on Ukraine, the EU's defence-industrial base has had to contend with two main challenges: first, how to supply the Ukrainian armed forces with the military equipment needed to defeat and repel Russian forces; and second, how to re-supply European armed forces as they empty their inventories for the benefit of Ukraine. We should not underestimate the importance of the Union's steps into the provision of lethal equipment. For many decades, the issue of supply foreign armies with equipment has proven somewhat of a political taboo that has influenced EU policies related to arms exports (Fiott, 2022).

Of course, the taboo of spending EU money on lethal equipment out of the EU budget remains the case today. In fact, one of the ways in which the EU Member States have been able to avoid sensitive discussions on how to finance the provision of lethal equipment has been to establish an off-budget instrument called the EPF. The EPF was established before Russia's war on Ukraine and it effectively fused with past, yet distinct, instruments: the African Peace Facility and the Athena Mechanism. In developing this new financing instrument, the Member States wanted to design a tool that could help assist with military training missions and to enhance the level of available common funding for CSDP military missions and operations. The EPF was first floated in 2018 with an initial financial ceiling of EUR 5 billion, but, in the wake of Russia's war and the need to support Ukraine, the Facility was – in March 2023 – increased to EUR 7.9 billion – with EUR 5.6 billion having been specifically directed towards Ukraine (Council of the EU, 2023). On 26 June 2023, the Member States further enlarged the EPF to EUR 12 billion until 2027 (Council of the EU, 2023).

To be clear, the EPF is designed to support the Union's military training and capacity-building efforts through the provision of lethal equipment to security services and armed forces in third countries: for example, on 8 June the EPF provided EUR 4.7 million in assistance and equipment for the Nigerien Armed Forces (Council of the EU, 2023). Nevertheless, the EPF has come into its own in light of the war on Ukraine and today it finances 155 mm-calibre artillery rounds, missiles, medical equipment and more. What is more, due to Ukraine's increasing needs to repel Russian forces, in May 2023 the EU took the decision to ramp up the EPF even further through a three-track approach.

- Track one saw an immediate contribution of EUR 1 billion under the EPF to Ukraine to procure further 155 mm-calibre artillery rounds directly from Member State inventories;
- Track two is designed to replenish these stocks with a further EUR 1 billion so that Member States can be reimbursed for the ammunition and munitions they provide to Ukraine; and,

- Track three involves the European Commission and its recently agreed plan for the joint procurement of ammunition under the Act in Support of Ammunition Production (ASAP). This new tool will see EUR 500 million dedicated to the joint acquisition of ammunition in the EU.

Finally, in addition to the EPF and ASAP the EU has also agreed to a short-term joint procurement mechanism called the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA). Both EDIRPA and ASAP can be seen as precursors to plans for a longer-term instrument called the European Defence Industrial Plan (EDIP), which would see to the financing of joint defence and procurement projects – although the EDIP's financial envelop is yet unknown.

3.2 The industrial dimensions of the war on Ukraine

Two of the major political and industrial considerations that have emerged since the war on Ukraine are: first, whether the EPF can realistically remain an off-budget instrument for the future; and second, what is the correct balance between meeting short-term equipment needs with the longer-term desire to support the European defence industry. Both of these two major questions touch on the issue of how far questions related to defence production and procurement should be communitarianised at the EU-level. Thus far, in the response to the war on Ukraine, Member States have been keen to maintain control over the financing of lethal equipment. They have also demonstrated their commitment to this off-budget, intergovernmental approach by gradually increasing the size of the EPF as and when needed in light of the dynamics of the war. In fact, today, the EPF (EUR 12 billion) is even larger in financial size than the EDF (EUR 8 billion) – even if the two instruments cannot really be compared. In the eyes of many Member States, there is little justification to communitarianise the EPF even if a case could be made that direct EU financing of the EPF could enhance the transparency of the EPF and potentially unlock further money. Today, however, the communitarianisation of the EPF may seem a little premature given that there are important restrictions in the Treaty that effectively block the EU financing of lethal equipment (Lynch and Tamma, 2023).

The second political challenge is specifically related to defence-industrial considerations. Here, the argument revolves around somewhat of a dilemma for the EU. In an ideal world, most Member States would procure ammunition and equipment to support Ukraine and their own military inventories with European-produced goods. Yet, there are significant manufacturing shortfalls today in Europe, which has led some Member States to procure off-the-shelf products from outside the EU (e.g. from the US or South Korea). In the short-term there is probably not much that can be done to ensure that European producers are given preference in procurement contracts, and some Member States would object to the imposition of such rules under the EPF – hence, the rules are relatively flexible in allowing non-EU equipment purchases. Over the longer-term, however, there appears to be more scope and recognition of the need to support Europe's defence production capacities.

We should also recognise that the sensitivities surrounding a 'Buy European' approach to defence equipment has spilt over into the European Commission's own initiatives. Indeed, the Commission has enjoyed a meteoric rise in importance in the defence-industrial sphere in the past years. In 2016, it developed the EDF for defence research and capability development and it even set-up a Directorate-General for the Defence Industry and Space (DEFIS). In the intervening period, the European Council has tasked the Commission with developing technology roadmaps in the area of defence and, in the context of the Versailles Summit, it tasked the Commission with undertaking an analysis of defence capability gaps (a first). The European Commission has also been proactive in this field and in July 2022 it put forward a proposal for a regulation called EDIRPA. This Act is seen as precursor for a fully-fledged EDIP, which would encourage the Member States to develop and procure capabilities jointly (Fiott, 2023b; Schnitzler, 2023).

There had, however, been some evidence of push-back by Member States towards European Commission proposals in the area of joint defence procurement. For example, it was believed that certain Member

States sought to curtail joint ammunition production and procurement under the ASAP for fears that it might increase the European Commission's hand further in defence industrial policy and cut-out American producers (Pugnet, 2023). Nevertheless, on 7 July 2023 the Council of the EU and European Parliament agreed to the ASAP Regulation worth EUR 500 million. This followed a similar decision on 27 June 2023 for the EDIRPA Regulation, which unlocked some EUR 300 million until 2025 for the joint procurement of defence capabilities beyond ammunition (European Parliament, 2023). Together, ASAP and EDIRPA will see the joint procurement of ammunition and capabilities respectively, and serve as a precursor for the EDIP. Two key questions here are how to ensure some degree of consistency between EDIRPA and ASAP over the short-term, and, more importantly, how to ensure that each instrument effectively feeds into a potentially longer-term EDIP. And even here, another major question to address in the next legislature is how any EDIP will relate and work with the EDF. In particular, the Commission's plan for a longer-term EDIP may conjure up sensitivities among Member States given that it wants to 'serve as the anchor for future joint development and procurement projects of high common interests' and link this to 'a more structured approach – a joint EU strategic defence programming and procurement' (European Commission, 2022: p. 10). Any notion that joint defence procurement should pave the way for EU-level defence planning has so far been resisted by Member States.

3.3 The future of European defence industrial policy

In the coming years, the question of how far EU initiatives, legislation and policy should support the European defence industry will remain. Today, the war on Ukraine has stimulated EU Member States into thinking more carefully about how to support defence manufacturing. However, they are still largely divided on how to achieve this with some preferring to maintain enough flexibility to take sovereign decisions on what military equipment they procure or develop. There is resistance to the idea of greater EU-level efforts, not least due to a fear that the Commission will enhance its powers. We have seen in some cases how large injections of additional investment has not entirely been geared to purely European solutions: Germany's Special Fund of EUR 100 billion has been spread over the acquisition of the F35 fighter aircraft, missile defence systems from the US and Israel and European projects such as the future combat aircraft system (FCAS) or main ground combat system (MCGS) programmes. Countries such as Poland have also forged ahead with plans to have one of the largest armies in Europe, but with a great deal of agnosticism about the origins of equipment and systems. Still, increasingly more and more Member States understand that producing equipment in Europe has economic payoffs for domestic economies.

One of the major issues that will need attending to in the coming years is to avoid the duplication and fragmentation of efforts. Key here will be to ensure that both EU and NATO capability development processes take stock of the need to maintain interoperability between European armed forces. Furthermore, there will also be a need to continue existing EU and Member State efforts in defence investment. The EDF and PESCO will remain important parts of the Union's defence industrial policy landscape, and there is a continued need to ensure their success. As far as the EDF is concerned, one key issue will be to see how far the Fund can be expanded in financial terms. Already in its request for budgetary 'top-ups' under the Multi-annual Financial Framework (MFF) the Commission has requested an additional EUR 1.5 billion for the Fund, which would take it just under EUR 10 billion overall until 2027 (European Commission, 2023) – this is still EUR 3 billion short of the Commission's initial request before 2021 of EUR 13 billion.

In addition to questions about additional funding, there will need to be a sustained focus on the Commission's proposal for the EDIP, which would take the EDF beyond its current focus on supporting defence research through to prototyping and extend the Union's role in the commercialisation and procurement of defence equipment. As stated earlier, however, this step is likely to run into objections by the Member States that believe the Commission is over-extending its reach in defence industrial policy. A question therefore is how to ensure that the Union can in the future assist with joint procurement

projects without necessarily calling for a fully-fledged role in defence planning and capability prioritisation. On the other hand, we have already seen that the Member States have become accustomed to joint defence research and capability development through the EDF, where the Commission already plays a significant role in the design of the work programmes. Still, in a context where Europe's defence industry will be expected to pick up increased demand because of the deteriorating strategic landscape, it will be crucial to have an EU-level defence industrial policy framework that can give industry clear demand signals, as well as adequate financial support.

Finally, in the next five years or so there will be greater pressures on the EU to maintain flexible defence cooperation instruments. This will affect the balance the Union strikes between genuine industrial policy in defence and market openness. In the past, the EU has already experienced calls to open-up instruments such as the EDF to third-parties and in the case of PESCO countries such as the US, Canada, Norway and the UK have joined specific projects such as military mobility. Without knowing how or when the war in Ukraine will end, any accession process for Ukraine into the EU may necessitate discussions about the degree of access Kyiv has to EU defence tools (even as a non-EU member). We should also expect countries such as the UK to continue to ask for more flexible arrangements in the EDF, even without a British desire to enter the European Economic Area (EEA) like Norway. Even though there appears to be little scope for this today, NATO has made it clear that the fullest possible access to EU defence tools by NATO/non-EU states is key to closer cooperation with the EU (NATO, 2022; Fiott, 2023c).

Notwithstanding other obstacles in the EU-NATO relationship such as the Cyprus-Turkey conflict, it will be necessary to fully understand the industrial repercussions of any attempt to reconfigure the rules governing the EDF. Relatedly, there will also be greater pressures to rethink EU arms export policies. Of course, today these rules are tightly guarded by Member States but there is a question of how sustainable this will be in the coming years, not least as the European defence market intensifies production and new projects are developed (Bergmann and Besch, 2023). Collaborative defence projects such as the French-German-Spanish FCAS programme might not be sustainable on the basis of European demand alone, especially not if Paris, Berlin and Madrid do not eventually procure enough units of the new air system. Looking for export markets will therefore become a key feature of European defence production, especially in places such as the Indo-Pacific where demands for armaments and high-tech defence capabilities are on a significant upward trajectory.

4 Future horizons in defence

4.1 Delivering on EU security and defence

In this analysis we have so far looked at the operational and industrial dimensions of the future of European defence in the post-Versailles period. However, greeting the Union's new legislature and Commissioners in 2024 will be a raft of other security and defence issues that will require attention. One major area that should be given sustained political attention over the coming years is the effectiveness of existing EU security and defence initiatives. The EU is in a better position today to take stock of the performance of initiatives such as the EDF and PESCO, but there is a need to maintain political pressure to ensure that these schemes ultimately deliver. The EDF is still in the early stages of funding defence research and capability projects, but in time it will be possible to see how and if EU-funded projects will be procured by European governments. The same is true of PESCO, although this initiative is less transparent and therefore it is difficult to ascertain the progress (or lack thereof) of defence projects.

PESCO, in particular, raises a number of important challenges, including the continued tendency of Member States to launch low-level and low-impact projects. To be clear, over the successive waves of PESCO projects there has been evidence of greater clarity in selecting meaningful projects. For example, today PESCO has projects on ballistic interceptor systems, air-to-air missiles, and submarine cable protection technologies, whereas at its genesis it supported projects such as training and test centres. PESCO has, therefore, become more serious as a cooperative framework but far more work is needed to ensure coherence between PESCO projects. The war on Ukraine has put into sharper focus the specific, shorter-term, needs of militaries but PESCO projects continue to be divided between operational domains (cyber, maritime, air, land, space, enablers) without a coherent strategy for how those individual projects amount to military effect in the field. What is more, PESCO is not being used for one of the principal rationales spelt out in the decision establishing it: namely, to use PESCO to 'reach a new level in the progressive framing of a common Union defence policy' (Council of the EU, 2017: p. 66). This could include structuring certain projects around the overarching need to develop the capabilities and strategic enablers required of the RDC.

This points to a broader challenge facing the EU related to defence capability planning and prioritisation. Individual Member States maintain national processes for identifying capability requirements and, for those part of the Alliance, they coordinate these efforts through the NATO Defence Planning Process (NDPP). In recent years, with the introduction of the EDF and PESCO, the Union has emerged as an important element of national defence planning. However, the capability prioritisation process at the EU-level is not always clear to understand. Traditionally, the EU has relied on the Capability Development Plan (CDP) to derive guidance on the military capability gaps and shortfalls facing Europe (and not just the EU but Europe as a whole). However, PESCO also has its own capability prioritisation process that, in part, derives guidance from the CDP but also includes industrial considerations and interests. The Union's High Impact Capability Goals (HICGs) add another layer of capability prioritisation, albeit from an operations-centric perspective. Finally, the EDF also has its own unique capability prioritisation process, which is negotiated by committee whenever EDF work programmes are established.

The EU has tried to partially remedy this situation by introducing relatively new tools such as the Coordinated Annual Review on Defence (CARD), which is far more specific than the CDP in precisely detailing the capability shortfall areas facing the EU. Any coherent EU capability development process needs, of course, to strike a balance between short-term and long-term needs and between operational and industrial needs. The war on Ukraine has also highlighted the necessity of making prioritisation work coherently, as militaries can rapidly find holes in inventories for essential stocks such as ammunition and supplies. In this sense, capability prioritisation should not only favour high-tech or cutting-edge technologies, but also the life-blood of supplies needed to survive in a high attrition war. Furthermore, in

the coming years greater attention to the EU's capability prioritisation processes will be required, especially if the Union agrees to new financial tools such as the EDIP.

Beyond capability prioritisation, however, the coming years bring for the new leadership a need to address the Union's overarching strategic guidance for security and defence. The EU has already taken an important step forward in producing its first-ever security and defence strategy: the Strategic Compass. This will continue to promote the core principles and objectives guiding EU efforts in security and defence. It will also provide coherence for the internal bureaucratic processes steering EU security and defence policy on a daily basis. Although the parts of the Strategic Compass pertaining to Russia were re-written in the wake of its war on Ukraine, overall the document represents a serious, if preliminary, attempt to bridge the intergovernmental and supranational worlds of EU security and defence. It is a document that brings together the operational, industrial and capability aspects of EU action. As an overall structure, it is more than adequate as a guidance document, especially given existing treaty provisions that do not necessarily make it easy to bridge the communitarian and intergovernmental aspects of security and defence policy.

However, a new European Commission and new High Representative/Vice-President could potentially lead to a redrafting of the Strategic Compass – even if the current Compass is set until 2030. The EU needs to be prepared for another bureaucratic process that will most certainly occur against the backdrop of continued violence or war in Ukraine. As it was the first time the EU had ever drafted a security and defence strategy, the Strategic Compass took a whole two years before it was published. The EU does not have the luxury of time, however, so any redrafting of the Compass in the coming years should have a time-limited period of consultation. Now is also the opportunity to think about how such a consultation and drafting process should take place. The first time around, multiple position and food for thought papers were sent to the EEAS drafting team and a series of workshops were organised to inform the drafting process. This was, however, a rather laborious process that took two years to complete (and much can happen in international affairs in this time). In this sense, institutions such as the European Parliament can already provide guidance and suggestions for the processes behind any future redrafting of the Strategic Compass.

4.2 Deepening EU-NATO relations

Another one of the most pressing dossiers will be EU-NATO cooperation. Russia's war of aggression in Ukraine has pushed European governments politically closer together and this has had a positive effect on EU-NATO cooperation. However, there is a sense in which the full potential of the partnership has not been fulfilled. To be sure, the two organisations are now on their third Joint Declaration, which set out the parameters of cooperation. True, in the intervening years the two bodies have nurtured working level relationships, but there remain questions about the overall difference this can make to European defence. Unlocking EU-NATO cooperation in concrete ways will be an ever-pressing issue, especially in areas related to capability development, technologies, space, resilience and the defence aspects of climate change.

In two particular areas, space and Emerging and Disruptive Technologies (EDTs), we see scope to enhance the relationship. Whereas NATO has started to develop operational capacities for space (Operations Centre, Centre of Excellence for Space), the EU is home to significant capacities such as Galileo, Copernicus and, in the future, IRIS₂. For NATO, space is a critical enabler in support of military operations and intelligence and the Alliance has also named space an operational domain that could trigger Article 5 response under the Washington Treaty. For its part, in March 2023 the EU published its first-ever Space Strategy for Security and Defence, which sees the Union move into new territory with a focus on 'Space Domain Awareness' (Fiott, 2023d). This implies that the EU is now prepared to develop technologies, bodies and processes to ensure that EU space interests and assets are safeguarded from malicious and non-malicious attacks.

The new EU Space Strategy for Security and Defence is a watershed moment for how the Union thinks about space. For one thing, the EU has moved beyond the view that space is simply a domain for economic competitiveness and human exploration. The Union now recognises that its space-based infrastructure is

at heightened risk from military threats. In this sense, the language in the Strategy on EU-NATO cooperation in space is positive. As it states, 'the two organisations will jointly explore new areas of cooperation in the space domain through regular exchanges, including staff-to-staff talks, cross-briefings and reciprocal invitations to events. Parallel and coordinated exercises organised by the EU and NATO staff could include a space domain component' (European Commission/HR-VP, 2023: pp. 16–17). This is positive as it means that both the EU and NATO can mutually cooperate on space situational awareness and tracking, and it means that even space exercises for the purposes of Article 5 and Article 42.7 TEU could also be conducted, which would reinforce the EU and NATO's ability to deter space-based attacks and work through potential political responses.

Another area where the EU and NATO can cooperate is on EDTs such as Artificial Intelligence, quantum computing, directed energy capabilities, hypersonics, etc. We have witnessed since 2016 a growth in the dedicated tools and finances available for defence innovation and EDTs in Europe. For the EU, it has created an EDF that part-focuses on defence research investments. In the context of the Strategic Compass, the EU also developed a Defence Innovation Hub (HEDI) within the EDA. Taking their work on defence research further, the European Commission announced at the same time a Defence Innovation Scheme (EUDIS) designed to support test hubs, hackathons, matchmaking and equity and venture capital schemes (Fägersten, Fiott and Kleberg, 2023). In this sense, in a short span of time the EU has emerged as a major supporter of and investor in EDTs.

NATO has also sought to support the development of EDTs for defence. In 2022, a Defence Innovation Accelerator for the North Atlantic (DIANA) was established to source and direct venture capital into critical technology areas. Much like the EU, DIANA is designed to harness civilian innovation for defence. What is more, in 2022 the Alliance established its first-ever NATO Innovation Fund (NIF), which is a multi-sovereign venture capital fund designed to support start-ups and provide funds to develop EDTs with direct application in defence (Fägersten, Fiott and Kleberg, 2023; Calcara, 2023). Whereas DIANA does not have a specific budget-line, as it seeks rather to attract venture capital, the NIF has been endowed with EUR 1 billion for the next 15 years. It is also important to note that, unlike the Union's EDF, the NIF does not yet fully count on the participation of all allies: for example, the US and France are not part of the NIF.

The risk of these two parallel processes on EDTs is plain to see, as duplication of efforts and fragmentation could emerge during investments. Keeping in mind the different financial envelopes involved, with the EU having access to greater funding levels, it will still be necessary to ensure some level of coordination of EU-NATO efforts. One way of doing this at a more basic level is to exchange information on project developments. Today, both the EU and NATO view EDTs with a sense of wonderment, but the reality is that the application of EDTs to defence processes and capabilities is what is required. Thus, both the EU and NATO have a vested interest in moving past the relatively simple tasks of prioritising EDTs to a situation where both organisations can help integrate and apply EDTs to defence. This is no simple task. It will require both the EU and NATO working to show 'proof of concept' for EDTs in the field, as this will mean that joint exercises, concepts and doctrines will need to be constantly updated. Another added value coming from the EU in this domain relates to security of supply and critical raw materials. Unlike NATO, the EU is in the position to scan technology horizons and to identify supply and technology vulnerabilities – such information is vital to both the EU and NATO as they support EDTs and innovation.

Another priority area of EU-NATO cooperation relates to military mobility. We have seen how both bodies have made important strides to remove physical, legal, regulatory and bureaucratic hurdles to the transportation of military equipment across the continent. The importance of military mobility has only been underlined since Russia's war on Ukraine, where there has been a clear need to transport goods and equipment to Europe's eastern flank. The inclusion of the US, Canada, Norway and the UK in the PESCO project on military mobility has also greatly underlined the merit and attractiveness of the scheme. However, we also believe that the war has uncovered the absolute need to protect the transportation of

equipment from sabotage and kinetic risks (e.g. stray missiles from the war zone have already struck EU/NATO territory). In this sense, we believe there is scope to combine military mobility with air defence efforts and investments – it is of paramount importance that rail lines, ports and airports are secured from the air, as well as civilian airspaces and urban areas. In this sense, greater cooperation between the EU's planned investments in air defence systems and the existing NATO Integrated Air Defence System is an avenue to explore further.

5 Conclusions

5.1 Observations

In this analysis we have looked at the significance of the Versailles Declaration more than one year since it was agreed by EU Heads of State or Government. Overall, the Versailles Declaration provided the political foundation for EU efforts in security and defence since Russia's war on Ukraine and it has complemented the work carried forward under the Strategic Compass. We have also shown in this analysis how Russia's actions have animated EU security and defence policy in ways unthinkable in the past: the provision of lethal equipment to Ukraine through pooled EU-level finances and the training of Ukraine armed forces on the territory of the EU are unprecedented steps. In other ways, however, the Versailles Declaration pointed to areas of EU security and defence that require immediate attention. To be sure, the Union has always struggled to fill defence capability gaps and to undertake the most robust military operations. Yet, the steps taken by Member States since at least 2016 have represented a surge in new frameworks designed to address these long-standing problems. To this end, this analysis has appraised tools such as the RDC, EPF, EDF and PESCO in light of Russia's war on Ukraine.

Looking to the next institutional and leadership reshuffle in the EU, there are a number of themes and specific areas of cooperation that will require continued attention by EU leaders and deputies. Before outlining our specific observations, however, there is a need to place any future initiatives on EU security and defence in a specific geopolitical context. The combination of Russia's war on Ukraine means that the EU needs to dedicate even greater attention to the defence of Europe. While NATO will continue to provide nuclear and conventional defence, the EU has demonstrated that it can make a meaningful contribution to European security. On military logistics, military training, the provision of lethal equipment and countering hybrid threats the EU has shown that it can respond in its own way to changing geopolitical circumstances. We believe in the coming years that there should be greater attention to EU-NATO relationship to ensure smoother cooperation between NATO's core tasks and the Union's growing contribution to the security and defence of Europe.

We consider the need to support Ukraine, deter Russia and enhance the defence of Europe as a core task for NATO and the EU. This observation may not have been obvious even a year ago. While the CSDP has largely cast the EU as a crisis manager, we endorse the conclusion of the Strategic Compass that the Union should remain united and 'committed to defend the European security order' (Council of the EU, 2022: p. 2). Although the Union's ability to respond to crises beyond its shores will remain a key task, it will not be the most important one and the EU treaties allow for a more expansive interpretation of the nature of EU security and defence (see Article 42.2 TEU on 'common defence'). In this sense, we see a need for a continued focus on the defence of Europe by the EU through military mobility, military capacity-building and training, the manufacturing and provision of ammunition and equipment, the provision of space-based services (communications and geospatial sensing), cyberdefence, critical infrastructure protection, the countering of hybrid threats and more. This focus should transcend the outcomes of the war on Ukraine. The EU started to develop key instruments such as the EDF and PESCO before Russia's full-scale invasion of Ukraine, and any defeat of Russia in the coming months and years should not serve as an excuse to lower the Union's ambition.

Below, we provide recommendations on how the EU could enhance its contribution to European defence in the years ahead. Before this, however, it is important to recognise that the future of the transatlantic partnership is central to the nature, extent and limitations of EU security and defence. The forthcoming US elections, and what it may unleash in terms of America's grand strategy, are of vital importance to Europe. We assume in the coming years that the US will continue to prioritise China and the Indo-Pacific, and this will call for more heavy lifting in defence by Europeans. This will not necessarily translate into the US completely leaving Europe or disinvesting itself of European security. More likely, Washington may seek

some form of grand bargain where it provides the core of European defence through nuclear deterrence and a down-sized military footprint that focuses on key enablers such as ISR technologies. The implications of this trend, if proven correct, are far-reaching. We do not see a fully-fledged role for Europe in the domain of nuclear deterrence for the foreseeable future, but Europeans through the EU and NATO Europe can take on more responsibility for ISR, outer space, cyberdefence and electronic warfare. Additionally, over the long-term Europe's industrial capacity must address the need to produce military capabilities jointly and ensure that European armed forces can rapidly replenish military stocks and inventories. Whatever occurs in the US elections, Europe must be prepared to do more for its own defence.

5.2 Recommendations

More than one year on from the Versailles Declaration, and with a view to the coming years of transition in the EU, we provide below a list of recommendations based on our analysis. To be clear, this is not an exhaustive list but rather the main elements that should be considered in light of the war on Ukraine and the era of strategic competition that the Union is part of. The recommendations are intended as a general guide to policy matters that will require political attention by the European Parliament in the years ahead. As new EU security and defence investment tools could emerge over the coming months and years (e.g. EDIP), we expect the Parliament to enhance its role in security and defence.

- **Rapid Deployment Capacity:** The RDC will have to contend with non-permissive environments, which means that the Union needs to rethink what capabilities it develops to ensure initial entry of forces in a context of A2/AD bubbles and other military challenges. The EU treaty provisions on the progressive framing of a common defence allows the EU to go beyond crisis management, and to use the RDC to help manage the negative effects of crisis, instability, great power competition and threats to the Union's free and secure access to strategic domains.
- **The willing and able:** the EU RDC should not be seen merely as a force of 5 000 troops but as a means to unlock some of the traditional institutional and financial hurdles to military deployment in the EU. Here, the Union should be encouraged to finally settle the conditions under which Article 44 can be applied to allow a willing and able group of Member States to act on behalf of the Union.
- **Command and control:** far greater pressure is required in making the MPCC a fully-functional command and control centre for the EU. Greater demands are being placed on the MPCC, especially with the EU RDC, but it continues to be under-staffed and under-resourced. The MPCC cannot be expected to take on more responsibilities without the resources it requires.
- **Funding operations:** to date, the EPF has rightly focused on providing support to Ukraine and it has seen its financial ceiling increased to EUR 12 billion since the war broke out. However, it is important not to overlook the fact that the EPF was also designed to cover common costs for CSDP military missions and operations. Without sufficient support for common costs, there will be a disincentive for the EU to act militarily.
- **Coordinated Maritime Presences:** there is a need to enlarge the geographical scope (Arctic, Gulf Region) of the CMP and to integrate a more robust element to its work. To date, the CMP is largely about maritime information sharing, partnerships and naval presence missions (i.e. showing the flag). However, there is scope to combine and integrate the CMP and EU RDC, especially in terms of the RDC's future maritime and naval modules. This would enable the EU to monitor maritime threats, respond militarily if required and build more meaningful partnerships with Japan, Australia and South Korea.
- **European defence investments:** ensure the financial sustainability of the EPF in dealing with the war on Ukraine and meeting future security and defence needs. Additionally, support the steps to develop a European Defence Industrial Programme to ensure that the Union can develop capabilities beyond

the prototype stage in the EDF. This would require fresh sources of funding and need an adequate level of funding, even surpassing the EUR 8 billion available under the EDF.

- **European defence manufacturing:** continue to support efforts to increase the manufacturing capacities of Europe's defence industry. Support for ammunition procurement through the EPF should continue with additional financial resources, and ASAP and EDIRPA should become the basis for a specific industrial programme to support armaments and munitions production in the EU. This would, however, assume greater funding beyond the existing EUR 500 million available under the proposed ASAP or the EUR 300 million under EDIRPA.
- **European defence industrial strategy:** European manufacturers can meet the challenge of increased defence production with the right levels of investment, but with investment comes a need to ensure stable and consistent demand signals. Industry needs to know that Europe's investment in defence is for the long-term. In this respect, at some point over the next legislature it may be worth exploring the possibility of creating a European defence industrial strategy to guide investments and production.
- **Permanent Structured Cooperation:** there is a need to improve the quality and coherence of PESCO by ensuring greater transparency in its progress and coherence between individual projects. We also recommend that PESCO should become more than a vessel for individual projects and there is a need to use PESCO to forge ahead with the progressive framing of a common defence including a more structured approach to capability development and building up the RDC.
- **Capability development priorities:** the prioritisation of capabilities at the EU-level occurs in different formats and at various stages of policy. Much greater coherence is required, especially since the war on Ukraine, to ensure that prioritisation effectively balances operational and industrial needs. In this process, the EU should not only prioritise high-tech military capabilities but also the 'life blood' of operations (e.g. ammunition and supplies).
- **Strategic Compass:** there is a need to begin thinking about the potential revision of the Strategic Compass. A new leadership might be tempted to re-draft the document and to use it to take stock of the war on Ukraine. This is positive but it should not come with a lengthy bureaucratic or drafting process.
- **Deepening EU-NATO relations:** the positive tone set between the two organisations should be enhanced in key areas such as military mobility and air defence, outer space and EDTs. In the context of healthy transatlantic relations today, there is potentially short timeframe to enhance cooperation in these areas.

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