PESCO: A Force for Positive Integration in EU Defence

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Differentiation, or what some have called the 'negative starting point' of integration, has always been the norm in EU defence policy. Driven by both endogenous and exogenous (f)actors, political leaders in the European Council are nevertheless mindful of the need for Member States to cooperate in more structured ways to better protect their citizens against security threats. For this reason, a package of harmonizing measures has been developed with remarkable speed since 2016. Permanent Structured Cooperation (PESCO) is the most prominent innovation in this field. Given the high levels of politicization in defence it is perhaps surprising that PESCO has produced the most inclusive expression of enhanced cooperation, even if it is the most flexible of the differentiated integration mechanisms provided by the Treaties. This is largely the result of a German push for inclusivity, which prevailed over a French desire for a higher level of ambition. Monitored by the European External Action Service (EEAS) and the European Defence Agency (EDA) and increasingly driven by the Commission's Directorate General for Defence Industry and Space (DG DEFIS), which manages the European Defence Fund (EDF), PESCO is a force that generates 'positive integration' by de-fragmenting the defence market in the European Union. This article builds on empirical research that maps the varied clusters of Member States lining up behind different types of defence capability development projects. It observes a process of coagulation across the microcosm of PESCO, coupled with formal expressions of differentiated integration, both vertically and horizontally, and offers explanations for these trends.

Keywords: European Union, differentiated integration, defence, PESCO

1 MULTI-LAYERED DIFFERENTIATED INTEGRATION

Cooperation between clusters of Member States in the field of European defence has traditionally been understood as 'negative differentiation': 'a status quo that poses severe obstacles to integration – rather than a formula that allows for diverse experiences and approaches to facilitate integration ("positive integration")'.[1] Differences between large and small countries, nuclear/non-nuclear states, expeditionary and territorial armed forces, allies and neutrals, professional and conscript

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1 J. Howorth, *Differentiation in Security and Defence Policy*, 17 Comp. Eur. Pol. 261, 277 (2019).

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armies, big and small spenders, naval and land army states, and those with or without a defence industrial base have long prevented them from moving beyond the 'negative starting point' of differentiated integration. Schimmelfennig,Leuffen and Rittberger note that the appeal of integration in Common Security and Defence Policy (CSDP) has generally been low because there are low levels of interdependence among Member States in what is a highly politicized policy area.[2] And yet, in response to years of austerity, geopolitical shifts around the world, an unpredictable and capricious Trump administration, Brexit, and an increasingly volatile neighbourhood, great strides have been made to create a defence architecture for the European Union.

Permanent Structured Cooperation (PESCO) in the area of defence is the most emblematic of these innovations and the most recent expression of differentiated integration in the EU.[3] Established by Article 42 Treaty on European Union (TEU),[4] Protocol No. 10 attached to the Lisbon Treaty addresses individual Member States' concerns by recalling the specific character of their security and defence policy and conditions this form of enhanced cooperation (see section 2). Following the conceptual framework developed by Leuffen et al.[5] and refined by Rieker (this Special Issue), this form of horizontal differentiated integration at the level of primary law, by which twenty-five Member States chose to harmonize their defence cooperation more closely by working through the EU, has been complemented with vertical differentiated integration secured in a formal way through the adoption of secondary legislation.[6] Downstream, new rules on third country participation in PESCO open up the possibility for alternative forms of horizontal differentiation of the membership across projects.[7]

Along with a dose of classic neo-functionalism to explain spill-over effects generated by higher levels of interdependence between Member States in certain areas of the European integration process,[8] a mix of new intergovernmentalism and

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2 F. Schimmelfennig, D. Leuffen & B. Rittberger, *The European Union as a System of Differentiated Integration: Interdependence, Politicization and Differentiation*, 22 J. Eur. Pub. Pol'y 778–779 (2015).

3 B. Leruth, S. Gänzle & J. Trondal, *Differentiated Integration and Disintegration in the EU After Brexit: Risks Versus Opportunities,* 57(6) J. Com. Mkt. Stud. 1383 (2019); *Differentiated Integration and Disintegration in a Post-Brexit Era* (S. Gänzle et al. eds, Routledge 2020).

4 Council Decision (CFSP) 2017/2315 of 11 Dec. 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States, O.J. L 331/57 (2017).

5 D. Leuffen, B. Rittberger & F. Schimmelfennig, *Differentiated Integration: Explaining Variation in the European Union* (Palgrave Macmillan 2013).

6 Compare *Council Decision (CFSP) 2018/909 of 25 June 2018 Establishing a Common Set of Governance Rules for PESCO Projects*, O.J. L 161/37 (2018).

7 Compare *Council Decision (CFSP) 2020/1639 of 5 Nov. 2020 Establishing the General Conditions Under Which Third States Could Exceptionally be Invited to Participate in Individual PESCO Projects*, O.J. L 371/3 (2020).

8 A. Niemann, Z. Lefkofridi & P. C. Schmitter, *Neofunctionalism*, in *European Integration Theory* 43–63 (3d ed., A. Wiener, T. A. Börzel & T. Risse eds, Oxford University Press 2019); B. Rosamund, *The*

new supranationalism best frames an analysis of the fledgling European Defence Union. New intergovernmentalist theorists[9] argue that, while evermore involved in decision-making at the EU level, national governments are reticent to attribute any more power to supranational institutions, the Commission *in primis*. As such, they may prefer the creation of de novo bodies and/or tools to facilitate their participation or opt for more structured cooperation without taking the 'risk' of a complete transfer of competences. Theorists of new supranationalism point to the fact that supranational institutions, while having accepted a secondary role, continue to informally influence CSDP.[10]

Since 2016, a permanent headquarters for military operations has been set up, located within the European External Action Service (EEAS) in Brussels; the twenty-one Member States that are also NATO allies have pledged to increase defence spending to 2% of their GDP and to earmark 20% of that sum for investment in defence capabilities; and a Coordinated Annual Review on Defence (CARD) mechanism now monitors the implementation of commitments on defence spending and capability development of Member States. PESCO was formally launched in December 2017, guided by a secretariat comprising the European Defence Agency (EDA), EEAS, and EU Military Staff (EUMS) tasked with overseeing Member States' adherence to binding commitments and the implementation of capabilities development projects. A EUR 7.9B-endowed European Defence Fund (EDF) agreed to under the 2021–2027 Multiannual Financial Framework (MFF) is supposed to stimulate the development of military capabilities.[11]

While it is too early to draw any definitive conclusions, especially since it takes years, if not decades, to develop and procure the most ambitious of platforms, this chapter investigates both the potential and the limitations of differentiated integration in the area of defence. Following a brief look at the origins of horizontal differentiation in EU defence integration at the level of EU primary law (section 2), the article deepens our earlier research[12] that traced Member States' formal participation in PESCO in an effort to discern the dynamics that are emerging at lowers levels between (clusters of) projects and to determine which EU countries

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Uniting of Europe and the Foundation of EU Studies: Revisiting the Neofunctionalism of Ernst B. Haas, 12 J. Eur. Pub. Pol'y 237, 254 (2005).

9 C. J. Bickerton, D. Hodson & U. Puetter, *The New Intergovernmentalism: European Integration in the Post-Maastricht Era*, 53 J. Com. Mkt. Stud. 703, 722, at 705 (2014).

10 M. Riddervold, *(Not) in the Hands of the Member States: How the European Commission Influences EU Security and Defence Policies*, 54 J. Com. Mkt. Stud. 353, 369 (2015).

11 P. Haroche, *Supranationalism Strikes Back: A Neofunctionalist Account of the European Defence Fund*, 27 J. Eur. Pub. Pol'y 1, 20 (2019).

12 S. Blockmans & D. Macchiarini Crosson, *Differentiated Integration Within PESCO: Clusters and Convergence in EU Defence*, 4 CEPS Research Report (2019).

act as frontrunners, laggards and disruptors in this process (section 3). The chapter also assesses the potential for third country participation in PESCO. We drill down within the project structures to see whether flexible arrangements in the governance of these projects could spur the development of further (informal) modes of differentiated integration (section 4). Lastly, we explore initial appraisals of PESCO and assess how it may evolve in the future (section 5).

2 PARTICIPATION IN PESCO

Article 42(6) TEU allows for the creation of a permanent structured cooperation between willing Member States 'whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions'. This provision encapsulates the *raison d'être* of PESCO: participating states commit to spend more, and more intelligently, on defence training, equipment and capabilities so that they are better able to conduct operations at the higher end of the military spectrum. On top of the formal entry criteria for PESCO laid down in Article 1 of Protocol No. 10, i.e., proceeding more intensively to develop defence capacities and having the capacity to supply troops and kit, Article 2 adds the following baseline commitments for continued participation in the structured framework:

1. cooperating with a view to achieving higher levels of investment expenditure on defence equipment in the light of, inter alia, international (especially NATO) responsibilities;
2. aligning the defence apparatus by identifying military needs, pooling and specializing capabilities, and encouraging cooperation in training and logistics;
3. taking concrete measures to mobilize forces;
4. reducing capability shortfalls and gaps; and
5. participating in major joint or European equipment programmes in the framework of the EDA.

Despite early attempts by Belgium, Hungary and Poland in a 2010 non-paper of their trio presidency to outline thoughts on how cooperation might be made inclusive and effective,[13] and a written request by Italy and Spain to High Representative/Vice-President (HRVP) Ashton in May 2011 to put PESCO on the agenda of the Foreign Affairs Council, it took until June 2016 for a High Representative to suggest in the EU Global Strategy that '[e]nhanced cooperation

[13] S. Biscop & J. Coelmont, *CSDP and the Ghent Framework: The Indirect Approach to Permanent Structured Cooperation*, 16 Eur. For. Affairs Rev. 149, 167 (2011).

between Member States should be explored, and might lead to a more structured form of cooperation, making full use of the Lisbon Treaty's potential'. The December 2016 European Council responded by tasking the HR and Member States to present 'elements and options for an inclusive PESCO based on a modular approach and outlining possible projects'.

Unlike CSDP writ large, which is marked by an opt-out by Denmark, horizontal differentiated integration in EU defence (*stricto sensu*) takes the unique form of enhanced cooperation between twenty-five Member States (Denmark, Malta[14] and the pre-Brexit UK[15] chose to stand aside). Compared to other cases of enhanced cooperation that are built around one piece of legislation,[16] PESCO establishes differentiated integration in an entire policy field; a microcosm in which vertical differentiation is taking shape with the active participation of EU bodies and institutions. What's more, PESCO has so far produced the most inclusive expression of enhanced cooperation.[17] This is largely the result of a German push for inclusivity, which prevailed over a French desire for a higher level of ambition. But rather than presenting this as a binary choice to the other Member States, Berlin and Paris agreed to compromise by applying a 'modular approach'[18] to enhanced cooperation in the field of defence.[19] Paradoxically, this modular approach may also serve as a vehicle for informal opt-outs and exemptions in downstream areas of PESCO. For PESCO to succeed, the key challenge, therefore, is 'to develop a modus operandi [which is] flexible [enough] to manage diversity [and] solid [enough] to generate tangible collective gains'.[20]

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[14] Malta invoked a constitutional commitment to neutrality and non-alignment but kept the door open for future participation depending on the course of implementation of PESCO, *see* E. Lazarou & A. M. Friede, *Permanent Structured Cooperation (PESCO): Beyond Establishment*, EPRS Briefing (2018).

[15] *Ibid.*: 'The UK welcomed the launch of PESCO and "its ambition to develop military capabilities that address the shortfalls in EU and NATO contexts", as stated by the British Minister of State for Europe, Alain Duncan, in his answer to the House of Commons'.

[16] So far the general instrument of enhanced cooperation has been triggered only four times: for the establishment of the European Public Prosecutor's Office (EPPO); in the law applicable to divorce and separation; for the creation of unitary patent protection; and for the proposed financial transaction tax.

[17] Prior to PESCO, the most inclusive of enhanced cooperative frameworks was the establishment of the EPPO by sixteen Member States, joined later by 4 more; *see* V. Kreilinger & L. Maria Wolfstädter, *European Integration via Flexibility Tools: The Cases of EPPO and PESCO*, Jacques Delors Institut Berlin Policy Paper (2017).

[18] European Council Conclusions, EUCO 34/16, para. 11 (15 Dec. 2016).

[19] The Franco-German Defence and Security Council held on 13 July 2017 also agreed to several long-term bilateral defence projects, such as merging systems for land forces (KMW and Nexter), developing a new fighter jet and a joint successor model for the countries' main battle tanks (Leopard 2 and Leclerc), *see* S. Blockmans, *The EU's Modular Approach to Defence Integration: An Inclusive, Ambitious and Legally Binding PESCO?*, 55 Com. Mkt. L. Rev. 1785, 1826 (2018).

[20] D. Fiott, A. Missiroli & T. Tardy, *Permanent Structured Cooperation: What's in a Name?*, 142 EUISS Chaillot Paper 53 (2017).

3 EMERGING CLUSTERS IN THE DEVELOPMENT OF PESCO PROJECTS

With Council Decisions (CFSP) 2017/2315, 2018/1797 and 2019/1909, the first, second and third waves of PESCO projects were respectively defined. It is within the scope of these secondary legal acts that one can observe a vertical form of differentiated defence integration. Council Decision (CFSP) 2017/2315 not only established the first list of projects but added the 'more binding commitments' to be undertaken by each PESCO participating state. Politically binding in nature but difficult to legally enforce,[21] states are formally required to meet certain objectives, thus raising the bar from mere informal pledges. These twenty commitments are subdivided into five categories concerning: defence investment expenditure; harmonization, capability specialization and training/logistics cooperation; force availability, interoperability, flexibility and deployability; 'Capability Development Mechanism' implementation; and an equipment programme development through the EDA. Annual reporting by Member States in the form of National Implementation Plans (NIPs) establishes the extent to which Member States believe they are meeting these twenty commitments. This secondary level of legal differentiation already gives rise to a set of interesting observations about the tension between levels of inclusivity and ambition regarding the projects, as indeed the level of integration of European intergovernmentalism in defence. Furthermore, a narrative emerges that explains why some participating Member States tend to collaborate with others.

3.1 Project differences

While the inclusivity debate on a PESCO-wide scale is more or less settled (if Malta does eventually join, then participation will be equal to that of CSDP post-Brexit), membership and observer status in the projects is in flux in at least three ways.[22] First, the inaugural wave of seventeen projects led to a total of 130 instances of participation. That number then dropped to sixty-six in the second wave of projects and to forty-seven in the third wave. This, combined with a decline in regularity of new project launches to every two years and the amount of time it takes to develop defence capabilities (up to twenty years for the biggest physical platforms) means that there will be a gradual slowing down in outputs[23] and a delegation of PESCO management from the political to the technical level.

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[21] Blockmans, *supra* n. 19.

[22] *See* Blockmans & Crosson, *supra* n. 12.

[23] Even if the ambition is to have twenty-six out of the current forty-seven projects deliver concrete results by 2025. *See* s. 5 for a discussion on PESCO's Strategic Review of 20 Nov. 2020.

Secondly, the differences in participation extend to the project clusters as well as to country-pairings within projects belonging to different clusters. And thirdly, the possibility of third country participation may increase differentiation in the population of projects (cf. Section 4).

Whereas the level of ambition described in the initial policy documents was maintained, the first batch of seventeen PESCO-branded projects concerned mostly the implementation of off-the-shelf plans, i.e., existing EDA and Organization for Joint Armament Cooperation (OCCAR) projects such as cooperation on a European secure software defined radio, upgrading maritime surveillance, creating a 'deployable military disaster relief capability package' and setting up a 'network of logistic hubs in Europe and support to operations'. Military mobility, the most 'populated' project (all PESCO states minus Ireland), is another example: developed within NATO and incorporated in the PESCO framework, the project was referred to in the press as the 'Schengen of defence'.[24] Yet, rather than creating a free-travel zone for European armies (or a visa-free travel area for third country troops, for that matter), the project merely aims to facilitate the cross-border movement of troops, services and goods (e.g., for military exercises) by harmonizing rules (e.g., customs, dangerous goods, trans-European transport networks) and procedures between participating states.

Following the presentation of the inaugural series of projects, the question was raised whether projecting unity was more important to the architects of PESCO than using the single opportunity to activate a unique Treaty basis that would have allowed for greater ambition with a smaller group of states whose military capabilities fulfil higher criteria.[25] The publication of the second and third waves of projects did, however, show an increased level of ambition. Perceived shortfalls in the selection of the initial projects were partially corrected with the addition of projects for a European Medium Altitude Long Endurance Remotely Piloted Aircraft Systems (MALE RPAS) and the European TIGER Mark III attack helicopter, among others.[26] In this sense, the original French push for smaller groups with stronger military capabilities that meet the 'more binding commitments' may have led participating states to be more selective about joining projects. Then again, the halving of project participation in round two may also have been due to the reluctance of states to invest in more costly projects and/or to push ahead overzealously due to as-of-yet untested reporting mechanisms and internal project arrangements.

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[24] A. Rettman, *France and Germany Propose EU 'Defence Union'*, EU Observer (12 Sept. 2016), https://euobserver.com/foreign/135022 (accessed 28 June 2021).

[25] Blockmans, *supra* n. 19.

[26] Other ambitious projects on a potential EU defence to-do list are those related to a future EU combat aircraft system, such as a sixth-generation combat aircraft.

There are significant differences vis-à-vis overall participation from one project wave to the next. Czechia and France exhibited the greatest appetite for increasing their PESCO participation between the first two waves. After the third wave, Romania, Hungary and Sweden increased their PESCO participation markedly. Whereas Germany and Italy have tempered their initial enthusiasm, France increased its project leaderships from two in December 2017 to ten at the end of 2019.[27] Larger, balanced projects prevailed in the first wave of mostly off-the-shelf projects while a hub-and-spoke or silos logic guided the two subsequent ones, with France calling the shots in less populated projects in both cases. Per the Council decision on PESCO governance rules, participation is subject to change. In fact, there are cases of both states joining projects they previously had not been party to or withdrawing from others, with a total of eighteen changes officially accounted for by the Council's official list of PESCO projects.[28] In successive waves projects could merge or disappear altogether, depending on the level of implementation, Member State commitment and synergies developed with other projects. Indeed, if upward convergence is the objective, then projects should gradually fill up begin to resemble the first wave of projects.

Our empirical findings, updated in 2021, paint a different picture. In the first wave of projects there are on average 7.6 participating states per project, the second wave averages out at about 3.9 participating states and the third wave average is 3.6 participating states. Eight out of seventeen projects in the first wave have up to five participating states, whereas fourteen of seventeen second wave projects and twelve of thirteen third wave projects are bilateral, trilateral or minilateral in nature. Finally, while the first wave of projects includes all twenty-five PESCO Member States, this number falls to twenty-one in the second round and to just fifteen in the most recent wave. The trend, therefore, is more exclusive project selection.

Among the three project rounds there are also differences regarding the thematic scope of the PESCO projects, which provides an additional layer to secondary-level differentiated integration in EU defence. The projects are divided into the following 'clusters': training and facilities; land and formations systems; maritime; air systems; enabling and joint capabilities; cyber capabilities; and space systems. In the first wave, the maritime, enabling and joint capabilities and cyber capabilities project clusters are predominant. While enabling and joint capabilities are still prevalent in the second wave, air systems, land and formations systems and training facilities gained traction. Air systems and space capabilities projects, previously not included in the first wave, saw the greatest increase in the number of

[27] *See* Blockmans & Crosson, *supra* n. 12.
[28] *Ibid.*

projects, as did training and facilities. In the third wave, there were significant changes to the training and facilities cluster, which doubled in size, and the enabling and joint capabilities cluster, in which the number of projects increased from seven to eleven.

Digging deeper into the differences between the inclusivity of project clusters, it is interesting to observe the PESCO projects characterized by bilateral, trilateral and minilateral cooperation. Specifically, these smaller projects are much more prevalent in the air systems, space capabilities and maritime capabilities project clusters – and could be considered as more ambitious. Larger, more populated project clusters such as land formations and systems and enabling/joint capabilities follow the German model, while smaller project clusters such as maritime capabilities are less joined up. Unlike the differences among waves, it is harder to envisage the projects filling up in all clusters due to the financial commitments inherent in developing the necessary technology and industrial capacity for those systems.

So far, PESCO revolves around 'old' Europe, which has a higher rate of participation. As a result, the Central and East European Member States collaborate more with their counterparts in the West, although, on average, they tend to collaborate among themselves to a greater extent than Western European countries do.[29] The EDF's 'three companies from three countries' standard, along with the nascent practice that two countries jointly formulate proposals for forthcoming PESCO projects, is too low a bar to ensure geographical balance. This all but guarantees a perpetuation of uneven competition in the single defence market. Together with the observations made above about project waves and clusters, one might ask: what factors lead to the coagulation of certain forms of cooperation between Member States in the projects of the first three waves, the project clusters, and the individual projects?

3.2 Explaining cooperation

As revealed by previous empirical findings,[30] PESCO countries cooperate with each other to varying degrees. Cooperation (or non-cooperation) naturally stems from factors that unite (or divide) certain Member States. For PESCO, these

[29] On average, pre-2004 EU Member States have on average 4.3 project collaborations with other pre-2004 enlargement Member States, while only 2.7 project collaborations with the newest post-2004 enlargement Member States. On the other hand, the post-2004 enlargement Member States have on average 2.6 project collaborations with pre-2004 enlargement Member States and 2.1 project collaborations among themselves.

[30] *See* Blockmans & Crosson, *supra* n. 12, at 14.

factors are primarily systemic and economic in nature.[31] Firstly, it is intuitive to examine the factors that bring certain Member States together within PESCO through an industrial lens. By comparing the average share of PESCO participating states' arms export licences from 2013–19, the average defence expenditures per Member State from 2013–19, the biggest defence companies in PESCO participating Member States from 2015–19, as well as the average revenue generated in each participating Member State over that timeframe, and the amount of active military personnel in 2019, one can observe that four PESCO participating states are the defence frontrunners: France, Italy, Germany and Spain with Poland, Greece and Belgium following in a second tier. All four of these Member States are present in nine of the forty-seven PESCO projects and three of them are all members in an additional five projects.[32]

Smaller projects in which three or all of the big four are present are those which, according to the data currently available, might reward the national defence technological and industrial base (NDTIB) of the big four. Examples of these include the natural heirs of off-the-shelf OCCAR projects such as European Secure Software defined Radio (ESSOR) (inter alia Thales, Leonardo, and Indra), the European TIGER Mark III attack helicopter (Airbus) and the MALE RPAS Eurodrone project (Airbus, Leonardo, Dassault Aviation and Aero Vodochody). This could indicate that financial incentives in the form of a 10% co-financing bonus offered by the EDF may, at times, be the sole reason for projects born outside of PESCO to join. This could hold true as well for projects in which any of the big four are collaborating on a bilateral or trilateral basis with smaller Member States. In these cases, increased cooperation could be explained by certain Member States' willingness to tap into the expertise and resources made available by the largest multinational corporations in the defence industry.

The trend of looking toward each Member State's NDTIB is confirmed by the companies involved in some of the projects under the Preparatory Action for Defence Research (PADR), an EDF trial-run under the 2014–2020 MFF: OCEAN2020 and the Generic Open Soldier Systems Reference Architecture (GOSSRA) projects involve industrial partners such as Leonardo, MBDA, Fincantieri, Saab, Rheinmetall and Polish Armaments Group (PGZ). Additional criteria should be considered as well in order to avoid the geographical imbalances that already emerged within the scope of the PADR In fact, according to the European Network Against Arms Trade,

[31] Other factors could be considered such as the strength of ties as expounded upon by ECFRs' Coalition Explorer. However, this data primarily relies on perceptions.

[32] Of note, there are only three projects in which none of the big four is present. These are: Maritime (semi-) Autonomous Systems for Mine Countermeasures (Belgium, Greece, Latvia, Netherlands, Poland, Portugal, Romania), the Joint EU Intelligence School (Greece, Cyprus), and One Deployable Special Operations Force Tactical Command and Control Command Post for Small Joint Operations (Greece, Cyprus).

Italian (19.85%), French (15%), German (11.9%), and Spanish (10.4%) contractors received the largest share of the EUR 50.26M shelled out in 2017–18 including Leonardo (EUR 5.8M), Saab (EUR 3.23M), Indra (EUR 3.1M), and Airbus (< EUR 2M), 40.86% of the total budget allocated so far.[33]

A similar picture emerges in terms of the European Defence Industrial Development Programme (EDIDP), the second pillar of the EDF. Spain (seven), France (six), Italy (five), Germany (four) were the Member States most involved in projects awarded EDIDP financing in the 2019 call for applicants. In his October 2020 remarks to the European Parliament plenary, HRVP Borrell emphasized that 50% of EDIDP actions are related to PESCO projects. The industrial driver is clear. According to the EDIDP's multiannual work programme for 2019 and 2020, funding for the Eurodrone project was allocated to the following companies: Airbus Defence & Space GmbH, Dassault S.A., Leonardo, Airbus Defence & Space S.A.U. Furthermore, the EDIDP was expected to generate more than EUR 175M in revenue for Indra (Spain).[34] At the time of writing, the EDIDP finances forty projects with the involvement of 223 companies from twenty-four Member States, on average fourteen entities from seven Member States.[35] Of these, nine are being developed within PESCO.

In spite of the Member States' stated desire to enhance their capabilities, operational range and industrial cooperation, the reduction from a planned EUR 13B to EUR 7.9B for the neo-functionalist-inspired EDF under the 2021–27 MFF means that Member States will have to individually pony up more resources than originally planned. Along these lines, the Commission published its Action Plan on Synergies between civil, defence and space industries with a view toward enhancing coherence among EU funding programmes and creating fertile ground for civilian spin-offs of defence R&D as well as defence 'spin-ins' of civilian innovation.[36]

Taking inspiration from the 'clusters approach',[37] another way of explaining cooperation between participating states (also outside of the big four) is to examine previous frameworks for bi-, tri-, and minilateral defence cooperation in Europe. Distinctions should be made between operational and capabilities-oriented

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[33] European Network Against Arms Trade, *New from the Brussels' Bubble* (2019), http://enaat.org/wp-content/uploads/2018/03/ENAAT-NBB-2019-5_23.12.2019.pdf (accessed 28 June 2021).

[34] Indra, *Indra, the Company That Will Lead the Most Projects in the Construction of European Defence* (2020), https://www.indracompany.com/sites/default/files/200619_pr_indra_edidp.pdf (accessed 28 June 2021).

[35] European Commission, *European Defence Fund: €205 Million to Boost the EU's Strategic Autonomy and Industrial Competitiveness* (15 June 2020), https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1053 (accessed 28 June 2021).

[36] COM(2021) 70 final (22 Feb. 2021).

[37] J. Howorth, *The EU's Security and Defence Policy: The Quest for Purpose*, in *International Relations and the European Union* 341–364 (3d ed., C. Hill, M. Smith & S. Vanhoonacker eds, Oxford University Press 2017).

cooperation, and among different forms of operational cooperation, i.e., those that are multi-sectoral and those that are limited to one sector only. In doing so, forms of cooperation as spin-offs of NATO, such as the Joint Expeditionary Force, created at the 2014 NATO Wales Summit, or the broader concept of EU pooling and sharing, are left out.

These forms of cooperation concern both operations and acquisition of capabilities. The 2010 Lancaster House Treaties for Defence and Security Co-operation, the 2019 Franco-German Treaty of Aachen marking fifty-six years from the Élysée Treaty, the Nordic Defence Cooperation (NORDEFCO) Memorandum of Understanding, the Long Term Vision of the Visegrád Countries on Deepening their Defence Cooperation, and the 2012 Benelux Declaration on Defence Cooperation formally structure cooperation between the parties to those agreements. Baltic Defence Cooperation is not formally structured in one document yet is multi-sectoral in nature. Other examples of pre-PESCO defence cooperation include BeNeSam Naval Cooperation between Belgium and the Netherlands, Polish-German Submarine Cooperation, and Dutch-German Battalion and Air Force Cooperation, all operational in nature but limited in scope. Finally, on the procurement side of things, France, Italy, Spain, Belgium and Germany are all full members of OCCAR. So is Brexit Britain. This organization has the objective of facilitating joint production and procurement programmes for defence equipment. The Netherlands, Poland, Lithuania, Sweden, Finland and (EU accession country) Turkey are observers and participate in a limited number of OCCAR projects.

Yet, these pre-existing forms of defence cooperation in Europe explain PESCO clustering only to a certain extent. The spill-over of Benelux cooperation and Baltic cooperation in PESCO is strong, whereas Franco-German, Nordic and Visegrád cooperation is surprisingly low.[38] In the Franco-German case this could be due to their different views on how PESCO should be run, reflective of increasing tensions between the two sides of the Rhine since the beginning of Emmanuel Macron's presidency. Finland and Sweden, the only PESCO participating states in NORDEFCO, have different preferences vis-à-vis partners, with Finland preferring to cooperate with the German-Dutch-Polish axis and Sweden choosing France and Spain as its preferred partners. This could be seen through a European Intervention Initiative (EI2) lens.[39] Sweden, not a member of this France-led initiative to develop a common strategic culture in Europe, may want to keep strong ties to its French counterparts, whereas Finland, a member of EI2, would prefer to strengthen its relationship with the more reluctant

[38] *See* Blockmans & Crosson, *supra* n. 12, at 14.
[39] D. Zandee & K. Kruijver, *The European Intervention Initiative – Developing a Shared Strategic Culture for European Defence*, Clingendael Report (2019).

Germany,[40] followed in this case by Poland and the Netherlands, with which it shares staunch support for a leading role for NATO in providing for Europe's collective security. As for the Visegrád countries, Poland prefers to partner with the Dutch, Czechia with Germany, and Hungary and Slovakia with Italy. This raises the question of whether these seemingly unexpected partnerships are born out of natural synergies in Member States' strategic cultures (cf. EI2) and/or particularly strong integrated value chains.

According to Pannier and Schmitt (2014), and 'contrary to the arguments of many discussions, think-tank reports and political actors [as, indeed, this article], there is no evidence that institutionalized cooperation leads to policy convergence as far as defence is concerned'. Yet, an underlying element of PESCO's twenty binding commitments is the pursuit of alignment in strategic cultures at the EU level to remedy what is indicated as a weakness of the EU's external action in the defence domain.[41] PESCO and CARD can indeed be viewed as a tool facilitating the 'Europeanization' (in the direction of supranationalization) of CSDP and consolidating it as a 'community of practice'.[42] As Biehl, Giegerich and Jonas note,[43] EU Member States can be largely categorized into three clusters based on their level of ambition in international security policy, the scope of action for the executive branch in military-security decision-making, their foreign policy orientation, and their willingness to use military force (linked to threat perceptions). The clusters emerging from their analysis prove to be interesting input for the discussion on PESCO groupings.

Two main conclusions can be drawn from this attempt to cluster EU Member States' strategic cultures. First, strategic culture alignment plays a role in the extent of participation of certain Member States in PESCO. In fact, those states with a strategic culture aimed at protecting and projecting their state power generally participate in more projects, thanks to the larger margin for manoeuvre of the

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[40] German participation in the EI2 could be seen as a way to control the French initiative and prevent it from superseding PESCO as the main experiment in European-wide defence cooperation. Indeed, the potential for duplication, in particular with PESCO's German-led EUFOR Crisis Response Operation Core (EUFOR CROC) project, is real. While stressing the 'need to further develop the emergence of a shared strategic culture through the European Intervention Initiative' in their Meseberg Declaration of 19 June 2018, Macron and Chancellor Merkel agreed to link EI2 'as closely as possible with PESCO'. For that to happen though, the associate status of the respective non-members is essential.

[41] J. Howorth & A. Menon, *Still Not Pushing Back: Why the European Union Is Not Balancing the United States*, 53 J. Conflict Resolution 727, 744 (2009).

[42] C. Hill & R. Wong, *Many Actors, One Path? The Meaning of Europeanization in the Context of Foreign Policy*, in *National and European Foreign Policies: Towards Europeanization* 210–232 (R. Wong & C Hill eds, Routledge 2011); F. Bicchi, *The EU as a Community of Practice: Foreign Policy Communications in the COREU Network,* 18 J. Eur. Pub. Pol'y 1115, 1132 (2011).

[43] H. Biehl, B. Giegerich & A. Jonas, *Conclusion*, in *Strategic Cultures in Europe* 387–401 (H. Biehl, B. Giegerich & A. Jonas eds, Springer 2013).

executive branch of government and a generally high willingness to use military force. This is true for France, the Netherlands, Greece and Poland. Furthermore, those Member States that use their security policy to gain visibility and credibility on the international stage have more heterogeneous participation rates in PESCO. In the final cluster, for those states that use their security policy as an international bargaining tool, there is some variation. A schism emerges in this cluster between Atlanticist, pro-NATO and generally Central and Eastern European Member States that are less involved in PESCO, and Europeanist, Western European Member States with higher participation, which could be explained by their 'functional foreign policy orientation'. A strong pro-NATO stance (and consequently a more open position vis-à-vis third country participation) brings EU Member States together in PESCO. Strong Polish-Dutch-Finnish-Baltic cooperation could be framed by the NATO narrative.[44]

Moreover, strategic culture alignment can explain cooperation among certain Member States within PESCO. First, while there is greater variation in participation among those states that use their security policy as a tool for international bargaining, the states within this cluster tend to cooperate more among themselves than do the states in other clusters. This could indicate that such a strategic culture is correlated with an institutional tendency towards cooperation.

Other variables could also partially explain why states participating in PESCO prefer each other as partners. Chief among these is geography. Countries like the Czech Republic, Croatia, Bulgaria, and Estonia have stronger partnerships with one or more bordering countries or countries in the immediate vicinity. The Baltics and Balkan countries, in particular, show a high level of cohesion among themselves. Geography plays another role in the scope of cooperation. For example, all the states participating in maritime capabilities projects are seafaring. This is unsurprising from both a practical and industrial standpoint, yet one could suppose that certain components or competences are not necessarily strictly maritime, i.e., the Hungarian river minesweeping fleet for the Danube. An October 2020 Defence Cooperation Agreement between Greece and Portugal is illustrative of how PESCO has pushed Member States to recognize common geopolitical interests. In announcing the deal, Greek Defence Minister Nikos Panagiotopoulos and his Portuguese counterpart João Gomes Cravinho stated that the agreement will serve to establish synergies 'in the framework of EU defense initiatives, such as PESCO'.[45] This could

[44] This is supported by the 'food-for-thought' paper encouraging an inclusive vision for third country participation put out by the Benelux countries and supported by Lithuania, Estonia, Latvia, Poland, Slovakia, Czech Republic, Bulgaria, Portugal, Sweden and Finland, *see* S. Blockmans, *The Benelux Approach to EU Integration and External Action*, 3 Global Affairs 223, 235 (2017).

[45] Hellenic Republic Ministry of National Defence, *Defence Cooperation Agreement Signed Between the Minister of National Defence, Nikolaos Panagiotopoulos, and the Minister of National Defence of Portugal, João*

be also be said for strong Portuguese cooperation with both Austria and Finland, as they are all located on the EU's external borders. Finally, linguistic and cultural proximity could further explain strong Belgian-French, Belgian-Dutch and, above all, Greek-Cypriot cooperation within PESCO.

4 GOVERNANCE WITHIN PESCO PROJECTS

Having focused so far on differentiated integration facilitated by both primary EU law and secondary legislation, tertiary-level differentiation refers to the individual project arrangements, as loosely set out in Article 7(1) of Council Decision (CFSP) 2018/909 of 25 June 2018 establishing a common set of governance rules for PESCO projects. The most prominent modes of the deepest formal expression of vertical differentiated integration in EU defence could hypothetically take place in the form of a change to decision-making procedures.

In spite of the low threshold for launching PESCO (by qualified majority vote, or QMV), decisions and recommendations taken within the framework are adopted by unanimity (Article 46(6) TEU). However, Article 4(4) of the governance rules on PESCO allows 'project members [to] agree among themselves by unanimity that certain decisions, such as those relating to administrative matters, will be taken according to different voting rules', such as QMV. The likelihood that states participating in individual PESCO projects would adapt the governance rules for individual PESCO projects in order to take decisions by QMV is not great, however. As a result, decision-making by unanimity will prolong consensus politics. Poland may well replace the UK as the Member State that most frequently slams on the brakes. In the face of Russian aggression, the country relies on the hard security guarantees provided by the US, as evidenced by the US-Poland Enhanced Defense Cooperation Agreement signed in August 2020.[46] Warsaw has long resisted the idea of EU defence integration for fear of undermining NATO's resolve to come to the rescue in the hour of need. Political market forces unleashed by the prospect of Brexit and the Trump presidency have ultimately led the Polish government to sign up to PESCO.[47]

Gomes Cravinho (12 Oct. 2020), https://www.mod.mil.gr/en/defence-cooperation-agreement-signed-between-minister-national-defence-nikolaos/ (accessed 28 June 2021).

[46] Republic of Poland Ministry of National Defence, *New US-Poland Enhanced Defense Cooperation Agreement Signed* (15 Aug. 2020), https://www.gov.pl/web/national-defence/new-us-poland-enhanced-defense-cooperation-agreement-signed (accessed 28 June 2021).

[47] In a joint letter of 13 Nov. 2017 addressed to the HR, the Ministers of Foreign Affairs and National Defence of Poland set out three conditions for Poland's participation in PESCO: primacy of NATO's defence planning process; competitive, innovative and balanced development of the European defence industry in order to suit the needs of all the Member States involved; and a '360-degree approach' to security threats with particular attention paid to the eastern flank.

If not through a change in decision-making, then tertiary-level differentiation in the PESCO ecosystem could manifest itself through implementation of Article 7 (1) of the governance rules on PESCO:

> The arrangements that the project members may agree among themselves, where appropriate in writing, within each PESCO project […] include [… the] invitation to the Commission to be involved, as appropriate, in the proceedings of the project.

Although Commissioner Breton, responsible for the defence and space market regularly attends HRVP-led Project Group Defence Union and Coherence meetings monitoring progress in PESCO, there has been no public indication to date that the Commission has been invited to participate in the proceedings of individual projects nor that this is envisioned by any of the project arrangements. In fact, as of 15 June 2020, the Council recommended that participating Member States are 'encouraged to enhance and accelerate the processes leading to the adoption of Project Arrangements', indicating that some projects have thus far failed to agree upon any. Because certain projects were lagging behind in adopting arrangements, Council Decision 2020/1639 on third country participation in PESCO also provided a template for project arrangements.

Considering, however, that EDF funding will be allocated by the Commission's DG DEFIS and that certain elements of PESCO have implications for the single market, the argument could be made for Commission participation in project proceedings to be mandatory. This could increase the potential for convergence among projects.

The aforementioned Council Decision 2020/1639 on third state participation in PESCO adds another piece to the project puzzle. According to the procedure laid out by the Decision, if unanimity is reached among a PESCO project's participating Member States that they wish to invite a third country applicant (i.e., a non-EU state) to partake, they will notify the Council.[48] The Council may, in turn, decide by consensus that the third country under consideration may participate in PESCO if it shares the EU's treaty-enshrined values and maintain good neighbourly relations with EU Member States, provides a substantial value-added to the success of the projects which it has requested to participate in, and reinforces the EU's Defence Technological and Industrial Base (EDTIB) (without leading to dependencies). If provided for by specific projects, such a third state must also have an Administrative Agreement in force with the EDA. The Decision then foresees that the third state agrees to the specific project arrangements with

[48] The United States Department of Defense has already expressed interest in joining the Military Mobility project. Defense News, *Pentagon Pushes to Partake in EU Military Mobility Planning* (3 Mar. 2021), https://www.defensenews.com/global/europe/2021/03/02/pentagon-pushes-to-partake-in-eu-military-mobility-planning/ (accessed 28 June 2021).

the participant Member States. Third country participation in each project will be subject to an annual review mechanism. It will be possible for EU participating Member States to suspend a third country if it no longer meets the aforementioned political and substantive conditions or fails to fulfill its specific project arrangement obligations, again by unanimity in the Council. Furthermore, if a third country is denied participation but a non-EU entity still wishes to take part in a specific project, then it may request do so by 2025, contingent upon unanimous Council authorization. While project arrangements are necessary for both the eventual involvement of the Commission as well as third country participation, Council Recommendation of 15 June 2020 asked Member States to accelerate, where absent, their adoption. In the first instance of third country participation, the 6 May 2021 Foreign Affairs Council authorised the Netherlands (as project coordinator) to extend an invitation to Canada, Norway, and the United States to partake in the most-populated Military Mobility project in an effort to facilitate the movement of NATO troops and materiel across the continent and enhance EU-NATO cooperation. Subsequent press reports have confirmed that Turkey has formally requested to participate as well.[49]

Yet, the Decision on third state participation in PESCO should not be confused with the provisions on third country entity participation in the draft Regulation 2018/254 establishing the EDF.[50] As such, if a third country entity participating in an EDF-funded PESCO project wishes to receive such funding, it must apply separately according to the conditions provided for by the Regulation – e.g., 'entities established in the Union or associated countries and not subject to control by non-associated third countries or non-associated third country entities'. In light of the draft regulation's more stringent requirements, PESCO projects involving third countries may be less likely to apply for EDF funding.

A further level of differentiation is emerging at the individual project level in terms of project management. The EDA's Annual Report for 2020 underlined that, as of April 2021, the EDA was providing assistance beyond administrative support to five projects: Chemical, Biological, Radiological and Nuclear defence (CBRN SaaS) (Austria), Maritime Mine Counter Measures (Belgium), Deployable Modular Underwater Intervention Capability Package (Divepack) (Bulgaria), ESSOR (France), the European Patrol Corvette (Italy), and Cyber Rapid Response Teams and Mutual Assistance in Cyber Security (Lithuania). Both the CBRN Saas and Divepack projects have also become agency activities, therefore

[49] A. Brzozowski, *Turkey's Participation Request in EU Military Project Apprehended as 'Trojan Horse'*, Euractiv (17 May 2021).

[50] Council of the European Union, *Provisional Agreement Reached on Setting-up the European Defence Fund* (14 Dec. 2020), https://www.consilium.europa.eu/en/press/press-releases/2020/12/14/provisional-agreement-reached-on-setting-up-the-european-defence-fund/ (accessed 28 June 2021).

adding a further level of divergence among projects. A further nine projects are receiving some form of EDA support.[51] Contrary to what could be hypothesized, there is an interesting mix of both Member States in terms of military capabilities, industrial bases, and project clusters. Furthermore, some projects still rely on OCCAR for project management expertise including the TIGER Mark III attack helicopters (France), the Eurodrone (Germany), and, interestingly, the European Secure Software defined Radio, which is also receiving EDA support.

5 FUTURE TRENDS

Having mapped out the participation of Member States in the forty-seven exiting projects, as well as the push-pull factors that energize this secondary-level force field of PESCO, it remains to be seen whether further differentiation might emerge within the projects. Initial appraisals of PESCO by the Council and HRVP Borrell painted a picture in *chiaroscuro*. In its recommendation of June 2020, the Council emphasized some of these (potential) divergences at the project level.[52] In fact, what emerges from participating Member States' self-evaluation, informed by the HRVP's annual PESCO report and the EU Military Committee's advice, is that PESCO remains an exoskeletal work in progress.

First and foremost, the Council stated that only twenty-four projects are directly linked to the high impact capability goals-guided Capability Development Priorities (CDPs), while twelve are indirectly linked, leaving eleven with no link whatsoever with the CDPs. Furthermore, only three projects have reached Initial Operational Capability (IOC), with twenty-three projected to do so by 2023. One project, the European Union Training Mission Competence Centre coordinated by Germany, has been terminated as it has already reached its intended objectives.[53] In remarks to the European Parliament in plenary in October 2020, HRVP Borrell optimistically stated that the EU beyond-line-of-sight land battle-field missile system, the Cyber Rapid Response Teams and Mutual Assistance in Cyber Security project, the European Medical Command and twelve other projects should be fully operational by 2025.[54] Yet, thirty projects were still in the

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[51] European Defence Agency, *Annual Report 2020* (30 Mar. 2021), https://eda.europa.eu/docs/default-source/eda-annual-reports/eda-annual-report-2020.pdf (accessed 28 June 2021).

[52] *Council Recommendation of 15 June 2020 Assessing the Progress Made by the Participating Member States to Fulfil Commitments Undertaken in the Framework of Permanent Structured Cooperation (PESCO)*, 2020/C/ST/7745/2020/INIT, O.J. C 204/ 1 (2020).

[53] Federal Ministry of Defence, *EU Defence Ministers Reach Several Milestones* (2020), https://www.bmvg.de/en/eu-defence-ministers-reach-several-milestones-4526816 (accessed 28 June 2021).

[54] European External Action Service, *Permanent Structured Cooperation: Remarks by the High Representative/Vice-President Josep Borrell at the EP Plenary on the Recommendation Concerning the Implementation and Governance of PESCO* (20 Oct. 2020), https://eeas.europa.eu/headquarters/headquarters-homepage/

ideation phase and HRVP Borrell stated that, despite expanding participation, some projects will take time.

Especially considering the sizable cut to the EDF's appropriations, should any of the projects still in the ideation phase overlap with a lack of link with the CDPs, the leading Member States should consider taking the Council up on its advice that 'when project members identify that projects are encountering difficulties in delivering results, those projects should either be revived or closed'. Otherwise, these projects may consider 'clustering, merging or grouping of projects in order to increase synergies', as previously alluded to.

Additionally, the Council recommended that participating Member States be more conservative in their future projects proposals, asking them to prioritize projects with a short-term impact in the operational sphere and going so far as to mention that additional selection criteria could be decided upon. Project revival may necessitate a higher level of political momentum than currently available to cash-strapped participating Member States reeling from COVID-19 induced economic difficulties. Regardless, it would be helpful for policymakers and civil society alike if each PESCO project were to explicitly identify the capability development priority it is linked with.

The Council recommendation of June 2020 confirms that, three years on from the launch of PESCO, the selective and ambitious approach prevailed. Regarding the inclusive approach, only the merging of projects seems desirable at the moment, as further grouping or clustering would seem redundant. Merging could include that with NATO initiatives. While HRVP Borrell stated in his remarks to the European Parliament in October 2020 that thirty-eight of forty-seven PESCO projects are fully coherent with NATO initiatives and that 'the need to avoid overlap with NATO priorities is considered when selecting new PESCO projects', there are concerns about the duplication of efforts. For example, the PESCO GeoMETOC Coordination Element and NATO's GeoMETOC Centre of Excellence seem to be duplicative, as well as the maritime counter-mine systems developed within PESCO/OCCAR on one hand and NATO on the other. Borrell added that the remaining nine projects 'are more of an operational nature, combining existing capabilities, or they specifically contribute to the development of European technological sectors [such as in] the case for instance of the [third-wave] "Material and Components for Technological EU Competitiveness" [project]'. It would make sense for future appraisals to measure the alignment of projects with the

87274/permanent-structured-cooperation-remarks-high-representativevice-president-josep-borrell-ep_en (accessed 28 June 2021).

set of seventy-four proposals for the implementation of the EU-NATO joint declarations made in Warsaw and Brussels.[55]

In addition to the June recommendation, the Council, in its conclusions on the PESCO Strategic Review 2020, encouraged Member States to address gaps in CSDP mission force generation and to work toward enhancing the interoperability of formations deployable within EU frameworks through PESCO.[56] Furthermore, the Council concluded that Member States should not only improve their coordination of defence planning – taking into account the budgetary challenges presented by COVID-19 – but also push for new PESCO projects that are in line with the EDA's Capability Development Priorities. The projects should prioritize a stronger EDTIB involving increased trans-European procurement and greater involvement of SMEs and Mid-Caps in value chains. The Council conclusions also provide concrete ways of supporting Member States in fulfilling the more binding commitments by encouraging their sequencing and establishing measurable objectives along with progress indicators in the future. In order to maintain political momentum, the Council foresees the possibility of force generation conferences at the political level and regular peer review at the Politico-Military Committee and COREPER levels. The Member States also agreed to a stronger advisory role for the PESCO secretariat and tasked it with mapping PESCO projects with a view to improving upon synergies and creating further clusters. Lastly, as foreshadowed by the recommendation of June 2020, the Council called for a more rigorous selection process for forthcoming projects. Regardless, twenty-six projects are expected to deliver concrete results or reach full operational capability by 2025.

Published on the same day as the PESCO Strategic Review, the Executive Summary of the Annual CARD Report supplements the Council conclusions with more granular detail.[57] It underlines that the most-needed next generation capabilities in the EU are: Main Battle Tanks, Soldier Systems, European Patrol Class Surface Ships, Counter-UAS-Anti-Access/Area-Denial, Defence in Space, and Enhanced Military Mobility. It goes on to state that 'even if nearly 50% of [participating Member States'] priorities are currently addressing the High Impact Capability Goals (HICG), the EU does not have all the required military

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55 Council of the European Union, *Council Conclusions on the Implementation of the Joint Declaration (15283/16)* (Brussels 6 Dec. 2016), http://data.consilium.europa.eu/doc/document/ST-15283-2016-INIT/en/pdf (accessed 28 June 2021); Council of the European Union, *Council Conclusions on the Implementation of the Joint Declaration (14802/17)* (Brussels 5 Dec. 2017), http://www.consilium.europa.eu/media/31947/st14802en17.pdf (accessed 28 June 2021).

56 Council of the European Union, *Council Conclusions on the PESCO Strategic Review 2020, doc. 13188/20* (20 Nov. 2020), https://data.consilium.europa.eu/doc/document/ST-13188-2020-INIT/en/pdf (accessed 28 June 2021).

57 European Defence Agency, *2020 CARD Report: Executive Summary* (20 Nov. 2020), https://eda.europa.eu/docs/default-source/reports/card-2020-executive-summary-report.pdf (accessed 28 June 2021).

capabilities available in order to fulfil the EU CSDP Military [Level of Ambition]'. To fill the gap in the EU's level of ambition, the report encourages Member States to improve upon 'readiness of forces, logistic infrastructure and support for deployment, transport helicopters, Air and Maritime C2, Intelligence, Surveillance and Reconnaissance capabilities, Special Operations Forces and Medical Support'. In the larger picture of capabilities development planning, a welcome step toward improving PESCO's utility and output is the German-proposed review process currently underway known as the 'Strategic Compass'.[58] Based on a collective assessment of threats and challenges, this will hopefully provide greater clarity on the Member States' level of ambition in building up EU strategic autonomy and the political clearance to develop the security and defence capabilities necessary to achieve it.

Lastly, third country participation is quickly gaining steam as a significant source of differentiation among PESCO projects. While US, Canadian, and Norwegian participation is now a foregone conclusion, it remains to be seen how EU interests align with those of post-Brexit Britain and Turkey. The Boris Johnson-led UK seems reticent at the moment to stay out of PESCO and other European Defence Union initiatives in order to follow through on Brexit promises, save face, and promote the idea of a 'Global' Britain. Yet, some cracks have begun to show, as evidenced by mention of British participation in the Franco-Germany 'Eurotank' project in a readout of a call between German State Secretary in charge of defence procurement Benedikt Zimmer and his British counterpart Jeremy Quin. In fact, while outside of the scope of PESCO, France and Germany are considering opening the project up to interested third parties, which could potentially result in the proposal of a Eurotank PESCO project in the coming fourth wave of projects.[59] On the other hand, Turkey has indeed requested to join the Military Mobility project and, if accepted, may seek further opportunities to plug into PESCO. Here, however, the major stumbling block will be the political and institutional conditionalities contained within Council Decision 2020/1639, especially that which regards good neighbourly relations.

6 CONCLUSIONS

Driven by a new intergovernmentalist, new supranationalist and neo-functionalist blend, PESCO has been characterized as a game-changer in EU defence integration. This is largely attributed to the first steps in regulatory alignment, the

[58] *See* EUISS, *Towards a Strategic Compass: Where Is the EU Heading on Security and Defence?*, Event Report (18 Dec. 2020).

[59] S. Sprenger, *Germany Expects 'Wave' of New Eurotank Partners After September Conference*, DefenseNews (14 May 2021), https://www.defensenews.com/global/europe/2021/05/14/germany-expects-wave-of-new-eurotank-partners-after-september-conference/ (accessed 28 June 2021).

precedent-setting involvement of the European Commission, brandishing a new Directorate General for Defence Industry and Space (DG DEFIS), in offering new funding for both research in innovative defence products and technologies, and the development of key capabilities. Clusters of participating states can now bid for the type of defence projects (training, equipment and capabilities) that they and the PESCO Secretariat believe to be of most value added.

Having spurred forty-seven projects in its first two years, PESCO currently presents a microcosm of both formal and vertical modes of differentiated integration. Below the primary law commitments to which 25 Member States have signed up (horizontal DI), membership and observer status in the projects is in flux in at least three ways. First, overall numbers of states participating in designated projects have dropped as a result of the quick succession of more ambitious projects in the first two years since the launch of PESCO. Secondly, the differences in participation extend to the project clusters as well as to country-pairings within projects belonging to different clusters. And thirdly, variations in project arrangements and the possibility of third country participation may lead to a rise in the participation of certain projects.

Our research shows that, four years on, four states can be considered as PESCO frontrunners: France, Italy, Germany and Spain, with Poland, Greece, the Netherlands and Belgium following in a second tier. In nine projects, all four of these Member States are present and three of them are all members in an additional five projects. There are only three projects in which none of the big four are present. It is too early to tell whether Poland, which was reluctant to join PESCO, might turn out to replace Brexit Britain as the disruptor of the EU's project of defence integration. With their opt-outs from PESCO, Denmark and Malta could be described as laggards in the process.

The various collaborative clusters are defined by factors that unite and divide participants. These factors are primarily systemic and economic in nature. Among the major factors that explain why Member States gravitate towards each other, industrial cooperation, integrated supply chains, and the perception of NATO play an important role. Clustering is also the result of Member States' foreign policy orientation, their level of ambition in international security policy, willingness to use military force and scope of action for the executive branch in military-security decision-making. These factors have led to various extra-EU cooperative frameworks in the area of defence, from the 2010 Lancaster House Treaties between France and the UK to the 2019 Franco-German treaty signed at Aachen, but could be gold-plated, indeed 'integrated', in the PESCO framework.

With subsequent waves of PESCO projects becoming more ambitious, costly and exclusive, an early trend of re-ordering can be observed. Two different scenarios may emerge if France continues to power ahead with its PESCO

commitments while Germany and Italy lose appetite and stretch their military and administrative resources. On the one hand, if political enthusiasm remains, the future of EU defence could be defined along French industrial lines. On the other hand, if political momentum is lost due to growing indifference by participating state governments toward PESCO or because the need for such costly initiatives is eclipsed by the emergence of other (crisis-induced) priorities, then it could be that the Commission's newly created DG DEFIS takes the lead on defence matters at a more technical level.

With the focus in coming years shifting away from the launch of new initiatives to implementation of what has been put in place, one may well expect projects to merge or disappear altogether, depending on the level of Member State commitment and synergies developed with other projects. A dynamic of 'positive integration' is not a foregone conclusion though. Further industrial and operational convergence may lead to new siloes around 'European champions', thus hampering a proper functioning of the envisaged single market of defence. Future research may also ask how formalized differentiated integration in CSDP, such as PESCO, may interact with external structures such as NATO or the French-led EI2 and to what extent these interactions facilitate or hamper a process of 'Europeanization', i.e., supranationalization. Based on the principle of an open and fair market, it will be up to the HRVP, the EDA and the European Commission to ensure that EU defence integration remains high on the political agenda and that (vested) industry interests do not undermine the ulterior objective of European strategic autonomy.