European Defense Integration: Bridging the Gap between Strategy and Capabilities

Lead Investigators
Michèle A. Flournoy
Julianne Smith

Contributing Authors
Guy Ben-Ari
Kathleen McInnis
David Scruggs

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Foreword

Europe is currently enjoying a period of peace and stability unprecedented in its history. Over the last fifty years, a number of authoritarian regimes in and around Europe have given way to stable and democratic partners, creating an environment where war between states now seems unimaginable. Never has the European continent been so whole, secure and free.

Yet Europe, as well as the United States and Canada, still face serious security threats. Longstanding security challenges such as failed states, transnational crime and internal and regional conflicts continue to threaten European interests. At the same time, Europe and its North American allies are grappling with the rise of a new brand of international terrorism born of extremism and new dangers associated with the proliferation of weapons of mass destruction.

This new set of security challenges coupled with the European Union’s political development makes further integration in the defense domain a logical next step. As stressed in the European Union’s European Security Strategy, Europe now has a global security role to play and requires military forces that can protect and advance European interests both at home and abroad. European leaders, however, must come to a greater political consensus on appropriate roles and missions for European militaries in this new security environment.

Building stronger European defense capabilities is also critical for the transatlantic relationship in a world in which both sides of the Atlantic must work closely together to combat common security challenges. Neither Europe nor the United States can meet these challenges alone. Each needs the cooperation of the other to protect and advance its interests. It is in America's interests for Europe as a coherent whole to be able to undertake a wider set of military missions as a full partner. Whether the transatlantic partners work together or opt to act on their own, enhancing European defense capabilities is not only in Europe’s interest but also in the interest of the United States and Canada.

Given the political and budgetary constraints that European capitals face in increasing their defense budgets, the obvious way to enhance European defense capabilities and address existing shortfalls is through a greater degree of defense integration – that is, coordinating the efforts of individual European countries, the European Union and NATO to create an enhanced and more interdependent set of collective defense capabilities to meet Europe’s future defense needs.

In an effort to examine the various strategies for defense integration as well as the challenges and incentives associated with this concept, CSIS launched the European Defense Integration project in the summer of 2004 under the auspices of the CSIS Initiative for a Renewed Transatlantic Partnership. Through interviews across Western and Eastern Europe and North America, extensive open source research and close
cooperation with a network of senior European defense officials, the project team spent over a year assessing current European capability building efforts and exploring how greater European defense integration might be achieved. The project team was greatly assisted by a group of senior military leaders, many of them former Chiefs of Defense, from across Europe, who met twice to review the study’s progress and proposals and provide expert input and guidance.

This report is the culmination of those efforts. Each chapter of the report addresses a different part of the defense integration equation from an examination of national efforts to the roles and responsibilities within and between NATO and the European Union for addressing priority capability shortfalls. There are also chapters on the role that defense industry plays in driving defense integration and on a new “country cluster” methodology to address high priority capability shortfalls. Each chapter includes concrete recommendations – over 50 in all – that aim to assist policymakers, defense planners and political elites in bridging the gap between strategies and capabilities.

Taking action on the recommendations in this report will require a renewed transatlantic relationship in which each side respects the other as a partner. It will also require the sustained personal leadership of heads of state and government, military leaders and the leaders of NATO and the European Union. Although this will be no small challenge, failure is not an option. Failure to meaningfully improve Europe’s collective defense capabilities in the coming years would have profoundly negative impacts on the ability of European countries to protect their interests, the viability of NATO as an alliance and the ability of European countries to partner in any meaningful way with the United States to meet shared security challenges. Seen in this light, defense integration is not just an appealing notion; it is a necessity.

Klaus Naumann  
Former Chief of Defense, Germany  
& Former Chairman, NATO Military Committee

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

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This year-long project was the brainchild of Dr. John Hamre, President and CEO of CSIS and was led by Michèle Flournoy and Julianne Smith of the International Security Program at CSIS. The funding for this initiative came from the Initiative for a Renewed Transatlantic Partnership, a project directed by the Europe Program at CSIS and made possible through a generous grant from EADS and others. The authors wish to thank Robin Niblett and Simon Serfaty of the Europe Program for their willingness to support the team in developing a new approach to the age-old challenge of enhancing European defense capabilities.

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Michèle A. Flournoy                              Juliane Smith
Senior Advisor                               Deputy Director
International Security Program          International Security Program

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Executive Summary

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

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

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

The study begins with three guiding premises:

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

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

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

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

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

**National Efforts**

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

Capitals should also set defense planning targets that adequately address transformation priorities. At a minimum, at least 25 percent of their annual budgets should be allocated toward research, development and procurement and no more than 40 percent should be spent on personnel. Nations must also take a hard look at conscription and territorial defense forces. In those instances where these are absolutely necessary, defense planners must ensure that they make positive and cost-effective contributions to the total force structure. All of this work should be done in close consultation with NATO’s Allied Command Transformation and the European Defense Agency so as to minimize capability excesses across Europe and ensure that critical shortfall areas are addressed.
Because no European state can afford to “go it alone,” reform and transformation efforts must be accompanied by a greater degree of defense integration with like-minded partners and allies. Such integration is essential to ensure that the composite European force posture is ultimately greater than the sum of its parts.

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

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

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

**NATO**

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

But in order for it to remain relevant in the future, NATO must rewrite its 1999 Strategic Concept to reflect the paradigm-shifting events of the last several years and to chart a way forward for the Alliance in the 21st Century. The Alliance must also overhaul and better integrate its defense planning processes. Given the often fierce bureaucratic turf battles associated with these processes, the NATO Secretary General should appoint an independent commission of outside experts to redesign NATO’s defense planning processes to be more rational, integrated, agile, and more responsive to the needs of members states.

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

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

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

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

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

The European Union

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

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

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

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

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

EU-NATO Cooperation

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

Second, as both organizations develop new capabilities such as the NATO Response Force and the EU Battlegroups, they must work together to de-conflict force commitments to those multinational forces. They also need to de-conflict all existing and

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future coordination cells and harmonize NATO and EU standards and metrics for force planning. NATO and the EU should consider developing a “Berlin Plus in reverse” arrangement. Such an agreement would provide NATO access to EU civilian and constabulary capabilities for crisis management operations.

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

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

The Industrial Base and European Defense Integration

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

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

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

The Country Cluster Methodology

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

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

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

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

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

Once a country cluster has been identified, the next step is to determine the best institutional context for the effort: Should the action be taken under the auspices of NATO, the EU, or as a more ad hoc cooperative effort among individual nations?
In each of the nine capability areas noted above, we offer a specific set of recommendations and a way forward. Taken together, these cases are meant to be a starting point for applying the methodology more comprehensively in the future.

A Final Thought

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

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

No doubt such integration will require the sustained personal leadership of heads of state and government, military leaders and the leaders of NATO and the European Union. Although this will be no small challenge, there really is no viable alternative. Staying the course is not an option – indeed, it is a recipe for disaster. Seen in this light, defense integration is not just an appealing or interesting idea; it is an imperative.
CHAPTER 1: The Need for European Defense Integration

Since the 1990s, European countries have made significant contributions to a number of European Union and NATO operations, from peace support missions in Macedonia, Bosnia and the Congo to police and rule of law missions in the former Yugoslavia, Congo and Iraq, to the International Security Force in Afghanistan. Nevertheless, military forces that were structured to defend European territory from Soviet and Warsaw Pact attack during the Cold War have found it difficult to perform the kinds of expeditionary operations that have become a hallmark of the post-Cold War international security environment. After the September 11 terrorist attacks and the invasion of Afghanistan that followed, European allies struggled to deploy and sustain the capabilities needed for the International Security Assistance Force (ISAF). In 2005, a number of European countries lacked the necessary strategic lift capabilities to respond rapidly to aid tsunami victims in Southeast Asia, despite a clear public interest in doing so. As NATO and EU summits establish more and more ambitious requirements for expeditionary forces – forces able to deploy to and sustain operations in distant theaters – it becomes less and less clear that the European allies have the capabilities necessary to perform the missions envisioned.

In the future, this gap between the rhetoric of strategy documents and summit pronouncements, on the one hand and the reality of Europe’s available military capabilities, on the other, threatens to grow even wider. As the EU security strategy makes clear, in the emerging security environment, Europe needs enhanced capabilities to, *inter alia*, combat terrorism and the proliferation of WMD, deal with failed or failing states, contend with regional conflicts and respond to humanitarian crises. Yet projected defense spending in most European countries is relatively flat or decreasing. Although some countries are making valiant efforts to increase their defense expenditures, all are facing daunting demographic trends that will likely constrain future defense investment. In addition, the effectiveness and efficiency of what European defense investment there is will likely be hampered by the fragmented nature of defense demand in the European market, the existing rules of the European defense trade and industrial capabilities that are focused largely on Cold War era platforms and job creation rather than transforming Europe’s military capabilities.

Moreover, many European leaders seem to lack the political will to close this gap. Although enhancing Europe’s military capabilities has been identified as a priority by both NATO and the EU, progress has been slow and uneven. While most senior military officers are deeply concerned about the future of European defense capabilities, there is no comparable sense of urgency among the majority of Europe’s political elites and publics. The reasons for this are complex and varied, ranging from divergent threat perceptions to unwillingness to make the often politically unpopular decisions associated with restructuring a country’s military or reorienting its defense industrial base. Even in the rare cases where a President or Prime Minister recognizes the necessity of addressing key shortfalls, an ailing economy or the public’s aversion to investing scarce resources in defense can make meaningful change in the defense arena virtually impossible.

Ironically, the inability to ratify the European Constitutional Treaty in 2005 creates an opportunity to open up a more strategic dialogue not only on the future of Europe, but also on the future of European and transatlantic defense needs. What missions do Europe’s leaders want their militaries to be able to undertake? In a time of budget constraints, where do they wish to place emphasis and where are they willing to manage a degree of risk? What capabilities are most needed? How are these best acquired and by whom? Finally, how can Europe ensure that the whole of its defense efforts adds up to more – rather than less – than the sum of its parts?

This study proposes practical, tangible ways in which European countries – working together and in conjunction with NATO, the European Union and the United States – can create the military capabilities needed to support their security strategies. More specifically, the study examines and recommends how further defense integration might enable Europeans to develop and field the military capabilities they need, now and in the future, while enhancing transatlantic security cooperation.
Three Guiding Premises

Premise #1: New challenges require new capabilities.

Europe faces a range of security challenges that require new military and civilian capabilities. As the 2003 EU Security Strategy states, “Large-scale aggression against any Member State is now improbable. Instead, Europe faces new threats which are more diverse, less visible and less predictable.” The strategy highlights the following threats in particular: the proliferation of weapons of mass destruction, the rise of transnational terrorism, the continued potential for regional conflicts, the prospect of failed or failing states and international organized crime. Similarly, NATO’s 2002 Prague Summit Declaration calls on the Alliance “to strengthen our ability to meet the challenges to the security of our forces, populations and territory, from wherever they may come…including the threat posed by terrorism and by the proliferation of weapons of mass destruction and their means of delivery.” These themes are also reflected in the national security strategies of a number of member states, including, for example, Poland: “…New global challenges have appeared. They primarily stem from tensions and instability provoked by international terrorism and the proliferation of weapons of mass destruction, as well as the unpredictable policies of authoritarian regimes and the phenomenon of ‘failed states’.... Thus the changes in our security environment essentially consist in a shift of emphasis away from the classical risks (armed invasion) that decrease in importance and towards the unconventional risks that originate also with hardly identifiable non-state entities.” Although threat perceptions in Europe are hardly monolithic, recent strategies developed by the EU, NATO, and many European countries echo one another in their characterization of the threats.

In light of these 21st century threats, various European strategy documents and summit declarations have articulated a new set of requirements for military forces. For

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2 The EU Security Strategy can be found at http://ue.eu.int/uedocs/
3 NATO’s 2002 Prague Summit Declaration can be found at http://www.nato.int/docu/pr/2002/p02-127e.htm.

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example, European forces must be able to deploy rapidly in response to crises. NATO’s Response Force aims to be deployable within five days and the EU’s new Battlegroups aim to be able to deploy within 10 days of a decision to intervene in a crisis.

European forces must also be able to deploy “out of area” – that is, beyond the borders of Europe itself to farther flung regions such as Africa, Central Asia and the Middle East – and to “sustain operations over distance and time.”7 For example, the EU’s Battlegroups aspire to be able to sustain their operations for up to 120 days, while the European Rapid Reaction Force aims to be able to deploy for at least one year.

Europe’s military forces must also be able to conduct multiple, simultaneous operations in order to protect European interests and support European policies in more than one region at a time. The EU Security Strategy calls on the EU to be able to sustain several operations simultaneously and NATO’s stated level of ambition is three simultaneous major joint operations. Recent experience bears out this requirement, as European nations have deployed forces to the Balkans, Afghanistan, Africa, Iraq and Southeast Asia in overlapping timeframes.

Because these forces will operate in the context of NATO, the EU, the UN, or coalitions of the willing, they must be highly interoperable, able to communicate and operate effectively with one another. This requires not only deployable, interoperable command, control, communications, computer, intelligence, surveillance and reconnaissance (C4ISR) systems, but also common concepts of operations and standard operating procedures. If Europe wants to pursue effective multilateralism, it will need more interoperable and more robust tools with which to act.

Finally, these forces must be adaptable across the spectrum of operations. Collectively, they must have the capacity to conduct operations ranging from humanitarian assistance to counterterrorism to warfighting. Today, many of Europe’s deployable troops are better prepared for peacekeeping and nation building than high-intensity combat. But today’s defense requirements go well beyond peacekeeping and nation building, two areas of traditional European comparative advantage. Recent missions in Bosnia, Kosovo, Sierra Leone, Ivory Coast, the Congo, Afghanistan and Iraq underscore the need for European militaries to organize, train and equip their forces for combat operations as well.

Today, only a small portion of Europe’s 1.9 million personnel under arms have the capabilities to meet these requirements. In March 2004, the Supreme Allied Commander Europe, General James Jones, testified before the U.S. Senate Foreign Relations Committee that only 3-4 percent of European forces are “expeditionary deployable.”8 Despite Europe’s substantial arsenals of advanced fighter

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aircraft, capable ships and submarines and modern tanks and armored fighting vehicles, most European militaries lack the capabilities they need to be truly expeditionary, such as deployable, interoperable C4ISR, strategic lift, and deployable logistics. At the same time, militaries across Europe suffer from unnecessary levels of duplication in areas such as headquarters, training infrastructure, and bases. The mismatch between the stated requirements for European military forces and their current capabilities presents both challenges and opportunities to redirect resource allocation away from non-deployable systems toward capabilities critical to projecting and sustaining military forces overseas.

European governments recognize at some level that if such trends continue, Europe’s ability to conduct effective, integrated military operations in today’s international security environment will further erode over the next decade. As a result, the European Union and NATO have launched a number of initiatives in recent years aimed at both improving existing capabilities and generating new ones. In 1999, NATO unveiled the Defense Capabilities Initiative (DCI) to “ensure that all Allies not only remain interoperable, but that they also improve their capabilities to face the new security challenges.” Three years later, when most of the 58 suggested capability improvements had not been realized, the Alliance launched the Prague Capabilities Commitments (PCC), a streamlined version of DCI. While the PCC has had some notable successes, such as in the area of strategic sealift where members have crafted an innovative approach to contract excess commercial shipping for military use, its overall record has been mixed. More recently, at the Istanbul Summit in June 2004, NATO defense ministers agreed that 40 percent of each nation’s land forces should be structured, prepared, and equipped to be able to deploy to operations under NATO or other auspices and that eight percent should either be engaged in or earmarked for sustained operations at any one time.

The European Union has also launched initiatives aimed at strengthening the defense capabilities of its member states. In 1999, EU members committed themselves to creating a European Rapid Reaction Force (ERRF), capable of deploying 60,000 troops within 60 days, sustainable for at least one year. In 2001, the European Union also launched the European Capabilities Action Plan (ECAP), which focuses on fourteen areas of improvement. The hope was that the ECAP, combined with the European Union’s Headline Goal 2010, would move the ERRF closer to reality. In 2004, the UK, France, and Germany proposed the creation of EU Battlegroups – combined formations of 1,500 personnel, supported by the necessary air and naval assets and available for operations within 10 days and sustainable for 30 days.

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9 For more on DCI, see http://www.nato.int/docu/pr/1999/p99s069e.htm.
10 NATO’s Prague Capabilities Commitment (PCC) will be addressed in detail in chapter 3.
11 They also agreed on the need for national usability targets to supplement these high-level political targets. And they tasked the North Atlantic Council to develop input and output indicators – such as personnel strengths, deployable personnel, capabilities for sustained deployment on operations, expenditures for operations, and expenditures for equipment – in order to provide a broader picture of the extent to which the Allies are succeeding in transforming their forces and a benchmark against which each Ally can evaluate its performance. See http://www.nato.int/docu/review/2005/issue1/english/military_pr.html.
12 These EU initiatives are assessed in chapter 4.
In sum, both NATO and the EU are acutely aware of the shortfalls in European military capabilities and both have launched initiatives to address them. To date, however, these efforts have made only limited progress. The persistent gap between requirements and capabilities poses serious obstacles to Europe’s ability to conduct out of area missions and to protect and advance its interests in the new security environment.

Premise #2: Resource constraints require a more integrated approach to defense.

At the height of the Cold War, European countries spent on average 3.5 percent of GDP on defense. Today, they spend an average of 1.9 percent. This average reflects significant differences between individual European countries, with Turkey spending 4.9 percent of its GDP on defense and Spain spending only 1.2 percent and Germany only 1.5 percent. All in all, Europe spends approximately 160 billion euros (or about $200 billion) on defense each year.

**FIGURE 1: “Allied Defense Spending as a Percentage of GDP”**

As Figure 1 suggests, defense spending in Europe has been in decline or relatively flat since 1995. While there are some exceptions – most notably, Norway, the Czech Republic, France, and Poland – this trend has become well established since the end of the Cold War. European defense expenditure is expected to remain relatively flat or grow only slightly with the rate of inflation and the rising costs of personnel and

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13 By contrast, the United States now spends about 3.4 percent of its GDP on defense, not including supplemental appropriations to cover the costs of operations. For a wealth of statistics on allied defense spending, see Report on Allied Contributions to the Common Defense: A Report to the United States Congress by the Secretary of Defense, July 2003.
equipment. Even where budgetary increases are projected, weapons procurement funds will continue to be squeezed by domestic political constraints, the costs of current operations and maintenance, and rising personnel costs associated with the increasing professionalization of most European militaries.\(^\text{14}\)

The percentage of defense spending that European countries devote to modernization – that is, developing and procuring new capabilities – varies dramatically, with many failing to commit the resources necessary to achieve their stated objectives.

**FIGURE 2: “Percentage of Defense Expenditures for Modernization”**

![Percentage of Defense Expenditures for Modernization](image)


In 2002, for example, Portugal spent less than six percent of its defense budget on modernization, Germany spent more than 12 percent, the United Kingdom spent nearly 29 percent, and Turkey spent roughly 33 percent.\(^\text{15}\) On average, in 2003 the European members of NATO allocated about 13 percent of their defense expenditures to modernization and about 44 percent to personnel.\(^\text{16}\) While this report is not advocating that Europe mirror the United States in terms of resource allocation, it is interesting to note that by comparison, the United States spends more than about one quarter of its military budget on modernization and about one third on personnel.\(^\text{17}\) The contrast is


\(^{15}\) Ibid., p. D-9.

\(^{16}\) See Stockholm International Peace Research Institute, *SIPRI Yearbook 2004: Armaments, Disarmament and International Security*, Table 10B.

\(^{17}\) Ibid.

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particular striking with regard to spending on research and development, where Europe as a whole invests only one-sixth what the United States spends.\footnote{Adams, Gordon, Ben-Ari, Guy, Logsdon, John and Williamson, Ray (2004) Bridging the Gap: European C4ISR Capabilities and Transatlantic Interoperability. Washington, DC: National Defense University, p. 122.} Moreover, there is no coordinated plan to ensure that European nations glean the maximum benefit from the limited resources they do invest in defense research and technology.

If the defense spending picture is sobering in the present, it is likely to become truly daunting in the future given projected demographic trends in Europe. Today, European states are faced with decreasing numbers of young people and increasing numbers of senior citizens enjoying longer life expectancies. To make things worse from a budgetary perspective, this trend is not being counter-balanced by increasing immigration. As a result, Europe is especially hard hit by increasing health care and pension costs. Low economic growth and high unemployment figures further exacerbate fiscal pressures on states’ budgets, as unemployment benefits and the social welfare state more broadly are financed by decreasing numbers of taxpaying employees, which have been unable to generate significant economic growth through productivity gains. As a result, Germany, France, Italy and Britain are spending 25 percent of their GDP on social welfare programs, as compared to 16 percent in the United States.\footnote{U.S. General Accounting Office, European Security: U.S. and European Contributions to Foster Stability and Security in Europe (Washington, DC, November 2001) p.38.}

Figure 3 shows the extent to which public spending on benefits for the elderly is likely to grow, as a percentage of GDP, from the year 2000 to 2040, absent changes to today’s policies.\footnote{This data was developed by the CSIS Global Aging Initiative. See: http://www.csis.org/gai/aging_index.pdf.}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{“Future Public Benefits to the Elderly, as a Percentage of GDP”}
\end{figure}
In Germany, for example, without a fundamental shift in policy, spending on benefits for the elderly is likely to grow from 15 percent of GDP in 2000 to 26 percent of GDP in 2040. In France, it is likely to grow from 16 percent to 29 percent and in Italy and Spain it is expected to reach nearly 33 percent by 2040. Although individual European countries may alter their current social spending commitments in the future and European economies may grow at a faster rate than in recent years, expenditures to support Europe’s aging population will undoubtedly exert significant downward pressures on European discretionary spending – including defense spending – in the years to come. This may well constrain European defense spending even more substantially than today.

In addition to this overall resource picture, the health and performance of Europe’s defense industry will be a crucial factor in European defense integration, as it accounts for over 90 percent of EU military equipment and services, provides some 200,000 jobs, involves numerous advanced – and often sensitive – technologies and evokes national sovereignty issues for many governments.21 At present, the European defense industry faces a number of difficult challenges, including fragmented defense demand, sometimes counterproductive rules of intra-European defense trade, industrial capabilities that are focused primarily on Cold War era systems and barriers to the U.S market.22

Industry will be vital, however, in shaping future European defense capabilities. While political leaders and generals will decide if and how greater European defense integration will occur, the alignment of industrial and economic interests among EU member nations will determine the speed and dynamics of this process. For this reason, this report gives serious consideration to industrial base issues, particularly the issue of national industrial and technological excellence, in developing strategies for addressing critical capability shortfalls.

Given this resource picture and the European defense industry’s challenges, the only way that Europe will be able to achieve its desired military capabilities is to spend smarter on defense. European decisionmakers need to think more creatively – and more urgently – about how to get “more bang for each euro.” Spending smarter on defense means developing clearer priorities and a more integrated approach to achieving them.

Premise #3: Stronger European defense capabilities are ultimately good for both sides of the Atlantic.

Building stronger European defense capabilities is critical to strengthening the transatlantic relationship in a world in which neither Europe nor the United States can

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22 These challenges as well as the opportunities for European defense industry are discussed in detail in chapter 6.
meet security challenges alone. Each needs the cooperation of the other to protect and advance its interests. It is in America’s interests for Europe as a coherent whole to be able to undertake a wider set of military missions as a full partner.

Throughout the Cold War, the United States generally supported European efforts aimed at increasing military capabilities and facilitating greater burden-sharing across the Atlantic. The crucial condition for this support was that these measures were undertaken within the NATO framework and thus remained under U.S. influence. Indeed, the majority of European countries refrained from significant security cooperation outside of NATO to prevent antagonizing the United States and weakening the transatlantic relationship.

Today, the United States continues to encourage military capability improvements in Europe with largely the same caveat – as long as these do not weaken the transatlantic link. As a result, the United States sometimes appears to be of two minds with regard to the EU’s European Security and Defense Policy: It applauds steps taken to strengthen European military forces but in the next breath worries about Europe taking independent action that could weaken the NATO alliance or run counter to U.S. security interests. This sends mixed and, frankly, counterproductive messages to European allies. U.S. reluctance to share technology with its allies only adds to the confusion.

This U.S. ambivalence is out of step with the United States’ long-term strategic interests. It is in America’s interests for Europe to become stronger militarily. When NATO is engaged, stronger European partners mean more effective operations and a reduced operational burden for the United States. When NATO is not engaged and the European allies take action in a coalition, EU, or UN context, stronger European military capabilities take the pressure off the United States when it does not want or is not able to be involved. Having more capable European military establishments will also give European leaders more options for preventing and responding to crises than just diplomacy. The ability of European states and the United States to jointly field expeditionary forces and sustain long-term operations will have a direct bearing on our collective capacity to deal with 21st century challenges ranging from international terrorism to the proliferation of WMD to failed states. In either case, stronger European military capabilities benefit the United States. U.S. words and deeds, therefore, should consistently welcome any European moves in this direction.

What creates tension across the Atlantic, however, is the question of whether a stronger European pillar will ultimately become a more autonomous European pillar that turns away from NATO to focus on the EU as Europe’s primary vehicle for collective security and defense. This is what the United States fears. It is also what a few EU countries advocate. But the majority of European countries appear to want both a strong and transformed NATO and a strong and more capable EU. The fundamental challenge is to find a way to ensure that both can be achieved and complement rather than compete with each other.
This situation demands a new and more fundamental strategic dialogue between NATO and the EU and between the United States and its allies, as is recommended later in this report. Such a dialogue should address the challenges and opportunities posed by the future security environment and the respective roles of the two organizations and their members in dealing with them. Frank and open discussion of these issues is critical to coherent defense planning on both sides of the Atlantic and to smarter investment in enhanced European military capabilities.

**Defense Integration Defined**

Given the political and budgetary constraints that European capitals face, the obvious way to address existing shortfalls and substantially enhance European defense capabilities is through a greater degree of defense integration – that is, coordinating the efforts of individual European countries, the European Union, and NATO to create an enhanced set of collective defense capabilities and supporting processes to meet Europe’s future security needs. This will require a much more collaborative approach to defense planning and investment among European countries, the EU, and NATO. Given the substantial overlap in the membership of NATO and the EU – 19 European countries are full members of both organizations and those EU countries that are not members of NATO all have close ties to the Alliance through the Partnership for Peace – enhanced collaboration and cooperation on defense should be not only possible, but logical, if not unavoidable.

There are several defense integration strategies that should be – and, in many cases, are already being – explored. The first and perhaps most fundamental integration strategy is to develop more compatible visions among European governments and institutions of Europe’s future defense needs and the military doctrines and capabilities required to meet them. This approach could provide the basis for not only identifying a shared sense of priorities but also a clearer understanding of roles and responsibilities.

The second defense integration strategy is a more cooperative approach by European governments to research, development, and procurement for priority military capabilities, to ensure that future European defense investments address the most important military needs while also improving efficiency and return on investment.

The third integration strategy is the pooling of national capabilities to train, support, and field multinational units. This approach was endorsed in the EU Security Strategy, which called for the “systematic use of pooled and shared assets” to “reduce duplications, overheads and in the medium-term, increase capabilities.”

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23 The NATO-EU relationship is discussed in detail in chapter 5.

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particularly useful for reducing infrastructure and support costs and for creating greater access to and more efficient use of enabling forces, such as airlift and sealift. As NATO Secretary General Jaap de Hoop Scheffer has written, “Let us be realistic: some capabilities are simply unaffordable to individual smaller nations. Developing these capabilities bilaterally or multinationally can offer an affordable solution. So can the pooling of resources through outsourcing.”

The fourth defense integration strategy involves individual countries opting to develop specialized capabilities that make high-value contributions to collective security. For example, the Czech Republic has taken a leadership role in creating multinational chemical, biological, radiological, nuclear (CBRN) defense units that are available for collective security missions through the European Union or NATO. In addition, Norway has scaled back in some areas like basing infrastructure, personnel, and its home guard in order to develop higher quality capabilities in the areas of sealift, mine-clearing, mountain reconnaissance, and special operations forces. This approach may be particularly relevant for smaller countries that simply cannot afford to field expeditionary capabilities for the full spectrum of operations. When countries choose to specialize, they should be encouraged to be as strategic as possible in their choices, investing in capability areas that are in particularly high demand now and in the future.

All four of these defense integration strategies are explored throughout this report. Chapter two examines what individual European nations can do – and are doing – to transform their military forces to meet the demands of 21st century missions. It addresses both the challenges and opportunities European countries face in balancing competing requirements within constrained budgets and offers practical recommendations to close the gap between today’s capabilities and tomorrow’s needs. Chapter three focuses on what NATO can do to enhance European defense capabilities. Building on a number of NATO initiatives already underway, it identifies a number of challenges that must be overcome and recommends specific actions the Alliance should take to improve its ability to conduct operations and help its members get more capability out of their defense investments. Chapter four addresses the role the European Union can play in enhancing European defense capabilities, now and in the future. Based on an assessment of past and ongoing EU initiatives, it recommends further steps the EU could take to both strengthen the European Security and Defense Policy and enhance the collective military and civilian capabilities of its member states. Chapter five takes on the seminal issue of EU-NATO cooperation and argues for closer collaboration and cooperation between the two organizations, both strategically and tactically. It also offers practical suggestions for moving forward. Chapter six looks at the European industrial base supporting defense as a critical factor in European defense integration. It examines both the economic and the political considerations that will influence the extent to which and the ways in which integration is pursued and offers specific recommendations as to how NATO and the EU can work more effectively with industry to enhance European defense capabilities in critical areas. Chapter seven presents a new methodology – the “country cluster” methodology – for addressing critical European defense capability shortfalls. It lays out an overall approach and then applies the approach to nine specific, high priority...
capability areas that have been identified by both NATO and the EU, suggesting detailed steps that can be taken to provide Europe with solutions in each area. The study concludes with consideration of what would likely happen if the countries of Europe fail to pursue a more integrated approach to defense in the future. Seen in this light, defense integration is not just an appealing idea; it is a necessity.
CHAPTER 2:
Transforming European Defense Capabilities: National Strategies

The fall of the Soviet Union in the early 1990s eliminated the major threat against which European forces were structured. In response, many European countries began reforming their militaries in order to counter new and emerging challenges such as ethnic and regional conflicts in and on the periphery of Europe. The importance of this reorientation was soon underscored by the operational demands of Bosnia and Kosovo. But despite these new threats and challenges, progress on military restructuring was slow.

The events of September 11, 2001 and their aftermath highlighted the need to accelerate the reform process. The new, multifaceted threats of international terrorism, organized crime, proliferation of weapons of mass destruction, and conflicts in more distant regions cannot be countered by large, standing forces structured for territorial defense missions. The dynamics of the new security environment necessitate a shift from land warfare in Europe to rapid power projection across regions and continents.

A general understanding has emerged throughout European capitals that gradual reform is not enough – in today’s dynamic security environment, a genuine transformation of national military capabilities is required. This has been reflected in recent defense White Papers and documents originating from most European capitals, many of which stress the need for restructured forces capable of deploying on short notice abroad. Based upon this new recognition of emerging requirements, many states are dramatically changing their force postures by closing bases, cutting the number of conscripts, reducing overhead costs, and devising cost saving strategies in conjunction with other European allies. These policies are yielding important benefits that are translating into more flexible and deployable national forces.

1 “Risks to Allied security are less likely to result from calculated aggression against the territory of the Allies, but rather from the adverse consequences of instabilities that may arise from the serious economic, social and political difficulties, including ethnic rivalries and territorial disputes, which are faced by many countries in central and eastern Europe” North Atlantic Treaty Organization, “Rome Declaration,” 1991, http://www.nato.int/docu/basictxt/b911108a.htm.

2 Transformation should not be confused with simply procuring expensive high-technology systems. In this report, transformation refers to fundamental changes in military concepts of operation, organization, and/or capabilities that significantly enhance a force’s ability to conduct 21st century missions. The emphasis of transformation strategies across Europe has been upon the creation of more flexible, deployable forces, bolstered in some instances by technologically advanced systems.


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That said, progress varies greatly. Some countries have taken dramatic and often painful steps; in other cases change has been more impressive on paper than in reality. The difficulties in adapting military forces to a new security paradigm are manifest, as budgetary problems, a lack of a common vision, the lack of transparent defense planning, and a shortage of political will greatly complicate transformation efforts. To date, those states willing to tackle these challenges have generally been more successful moving toward their transformation objectives.

Despite some encouraging achievements, plenty remains to be done at the national level. As the case of NATO’s inability to transport seven helicopters to Afghanistan in a timely manner indicates, it is still difficult to get equipment to theaters outside of Europe. It is also difficult to sustain deployed forces for prolonged operations in non-permissive environments. The challenges associated with ensuring that lighter, more mobile forces are able to operate effectively on the ground have not been surmounted in many instances. These challenges are rooted, at least in part, in the fact that transformation is occurring in ad hoc and uneven ways. At this juncture, European countries need to do a better job of sharing their transformation visions, plans, and lessons learned as they move forward with their own force planning agendas.

As such, greater coordination – and even integration – is especially crucial in a security environment that requires agile, deployable and interoperable forces. The Cold War method of force planning, whereby NATO member states planned and procured capabilities without significant coordination with other European states, is no longer acceptable. Compatible visions, transparent and more collaborative defense planning, and more cooperative efforts to enhance the collective capabilities of the European allies are required to ensure that European militaries can meet the demands of 21st century missions.

Strategies for Defense Restructuring

Today, a number of European militaries are undergoing fundamental restructuring. For example, Norway initiated a multifaceted military restructuring plan in late 2001. It increased military spending, closed a third of its bases, cut a fifth of its military personnel, and began to emphasize specialization in areas of Norwegian comparative advantage, such as naval operations (including sealift), mine-clearing, mountain reconnaissance, and special operations forces.4 Norway is also exploring methods of reducing its logistical burden through coordination with other European countries. Perhaps most importantly, Norway is spending approximately 30 percent of

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its military budget on defense investment.\(^5\) Clearly Norway is using transformation as a way to maximize the benefits of its defense spending, not only for Norway itself but also for Europe as a whole.

As the Norwegian case illustrates, and as others like the United Kingdom and France can attest, increased defense spending can facilitate defense restructuring if the additional resources are invested in the development and procurement of new capabilities. However, while such budgetary increases are desirable, they are not always politically or fiscally possible.

The Netherlands offers another good example of transformation. The Dutch have been working to restructure their military forces to be more deployable for peace enforcement and stability operations abroad. In order to increase their deployable combat strength by 2,100 troops, the Dutch have closed a number of bases and retired some obsolete platforms.\(^6\) At the same time, they have increased investment in systems designed to improve mobility and lethality, such as utility and attack helicopters. Additionally, the Netherlands plans to further reduce its military personnel by 11,700 by 2007.\(^7\) The remaining personnel are being incorporated into a more focused and more flexible personnel system, which relies heavily on “fixed-term” contractors that serve five to seven years instead of full-career personnel.\(^8\)

**Cost-cutting and Resource Reallocation Strategies**

In lieu of spending more on defense, many countries are devising strategies to spend smarter. For example, over a five-year period the Danish military has moved from a 40/60 percent ratio of operational to support structures to a 60/40 percent ratio. Previously, it had 1,000 troops that were readily deployable overseas; today it has 2,000 troops that can perform full-spectrum missions internationally. Most interestingly, Denmark was able to make these significant changes without increasing its budget of DKK 900 million earmarked for international operations.\(^9\)

Most countries have attempted to identify ways to cut operating, maintenance, and infrastructure costs, usually through closing bases and other facilities. Germany, for example, is closing 105 bases and reducing the number of military personnel. Such steps almost always save money, but the results are not immediate, as it takes five to ten years to implement closures and they may involve some up-front costs. Furthermore, in many cases across Europe, the installations being closed are small in scale – often comprised of only one or two buildings – and yield only minimal savings. Moreover, some European

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\(^6\) For example, in 1990, The Netherlands had 913 Main Battle Tanks; today they have 283.

\(^7\) Ibid, 9.


\(^9\) Gen. H. J. Helso, “Transformation is Key to Armed Forces Relevance” April 15, 2005, p. 6-7.
countries like Spain and Italy no longer have major bases to close after undertaking sweeping base-closing initiatives in the 1990s.

Another common way to save resources and advance the transformation agenda has been to reduce the number of conscripts in national forces. A number of countries, including Italy, Spain, France, and Denmark have taken rather dramatic actions to eliminate, radically streamline, or modernize conscription. This decision invariably strains national militaries as they work to adjust and cover the policy’s associated costs, but experience has shown that the initial strains usually give way to bigger gains down the road. While in some cases conscripts infuse valuable intellectual capital into the system and provide a pool for recruiting non-commissioned officers and volunteers for peacekeeping missions, they can drain much-needed resources, especially when they are not deployable. Germany, for instance, still maintains a large force of non-deployable conscripts who are unusable in operations abroad.

Some countries are looking at other strategies to access needed capabilities at lower cost – for example, public-private partnerships. Spain and Germany have initiated lease agreements with the Ukrainian firm Antonov to secure access to strategic airlift. Others, including the United Kingdom and Norway, have had success in negotiating similar agreements for sealift, securing access to a number of commercial ships.

Coordinating such efforts among multiple nations can generate further savings. For example, the European Airlift Coordination Cell and the Sealift Coordination Cell at Eindhoven were created to make more efficient use of European air and sea transport capabilities respectively. The Sealift Coordination Cell works to ensure that a ship that has just delivered supplies to a given theater picks up cargo that needs to return home so that ships do not make return trips with empty holds. For example, an empty UK vessel returning from the Persian Gulf was used to carry Dutch air defense equipment, saving both countries about 500,000 euros each. Although this effort does not increase available capacity per se, the Cell saved an estimated 3.5 million Euros in 2004 through its coordination efforts.

Indeed, some of the most innovative transformation strategies are being implemented multinationally among European allies. Groups of countries are seeking efficiencies in defense spending through pooling of assets and resources, joint procurement, and even a degree of role specialization.

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10 This is being reinforced by a NATO-negotiated contract to lease six further Antonov aircraft on behalf of a number of allies.
12 In chapter 5, we recommend that all of the sealift and airlift coordination cells be consolidated into a single Strategic Mobility Center for use by NATO, the EU, and member states.
Pooling

Pooling is one of the most effective strategies and can take a variety of forms, from contributing national assets to multinational formations, to sharing infrastructure and support assets, to undertaking common or coordinated procurements. This strategy has proven attractive to a number of European countries because it preserves a maximum degree of national sovereignty while generating more cost-effective solutions in conjunction with partners.

There are many examples of successful pooling in Europe. Over the past ten years, Germany, and the Netherlands have joined together on a number of projects, including creating a multinational Headquarters (1 GE/NE) and even forging an aircraft sharing agreement, whereby the Netherlands is responsible for maintenance and Germany is responsible for training. Another example is the German-Polish-Danish Corps. Activated in 1998, it comprises one division from each country – 49,000 troops total – available for deployment as a multinational corps in crises.

Indeed, through pooling arrangements, there has been significant progress in Europe toward the network-enabled capabilities that are essential to transformation. France, for example, has fielded an operational earth observation satellite system that was co-developed with several countries, who now share the data it gathers. NATO is relying on multinational efforts to supply key future capabilities, including an air-to-ground surveillance system (NATO AGS) and satellite communications (SATCOM V). In addition, the European Commission is pooling assets to develop Galileo, a global positioning and navigation system that will have both civilian and defense applications.

In addition, several European states have agreed to procure the A400M to modernize their airlift fleets. Pooling has also been used as a springboard for creative approaches to interoperability that can reduce “logistical tail” costs.13

Yet there are several challenges to effective pooling. First, as with transformation more broadly, greater transparency and coordination are required to maximize efficiencies and ensure that pooling arrangements are not unnecessarily duplicative.14 In addition, while member states can pledge certain assets to be used during a crisis, when the time comes to do so, they may hesitate for political or operational reasons. Ensuring that the “capability pool” has sufficient depth, therefore, is an important component of success. Finally, some have expressed concern that pooling risks reducing operational effectiveness due to differences in language, doctrine, and training. These challenges can

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13 As the UK Ministry of Defence has written, a useful example of this creative coordination is the “development of an adaptor which allows RAF, German and Italian Tornados to use French test rigs in operations with French involvement; UK Tornados used this coupling during the Kosovo campaign when operating from Corsica, thereby reducing the requirement to airlift UK equipment to the French base.” See UK Ministry of Defence, “Multinational Defence Cooperation” 2001, http://www.mod.uk/issues/cooperation/multinational.htm#building.
14 For example, in addition to the Sealift Coordination Center at Eindhoven, there is a Greek Sealift Cooperation Cell which creates unnecessary redundancies. Duplicative coordination mechanisms of this kind should be combined.

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generally be overcome through the type of regular combined training and exercises that have improved European and NATO interoperability in the past. As the UK Ministry of Defense has written, “…a common language and joint training prior to an operation can overcome many of the practical difficulties [of operational co-operation]…”

Europe has numerous opportunities to build upon existing arrangements and pool a wider variety of capabilities and assets. Pooling more assets, on a bilateral or multilateral basis or under the aegis of an organization like NATO, could translate into significant cost savings, which could then be channeled into further investment to enhance European defense capabilities. States should be cautious, however, about the speed with which pooling strategies are pursued, as it takes time to harmonize the doctrines, legal arrangements, and plans that ultimately make a given pooling arrangement effective.

Specialization

Specialization is another strategy that some countries have employed to transform their militaries—and to enhance Europe’s collective defense capabilities. Specialization occurs when a country chooses to focus its resources and effort on becoming highly proficient in a given capability area while forgoing expenditure in other areas. To date, several smaller European states have been driven to pursue specialization strategies, to a greater or lesser degree, based on two realities: they simply do not have the financial resources to field full-spectrum forces that are deployable out-of-area and they can bring far more to EU or NATO table by focusing on a limited number of key capability areas.

The major benefit of role specialization is that it allows smaller countries to make highly valuable – and often disproportionate – contributions to common security needs. If done right, specialization can focus a nation’s defense efforts on those specific capability areas in which Europe’s needs are greatest and the country has the most to offer, given its areas of comparative advantage and expertise. For example, the Czech Republic’s CBRN Battalion has helped to meet the alliance’s growing need for nuclear, biological, and chemical defense capabilities. Finland, with its national excellence in the fields of networking and wireless communications, has developed a deployable command and control system that is currently used in the Balkans.

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17 “A deployable, commercial off-the-shelf (COTS) data transfer network was demonstrated recently in Hämeenlinna, Finland. The deployable COTS network (DCN) was set up in an hour by the Finnish Defence Forces and the DCN Group. The network can be built to cover a wide area in a few hours and can integrate different networks with each other or as part of a permanent telecommunications network. Parts of the network developed in cooperation with the Finnish Defence Forces already have been implemented in relation to governing the international crisis management group in Kosovo and Bosnia.” C4ISR Journal, “The Finnish Defence Forces and the DCN Group,” June 13, 2005, http://www.c4isrjournal.com/story.php?F=826812
While to date only a handful of European countries have pursued specialization on a significant scale, this strategy can and should be applied more broadly to enhance European defense capabilities. To be effective, however, specialization needs to be undertaken in a more coordinated manner to ensure that individual nations specialize in areas that truly enhance Europe’s overall military posture. In addition, European nations must take care to minimize the potential pitfalls associated with this approach. When a nation chooses to specialize in a particular capability, if it is the sole or primary supplier of that capability, it can feel excessive pressure to contribute the asset to an operation in which it might not otherwise participate. By the same token, specialization can create undue reliance by some states on the niche capability of another, essentially giving the latter a de facto veto over operations for which the capability is required. However, if specialization is pursued in a more coordinated fashion and with an eye toward developing an appropriate depth of capability by having clusters of countries specialize in key areas, these concerns can be overcome.

**Challenges to Transformation**

Despite this wide variety of national attempts to restructure and transform, a number of key challenges remain. First, budget cuts and lack of stability in defense spending threaten to diminish what little progress has been made to date. This challenge is compounded by a lack of supplemental funding to cover the costs of inflation and of conducting operations. Unlike in the United States, where supplemental funding is generally authorized to cover operations costs, European militaries are required to accommodate these costs within their planned budgets.\(^{18}\) This creates a great deal of uncertainty and turbulence in defense budgets and makes it difficult to pay for operations and transformation at the same time. But promising developments in Denmark, Norway, and Finland suggest that there may be ways around this challenge. These countries prepare their budgets in longer, four-to five-year cycles, lending greater stability to their defense planning, while including a separate fund for operations. Additionally, Denmark achieves political consensus on longer-term budget plans through binding parliamentary agreements made by both governing and opposition parties.

A related challenge is that the savings generated by cost-cutting strategies may not be reallocated to new defense investment. In many European capitals, a great deal of political pressure exists to redirect any savings gleaned from defense to other domestic priorities such as education, healthcare, pensions or job creation. For example, Germany’s annual budget review process often sees planned monies taken out of the Bundeswehr budget. Similarly, the incoming Spanish defense minister has called for a significant cut in arms spending in

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order to fund the new Socialist government's policies on housing and education.\textsuperscript{19} Unfortunately, this can undercut efforts to spend smarter on defense: if military planners do not believe that they will be allowed to reinvest the money they save, they will have little incentive to identify more efficient ways of doing business.

In addition, many European militaries – Belgium, France, Germany, Greece, Italy, Luxembourg, Poland, Portugal, Spain, and Turkey – still spend upwards of 40 percent of their defense budgets on personnel,\textsuperscript{20} severely limiting resources available for investment in new technologies, systems, and concepts of operation. The large share of defense revenue devoted to personnel becomes even more worrisome when one considers the longer term costs, such as providing pensions for those who retire from service.

Industrial base policies also present some significant challenges. These challenges derive largely from concerns over protecting national sovereignty, such as ensuring the security of supply, maintaining a technological advantage and protecting national industries, and from the unwillingness of most governments to make difficult economic decisions that will have political ramifications. These issues are discussed in greater detail in chapter six.

Perhaps the most persistent and troubling problem is the lack of coordination among countries undertaking transformation. NATO’s Allied Command Transformation is trying to enhance coordination among allies and partners, but not all countries are taking full advantage of this resource.\textsuperscript{21} States still rely primarily on bilateral links with other countries to discuss their defense efforts. This reduces the level of transparency required for effective defense planning. If this problem is not overcome, substantial capability gaps and substantial capability excesses will persist in the future and European governments will find themselves unable to collectively field the military capabilities needed to support a common European security strategy.

\textsuperscript{20} 2003 is the most recent year for which this data is publicly available.
\textsuperscript{21} ACT’s purpose and activities are discussed in more detail in chapter 3.
The Way Forward

To meet these challenges, spend smarter on defense, and ultimately develop the military capabilities they need for the future, European capitals must adopt a more integrated approach to defense planning and investment.

Transformation Recommendations

• European countries should forge complementary national objectives and plans for force transformation through NATO Allied Command Transformation.

Without a composite vision of Europe’s defense requirements and activities, expensive and unnecessary duplication continues while critical capability shortfalls remain unaddressed. The best way to ensure complementary approaches to defense planning and transformation is to establish a central “information clearing house.” Allied Command Transformation, with its institutional expertise in these areas, is the natural home for this work, especially as ACT has offered to work with non-NATO European allies on these issues.

• European militaries should aim to spend no more than 40 percent of their budgets on personnel.

In any given defense budget, expenditure on personnel is usually the largest spending category. Not only do higher than necessary personnel accounts create strains on the budget today, but they also reduce budgetary options for tomorrow by inflating future pension costs. Keeping personnel costs in check is critical to creating the necessary head room for increased investment in new capabilities.

• European militaries should either eliminate or optimize conscription.

In some European countries, conscription provides a cost-effective way to organize a credible defense capability. This said, conscription can also divert resources from investment in more expeditionary capabilities. All European countries, whether they have professional or conscript armies, have to develop sufficient numbers of agile, deployable, professional forces for operations abroad. When evaluating conscription policies, nations should first consider their desired level of deployable forces and then redesign conscript forces around these goals.

• Nations should redesign their home guard and territorial defense forces to be as cost-effective as possible.

A parallel challenge is overinvestment in old-style home guard and territorial defense forces. While these forces are useful for a variety of domestic missions such as disaster relief and homeland defense, there is a direct trade-off between spending on these forces and spending on more deployable forces for international missions. Countries
need to better balance these competing needs by right-sizing their home guard forces to free up resources to transform the rest of their military forces to be more expeditionary.

- **Monies saved through cost-cutting strategies and efficiencies must be kept in national defense budgets.**

  It is imperative that any savings generated through restructuring efforts be channeled back into defense transformation. If defense budgets are reduced any further, transforming European militaries into more deployable forces will become even more difficult. And unless defense planners can count on keeping the savings they generate, they will not have much incentive to find efficiencies in military budgets.

- **European nations should make five-year budget plans, aiming, at a minimum, to keep their defense spending stable and earmarking separate funds for operations.**

  In contrast to the annual budget cycle model, this lengthier budget cycle lends stability to the planning process, allowing states to make longer-term investment decisions. This in turn allows defense ministries to devise appropriate capability acquisition strategies. However, the danger exists that these five-year plans can be too inflexible. Security environments can change dramatically in a five-year period. Therefore, a percentage of the total budget (perhaps 15 percent) should be reserved for operations, which, if unused, should be channeled at the end of the cycle back into transformation.

- **Nations should aim to spend a minimum of 25 percent of their budgets on investments, including research, technology, and procurement.**

  Turning militaries postured for territorial defense into flexible, deployable forces requires significant investment in enabling capabilities. Funds are required to obtain capabilities for expeditionary missions, such as strategic airlift, air-to-air refueling, C4ISR, deployable logistics and so on. Perhaps most importantly, force multipliers such as network-enabled capabilities require significant defense technology investment. Militaries should aim to spend at least 25 percent of their budgets on research, technology and procurement to ensure that investment in transformational capabilities is adequate without placing undue strain on other aspects of the military budget.

**Integration Recommendations**

- **Nations must enhance “jointness” at the European level by devising incentives for officers and non-commissioned officers to gain combined operations and multinational military experience.**

  While it is almost inevitable for European officers to serve at least one tour in a multinational setting (such as NATO HQ), these experiences, while important, do not necessarily guarantee that officers will understand the complexities of commanding multinational operations. To that end, Europe's militaries should make education and
service in multinational operations or another nation's military a “fast track” option for promotion to flag or general officer. Experience commanding a multinational unit should further accelerate an officer’s promotion opportunities within his or her own military. Over time, this would help ensure that the top military leadership in Europe will have grappled with and overcome the day-to-day challenges presented by integration. Giving top NATO and EU leadership positions only to those who have had such experience could further reinforce this incentive structure.

- **Military leaders should continue forging service partnerships across national lines.**

Integration is often most effective when services find partners outside their national contexts. For example, the Marines in several countries across Europe sometimes find it easy to work with like services in other countries. This rationale was a driver behind the Spanish-Italian Amphibious Force. As such, nations should candidly evaluate where these affinities exist and support such partnerships accordingly.

- **European countries should pursue pooling in a broader range of capability areas and should accelerate the pooling of infrastructure and logistics assets for common equipment.**

Pooling should be pursued in areas such as strategic sealift, combat aircraft, C4ISR, and deployable logistics. Particular attention should be paid to efficiencies that could be gained by sharing infrastructure and support assets for common platforms and systems. (At present, most European countries maintain their own national infrastructure and “logistical tails” for the equipment they field – despite the fact that many field the same types of equipment.) This could include expanded use of common basing and training as well as shared maintenance, repair, and supply chains. For example, shared training programs could be established to provide European-wide training for the pilots, crews, and support personnel for Europe’s nearly 160 C130s, more than 700 F-16s and more than 600 Tornados.22 Pooling of this nature would undoubtedly generate savings and could also reduce airlift requirements of equipment to theaters of operations. Operationalizing this idea could be done on a regional basis. Clusters of two or three countries could share infrastructure and support assets for common platforms. Alternatively, for platforms that are fielded widely across Europe, common basing, training, and support could eventually occur on a larger scale.

- **Pooling of forces should start small – and grow gradually.**

According to conventional wisdom, successfully pooling forces depends on several factors. The first is a shared sense of military roles and missions as well as a significant history of working together. A high degree of political will – and flexibility – is also required in order to ensure that the leadership tasked with integrating these forces has the necessary freedom to operate and make decisions quickly. A deep knowledge of

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22 The International Institute for Strategic Studies, *The Military Balance 2004-2005*, (Oxford: Oxford University Press) pp. 43-96. Indeed, upon fielding the Tornado multinational venture, a joint training scheme was employed for all the countries participating in the venture.
the political constraints on the use of force among all the partner nations also helps. Creating cohesive and effective multinational units and formations is, therefore, a mid- to long-term endeavor. Doctrines, operating procedures, language barriers, cultural differences, varying equipment specifications are all difficult obstacles when trying to create multinational forces or infrastructure. In order to overcome them, experience has shown that it is best to start small — with two or three nations. In this way, the day-to-day difficulties of integrating forces can be worked out among a smaller group. Once these forces are working well together, other nations can be gradually incorporated.

- **Nations that cannot afford to field expeditionary forces capable of performing the full spectrum of 21st century missions should make greater use of specialization to enhance their contributions to Europe’s collective defense capabilities.**

When a country chooses to specialize in a given capability area, it should do so in a transparent and coordinated fashion. The aim of this collaborative approach to specialization is to identify national areas of comparative advantage that could make the most substantial contributions to Europe’s future defense needs. Individual nations should also seek to form capability clusters with others wherever possible. This would help to create a pool of capability deep enough to ensure that no country has to shoulder the burden every time a given capability is needed in an operation and no country has a de facto veto over an operation.

**Conclusion**

The challenges presented by the new security environment have convinced most European governments that their military forces need to be re-designed to meet new and emerging requirements. It is difficult to overstate the challenge this transformation presents. Most of the changes needed are both inherently painful and initially costly. Yet states can no longer avoid the hard choices that must be made to develop the expeditionary capabilities called for by their own security strategies.

To overcome the financial challenges associated with transformation, national Ministries of Defense must utilize their scarce fiscal resources more wisely and more efficiently. National efforts such as streamlining conscription and closing unnecessary bases can free up monies for more deployable capabilities. In addition, pursuing a greater degree of defense integration with other countries can yield enhanced capabilities at reduced cost. However, pursuing defense integration strategies, such as pooling and specialization, requires a large degree of political will, as greater reliance upon other European countries’ resources is required. As such, these integration strategies must begin by building upon pre-existing bilateral or tri-lateral political-military relationships. Additionally, these strategies must be coordinated on a Europe-wide basis to reduce excess capabilities and prioritize areas of greatest need.

The bottom line is that the countries of Europe must transform their militaries to be able to protect their national and collective interests in the future security.
environment. But doing so will require national leaders to spend precious political capital to safeguard defense spending amidst mounting budgetary pressures and to spend smarter on defense by pursuing a greater degree of defense integration with allies and partners.
CHAPTER 3:
NATO’s Role in Enhancing European Defense Capabilities

After the Berlin Wall fell and the Soviet Union collapsed, NATO leaders discerned that Europe would have to play a larger role in security matters than it had generally been accustomed to. Ethnic conflict in the Balkans in the early and mid-1990s quickly proved them right. That regional conflict, however, also made it glaringly apparent that Europe lacked the capabilities it needed to address post-Cold War security challenges.

Europeans responded to the challenge by creating a more robust European pillar within NATO. The Combined Joint Task Force (CJTF), a multinational, multi-service arrangement, allowed for more flexible deployment of NATO assets through ad hoc arrangements. It also created a framework for closer cooperation with Partnership for Peace nations. The missions envisioned for the CJTF were similar to those articulated by the European Union – humanitarian relief, peacekeeping and peace enforcement, as well as collective defense. The forces required would “vary according to the circumstances and would need to be generated rapidly and at short notice.”

Despite this effort to improve flexibility, however, the subsequent Kosovo intervention made it clear that the European allies were not investing adequately in the capabilities needed to perform the humanitarian relief, peacekeeping and peace enforcement missions that framed NATO planning at the time. Almost a decade after the fall of the Berlin Wall, European countries still lacked many of the capabilities necessary to conduct effective military operations outside NATO’s borders. To repeat just one oft-cited statistic, during the Kosovo war on European soil, the United States flew 70-80 percent of all strike sorties and dropped 80 percent of precision munitions. Despite its relatively large fleets of tactical aircraft, only a few European countries had the ability to participate effectively in the air operations over Kosovo.

Defense Capabilities Initiative (DCI)

In 1999, NATO used its 50th Anniversary Summit in Washington, D.C., to launch a new initiative aimed at addressing the shortfalls that became apparent during the Kosovo intervention. The Defense Capabilities Initiative (DCI) identified 58 key capability shortfalls that merited investment and multinational cooperation, divided into: mobility and deployability; sustainability; effective engagement (the ability to engage an adversary in all types of operations from high to low intensity); survivability (the ability

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2 Ibid.
to protect forces and infrastructure against future threats); and interoperable communications.\(^4\)

Little guidance was provided, though, on how NATO members were to pursue such reforms in light of NATO's cumbersome multi-year force planning apparatus and few incentives existed for countries to take initiative on their own. Furthermore, DCI's long list of areas for improvement simply proved too ambitious and did little more than paralyze action. In fact, most European defense budgets actually declined in the first few years following DCI's launch.\(^5\) It soon became apparent that, as constructed, DCI would not succeed in producing substantial changes in European military capabilities.

**Prague Capabilities Commitment**

Three years later, at its 2002 Summit in Prague, NATO launched a streamlined and more focused follow-on to DCI. The Prague Capabilities Commitment (PCC) outlined four critical areas for improvement, including: defending against chemical, biological, radiological, and nuclear (CBRN) attacks; ensuring command, communications, and information superiority; improving interoperability of deployed forces and key aspects of combat effectiveness; and ensuring rapid deployment and sustainment of combat forces.\(^6\)

The Prague declaration also recognized the need to think creatively about NATO assets, especially in light of shrinking European defense budgets. It stressed that efforts and initiatives to strengthen capabilities “could include multinational efforts, role specialization and reprioritization.”\(^7\) The hope was that, short of increasing their defense budgets, European countries would at least aim to spend their defense resources more wisely by eliminating waste and duplication and identifying other cost savings.

Evaluating member states' progress in regard to PCC is difficult because neither NATO nor most national governments provide details on how national plans have or have not changed to reflect the Prague priorities. What is clear is that many PCC goals appear to have now been incorporated into national force planning goals.\(^8\)

First, in the area of strategic sealift, Norway has convened several meetings to discuss various proposals, including arrangements with commercial shipping companies. The goal is to have 12 to 14 ships available for NATO operations on a mix of assured

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\(^4\) For more on DCI, see NATO Summit document from April 25, 1999, http://www.nato.int/docu/pr/1999/p99s069e.htm.

\(^5\) The three-year (2000, 2001, 2002) defense expenditure trend for European NATO nations was 2.1%, 2.0% and 2.0%, respectively. For the United States during the same three year period: 3.1%, 3.1% and 3.3%. See: http://www.nato.int/docu/pr/2002/p02-139e.htm.

\(^6\) The United Kingdom Delegation to NATO, “Prague Capabilities Commitment” http://www.nato.int/uk/docu/capa2.htm.


access and full-time charter contracts. At the moment, the sealift group has arranged assured access to three ships.

Some progress has also been made in the area of strategic airlift. Fifteen NATO countries have an assured access charter arrangement for six Antonov 124-100 aircraft from Ukraine, which will help fill the immediate need for airlift to distant theaters of operation.

Perhaps the best known PCC success story has been in the area of “survivability,” with the creation of a CBRN battalion under the leadership of the Czech Republic. The multinational battalion reached operational capability in June 2004, although it still struggles with communications and deployment, demonstrating the interconnected nature of the various PCC groups. Additional progress has recently been made in regard to theater missile defense, unmanned aerial vehicles, and Alliance Ground Surveillance.

Not all elements of PCC are producing tangible results. Air-to-air refueling, for example, remains a critical shortfall among European militaries despite the fact that nine NATO members agreed to work together in this area in Prague. Spain leads both the NATO working group and the ECAP project group on air-to-air refueling but even the joint PCC-ECAP meetings in this area have failed to increase the number of refueling aircraft available to European militaries.

Broadly speaking, PCC has done more to strengthen European military capabilities than similar NATO initiatives in the past. However, progress remains slow and continues to be hindered in some cases by the lack of political will, shrinking defense budgets, and resistance to pooling initiatives.

**Allied Command Transformation**

The Prague Summit in November 2002 also set the direction for NATO’s future, outlining several major shifts in policy and planning, including transforming the SACLANT command into a new Allied Command Transformation Headquarters in Norfolk, Virginia. Allied Command Transformation (ACT) HQ is designed to be a center for broad thinking about future requirements – “a forcing agent for change” within the alliance, transforming NATO into a more deployable and flexible organization.

ACT’s mandate is nothing if not ambitious. The organization is charged with leading the transformation of NATO’s military structures, forces, capabilities, and doctrines to meet 21st century requirements. Central to its mission are: identifying and prioritizing the alliance’s future capability and interoperability requirements; developing concepts and doctrine; conducting experiments; supporting research and acquisition processes; and training and certifying NATO forces, most notably the NATO Response Force. Simply put, two core questions animate all of ACT’s activities: What will the Alliance need in the future? And how do we get there from here?
In the last few years, ACT has also become an important player in NATO’s planning processes. For example, ACT leads the Defense Planning Process, including the development of the Defense Requirements Review, a classified analytic assessment of the minimum military requirements to carry out the Alliance’s stated level of ambition (three simultaneous major joint operations). This effort also includes the development of nearly 30 generic defense planning scenarios (from non-combatant evacuations to forcible entry to major war) which are used to inventory capabilities required. In addition, ACT develops force proposals within NATO’s Force Planning Process and partnership goals within the Partnership for Peace Planning and Review Process (PARP). In both of these processes, it is ACT’s job to develop more qualitative goals to focus member and partner states on developing key capabilities or force attributes (e.g. deployability) rather than on simply reaching their quantitative force goals. In support of this work, ACT also conducts assessments of national contributions to NATO in coordination with national military authorities. Thus far, it has developed military assessments for two dozen nations and has begun to assess nations’ progress on transformational goals in addition to measuring their progress against NATO’s Essential Operational Capabilities (EOC). Finally, ACT has developed a Strategic Vision for transformation and is developing a number of concepts for Allied Future Joint Operations.

**NATO Command Structure**

Another result of the Prague Summit was the creation of a new command structure aimed at streamlining the NATO alliance. This new structure is built around a single Strategic Command for Operations at SHAPE in Belgium and three subordinate operational-level joint commands in the Netherlands, Naples, and Lisbon, which are intended to be the parent headquarters of two land-based and one sea-based deployable Combined Joint Task Forces (CJTFs).

**NATO Response Force**

Perhaps the most innovative initiative resulting from the Prague summit was the creation of the NATO Response Force (NRF). In contrast to the Allied Rapid Reaction Force (ARRF), designed for longer-term deployments, the NRF is intended to be a lighter, more mobile response force to perform high-end missions for short periods of time – NATO’s “first in, first out” force. To that end, the NRF is to be a 21,000-strong force, with ground, air, and maritime components, capable of deploying within five days and sustainable for up to 30 days (or more, if it is re-supplied). The force reached initial operating capability in 2003 and is currently scheduled to be fully operational in 2006. To date, each NRF rotation has been based on a period of unit training, then a six month system and interoperability training/exercises, which is followed by a six month “stand-by” period. The NRF does not include the associated lift and logistics forces that would be necessary to move and sustain the force in theater.

The NRF was designed, in part, to be a catalyst for transformational change in European militaries. The idea was this: as countries made force commitments to the NRF, they would have to make their forces more deployable, interoperable, and capable. 
to meet NATO’s certification requirements for the force. It was also hoped that making
formal force commitments to the NRF could help Defense Ministers gain greater support
from their parliaments to invest in needed capability improvements. These ideas
continue to animate the NRF and may well bear fruit over time. However, the NRF’s
longevity may ultimately be determined by whether it actually proves useful in meeting
the Alliance’s operational needs in responding to real-world crises.

It should be noted that designers of the NRF
were cognizant that some states might believe that
the U.S. presence in NATO ensured that they could
ultimately rely upon U.S. expeditionary assets in an
operation. Given this view, the United States has, to
date, encouraged maximum participation from
European states. It has recently been suggested,
however, that the lack of U.S. ground force participation in NRF training could impede
the ability of the United States and NATO Europe to operate effectively together on the
battlefield.\footnote{Hans Binnendijk, “Wanted: A NATO Stabilization and Reconstruction Force,” Defense Horizons,
National Defense University, September 2004, p. 3-8.} This is a key shortcoming that could ultimately hinder the success of a
NATO Response Force (as well as transatlantic interoperability more broadly) but one
easily alleviated by increasing the participation of U.S. ground forces in the NRF when
the demands of current operations allow.

**Challenges to NATO’s Transformation**

Despite all the progress being made by the Alliance and its members, much work
still remains to be done. NATO’s transformation challenges include political decision-
making, existing planning processes, force generation, and funding for operations and
fiscal constraints. All of these obstacles need to be overcome in order to fully transform
the Alliance into a more effective out-of-area actor.

At the political level, it is not clear that the transformed capabilities that Europe
does possess will be able to be fully utilized in operations due to the nature of decision-
making in the Alliance. At present, nations contribute their troops on the basis of a series
of national restrictions. While this preserves a maximum degree of sovereignty, in
practice these restrictions create tremendous operational difficulties that reduce the
effectiveness of Alliance operations as a whole. As the NATO Parliamentary Assembly
writes, “the problem lies in undeclared caveats that a commander does not discover until
he tasks a national contingent and finds that they are unable to perform the assigned
pa.int/Default.asp?SHORTCUT=670.} The problem has grown to what General James Jones has called “theater of the
absurd.”\footnote{General James Jones, "NATO Transformation and Challenges," RUSI Journal, Vol. 150, No. 2 (April
2005 ) p. 18.}
Another political obstacle to transformation is the failure, thus far, to revisit NATO’s Strategic Concept, despite the paradigm-shifting events of the last six years. The Strategic Concept that is still being used to underpin the Alliance’s defense planning efforts dates from 1999 – that is, pre-9/11, pre-Afghanistan and Iraq, pre-terrorist bombings in Madrid and London, and pre-NATO enlargement to 26 members. Although political considerations have caused some member states, including the United States, to oppose rewriting the 1999 Concept, as the conceptual basis for all of NATO’s planning efforts, the Strategic Concept is simply too important to be allowed to become overtaken by events.

In addition, a number of other factors continue to hamper the effectiveness of NATO’s broader defense planning efforts. First and foremost, the overall process of defense planning is broken up into several different bureaucratic stovepipes within NATO, with different entities owning different parts of the process. Consequently, setting defense policy priorities, defining future requirements, setting force goals for NATO members and partners, and planning for NATO defense investment constitute separate and too often independent processes. Second, many of these processes have become time consuming, highly routinized, and cumbersome paper drills that keep the Alliance from being as agile and responsive as it needs to be in today’s security environment. For example, the Defense Planning Questionnaire, which solicits force commitments from member states, is a paper product that is updated every two years. In practice, however, the final product tends to be out of date by the time it is completed and approved. Another example is that the current planning cycle is a “one size fits all” approach that ignores the varied timelines of the resource allocation processes of member states. As a result, NATO planners are required to meet every year with all 26 counterparts, regardless of whether these countries have annual or five-year defense budget cycles.

Another challenge derives from the current structure of the NATO budget and the allocation of common funding in order to adequately resource Alliance operations. The international staff budget is currently divided into three components: civilian, military and common funding elements. Generally speaking, national foreign ministries are responsible for civilian elements and ministries of defense for military components, for an approximate total budget of $884.5 million (including the NATO command structure in the Balkans). As such, the vast majority of funding in the Alliance is done on an individual state basis; nations own and are responsible for their own military assets, including their associated costs. Essentially costs “lay where they fall” when undertaking operations in an Alliance context.

This is becoming an increasingly unsustainable method of funding operations. The multinational character of pooled forces such as the NATO Response Force makes it difficult to determine exactly who would be financially responsible for these combined

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12 NATO Handbook 2001, p. 205. This figure is likely larger, as the 2001 handbook does not account for operations in Afghanistan or the training mission in Iraq. Nor does it account for the substantial costs of military personnel in these areas, which remain nationally funded.
missions. This lack of clarity could have a dramatic effect upon the NRF’s use, especially for NRF lead nations. Essentially, states may be hesitant to authorize missions for the force if they perceive that they may be responsible for the substantial costs of organizing logistics in-theater.14

The current system is also inequitable. It unfairly taxes those states that are willing to be “first in” and establish logistics on the ground.15 As only a small number of European states have the capacity to perform this kind of work, the same individual nations are routinely asked to shoulder the burden. It also disadvantages smaller states who simply cannot afford to participate in NATO operations more than occasionally.16

Over the past several years, many observers have called for the NATO organization itself to undergo a degree of transformation in order to ensure that its member states can effectively harness the tools it has to offer. Former Secretary General Lord Robertson worked to alter NATO HQ during 2003; recent efforts by Secretary General de Hoop Scheffer are focusing on reform of the committee structure.17 Despite these good efforts, at present, NATO’s headquarters personnel accounts are misallocated and in some cases bloated. There are approximately 1,200 civilian members of the International Staff or agencies located within the headquarters and about 500 members of the International Military Staff, including 100 civilians. Yet only a fraction of those staff are tasked with substantive issues.18 Member state contributions of military personnel to NATO international headquarters amount to around 15,000 personnel – that is 15,000 military personnel, many of whom are their nation’s best and brightest – who are not available to perform operational duties for the Alliance.19 Furthermore, there are 39 Committees and 44 Agencies/Organizations – and this does not count the numerous working groups and projects that each individual group, nation, or agency might establish.20

In stark contrast to NATO’s personnel accounts is the capital investment account, paid for through the military budget. Capital investment comprises five percent of the NATO Headquarters budget, translating into approximately $37.5M in real terms.21 The savings generated by streamlining personnel accounts could usefully be channeled toward common funding programs, as NATO will increasingly be required to look at multilateral funding for joint systems, platforms and services in the future.

Finally, decisionmaking within the alliance must also be streamlined to take advantage of the rapid-reaction capabilities NATO is currently developing. Some observers have recommended revisiting the consensus rule. Others have even called for

15 The need to develop multinational logistics is discussed in detail in chapter 7.
16 General Jones, p. 17.
18 Ibid, p. 19,
suspending NATO membership for those states that do not uphold NATO values.\textsuperscript{22} Yet these solutions could ultimately damage the organization’s ability to present itself as a united front of sovereign states. If the consensus rule is to stay, then proposals for improving NATO’s decisionmaking timeframes should be considered.\textsuperscript{23}

NATO has not yet been able to fully leverage its potential leadership role in a variety of capability areas, such as strategic airlift, air-to-air refueling, and C4ISR. While NATO has expertise in negotiating defense contracts on behalf of groups of nations, for example NATO AGS and the current negotiation to secure access to Antonov aircraft, it has not been able to do so with respect to other key enablers.

While NATO has changed itself dramatically in the wake of September 11, more work remains to be done. The Prague Capabilities Commitment, in conjunction with the NATO Response Force and Allied Command Transformation, have all pushed the transformation agenda on a variety of levels, with considerable success. Despite this, capability shortfalls remain and NATO’s institutional ability to act decisively in future operations is still in question. NATO’s common funding, decisionmaking, and future planning all need to be transformed to ensure that the alliance can operate coherently and effectively to meet 21\textsuperscript{st} century challenges.

**Recommendations**

- **NATO should rewrite its 1999 Strategic Concept to reflect the paradigm-shifting events of the last several years and to chart a way forward for the Alliance in the 21\textsuperscript{st} Century.**

As the cornerstone of all NATO’s defense planning efforts, the Strategic Concept is too important a document to let become irrelevant. The United States and other members should drop their objections to revision and approach the update as an opportunity to foster a healthy debate about NATO’s future challenges, objectives, roles, and missions among an expanded group of member states.

- **NATO should overhaul and better integrate its defense planning processes.**

Setting defense policy priorities, defining future military requirements, setting force goals for members and partners, and planning for defense investment are critical elements of what should be a seamless and fully integrated defense planning process within the Alliance. Given the often fierce turf battles associated with these processes, the NATO Secretary General should appoint an independent commission of outside experts, with full access to key NATO personnel, to redesign NATO’s defense planning processes to be more rational, more integrated, more agile in the face of a dynamic

\textsuperscript{22} “I support the need for a new rule in NATO that authorizes the members of the alliance to suspend the membership of any country in NATO which no longer supports the ideals of the alliance.” Senator Jack Reed, U.S. Congress, Congressional Record—Senate, May 8, 2003, S5882.

\textsuperscript{23} Kriendler, p. 10.
security environment and more responsive to the needs and decisionmaking cycles of member states.

- **ACT should be leveraged as the European center of gravity for requirements definition and force planning.**

  Allied Command Transformation’s main objective should be to drive NATO’s force planning agenda and transform the Alliance’s capabilities from the top down. ACT has begun to acquire valuable expertise in this regard, which it shares with NATO member states when consulted. However, offering regular advice and strategic planning assistance to individual NATO member states is not a central component of ACT’s day-to-day operations. Instead, individual member states too often choose to develop their own transformation agendas with little or no collaboration with NATO. As a result, member states rarely learn or benefit from each other’s experiences in the difficult tasks of defining capability requirements and planning future forces. In some cases, individual countries are pursuing force goals that simply do not make sense in the context of Europe’s collective security needs and capabilities.

  Given that ACT has already acquired a valuable set of relevant lessons, it should be empowered to play a larger role in encouraging collaboration and coordination among national force planners. Furthermore, ACT should expand its relationship with non-NATO countries. It recently announced its willingness to do so; countries like Sweden, Finland, and Austria should take advantage of this opening and reach out to ACT as soon as possible.

- **ACT should be given the lead for reinvigorating the PCC to focus in the near term on capability shortfalls that impact the NRF and in the long term on areas critical to NATO’s future missions.**

  Given its lead role in defining future requirements for the Alliance and in training and certifying the NRF, ACT should be charged with refocusing the PCC process to address the most urgent capability gaps to support the NRF’s viability. If this more focused approach proves successful, ACT should use the resulting momentum to broaden the PCC focus to those areas that are critical to meeting NATO’s future requirements.

- **The United States should increase its participation in the NATO Response Force by committing more ground combat capabilities.**

  As the NRF moves toward full operational capability, the United States should increase its ground force contribution to the extent possible given the demands of current operations. Doing so would allow U.S. units to train with NRF forces and participate in NRF exercises, which is critical for ensuring transatlantic interoperability.
• **NATO should increase its capacity to support stabilization and reconstruction operations.**

The NATO Response Force provides the Alliance with a critical rapid response capability that will certainly prove valuable for future combat missions. Yet as seen in Iraq and Afghanistan, keeping the post-conflict peace is just as important as winning the initial battle. Therefore, the transformation of the Alliance’s capability to respond decisively to a conflict should not end with the creation of the NRF designed only for short-term missions. NATO should invest more in the follow-on forces and capabilities that would be required for sustained stabilization and reconstruction operations.24

• **NATO should expand common funding for operations.**

In an age of declining defense budgets, one major obstacle to successful operations is the lack of financial resources – and incentives – for member states to contribute. Daunting upfront costs (for example, setting up runways in remote areas or creating a logistical infrastructure on the ground) discourage nations from being the first to volunteer. Instead, countries tend to wait to see what others commit. An easy, affordable and cost-effective way to surmount this “pay if you play” problem is to create an expanded NATO common fund for operations. By asking all NATO countries to provide .17 percent of GDP annually to this fund, enough monies could be raised to reimburse those states that absorb front-end costs. This would ensure that there are no “free riders” in the Alliance, sharing the operations burden equitably between those who contribute forces and those who do not.

• **NATO should lead the acquisition of high-end capabilities that are critical to its ability to project and sustain power out of area.**

Fiscal constraints make the acquisition of expensive capabilities such as C4ISR and strategic lift extremely difficult for many nations. Ultimately, for high-end assets that are essential for NATO operations, NATO should take the lead in alleviating these shortfalls through common funding. The institutional mechanisms for doing so already exist within the alliance, as evidenced by NATO’s acquisition of a common AGS system. Such an approach can and should be applied to C4ISR, strategic airlift, air-to-air refueling aircraft, and possibly other key enablers.

• **NATO Headquarters must undergo transformation of its own.**

At present, many committees exist that focus upon relatively similar issues, creating unnecessary duplication and slowing decisionmaking processes within the alliance.25 This situation has largely arisen due to differences in membership in the committees (notably France’s absence, by choice, from the Defense Planning Committee and Nuclear Planning Group). When streamlining the committee structure, therefore,

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24 Binnendijk, p. 3-8.
25 This is also true with respect to the International Staff and the International Military Staff. Further work will need to be done to establish greater synergies between these two components of NATO.

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NATO should consider options that enhance transparency while preserving these differences in membership. This can be done through allowing all states to attend committee meetings, but giving certain states non-voting or observer status on decisions taken on certain sensitive issues.

NATO HQ staff tasked with primarily administrative responsibilities should be further reduced, channeling more monies toward substantive personnel as well as common funding of capabilities. Not only would this free up precious resources that could be better channeled towards closing capability gaps, but, if executed properly, such reductions could also result in a more streamlined, less compartmentalized, and less bureaucratic organization with better internal communication.

- **NATO must create an internal core of expertise on the Middle East, Central Asia, and Africa.**

Since 2001, NATO’s area of operations has dramatically expanded beyond the European theater and, by most accounts, this trend will continue. It is therefore imperative that NATO acquire its own expertise in areas like the Middle East, Central Asia and Africa so that military planning can be conducted effectively and operations run more smoothly. Currently, NATO member states and HQ liaise with U.S. Central and European Commands to perform operations in these regions. At a minimum, cooperation between SHAPE and both USCENTCOM and USEUCOM should be enhanced and strengthened, although other possible options for enhancing NATO’s expertise in these areas should also be explored.\(^{26}\)

- **One new committee should be created to focus upon NATO budgetary, management and personnel issues.**

At present, the North Atlantic Council (NAC) is tasked with making decisions on an overwhelming number of issues, from decisions to conduct military operations to issues related to the building of the new NATO Headquarters. Given the myriad political and military challenges the Alliance currently faces, NAC time could be better spent focusing on the substantive issues of NATO strategy and operations. A lower-level committee, chaired by the Deputy Secretary General (who does not at present have a large portfolio of responsibilities) and attended by Deputy Permanent Representatives, should be created to provide budgetary and management direction.\(^{27}\)

\(^{26}\) For example, NATO could strengthen the strategic plans and policy element in the office of the SACEUR, tasked with looking at the interplay between NATO’s area of responsibility versus its area of interest. NATO could create the position of SACCENT, which could be done by placing a NATO component into USCENTCOM. Doing so would leverage USCENTCOM’s expertise in the region and ensure that planning and execution of operations in this region maximally compliment each other.

\(^{27}\) Kreindler, p.15.
Conclusion

The North Atlantic Alliance has changed dramatically since the end of the Cold War. Once an organization tasked with the territorial defense of Europe, it is now training Iraqi security forces, keeping the peace in Afghanistan and the Balkans, strengthening its counterterrorism efforts, and reaching out to its Mediterranean partners. But NATO enthusiasts should be cautioned against becoming overly optimistic. Resource constraints and deep strategic divisions continue to plague NATO's credibility and efficacy.

NATO's ability to meet the challenges posed by current and future missions ultimately rests on whether it can simultaneously “do” and “transform.” Today’s security threats demand NATO’s full attention and commitment but the Alliance must also find ways to address poor contingency funding, inadequate long-term planning, persistent capability gaps, and declining defense budgets. NATO’s critical challenge is to transform both its capabilities and its practices for the 21st century security environment.
CHAPTER 4:
The EU’s Role in Enhancing European Defense Capabilities

Like NATO, the European Union has undertaken a number of efforts to alleviate European capability gaps. Most of them, however, have had only limited success. Many European militaries still lack essential capabilities such as strategic lift and interoperable C4ISR. Despite such shortfalls, the EU has successfully taken on a number of important operational tasks in recent years in the Balkans, the southern Caucasus, and Africa and has become a world leader in constabulary and civilian crisis management capabilities. Many member states hope that the new EU Battlegroups and the recently created European Defense Agency will supplement these advances by providing the EU with the needed capabilities for a wide array of military and civilian operations.

Helsinki Headline Goal

As part of its ongoing evolution, the European Union has expanded and accelerated its integration efforts in the foreign and security policy arena over the last decade, including a number of initiatives aimed at improving members’ military capabilities. This shift began in 1999, when EU member states signed the Helsinki Headline Goal of being able to deploy a 60,000-strong crisis management force within sixty days and to sustain it for at least one year. This European Rapid Reaction Force (ERRF), designed to conduct “Petersberg Tasks” (defined in the Amsterdam Treaty as humanitarian and rescue tasks, peacekeeping, and tasks of combat forces in crisis management, including peacemaking), was slated to become operational by the end of 2003.1

European Capability Action Plan

When EU members compared the requirements of the Petersberg Tasks with their existing national commitments to the EU, they found several shortfalls. In an effort to address these shortfalls, the European Union launched the European Capabilities Action Plan (ECAP) at the Laeken Summit in December of 2001. This program initially focused on 19 areas of improvement and tasked groups of national experts to identify solutions and report back in March 2003.2 In some cases, solutions were found simply by convincing EU member states to contribute capabilities they had failed to offer earlier. Other cases, however, highlighted capabilities that did not exist in national inventories and would therefore need to be acquired. But designing long-term procurement plans

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1 Title V, Article 17.2 of The Treaty on European Union (consolidated text).
2 The nineteen areas were: attack and support helicopters; nuclear, biological and chemical protection; unmanned air vehicles; medical role 3; special operations forces; carrier based air power; suppression of enemy air defense; air-to-air refueling; combat search and rescue; cruise missile/precision guided munitions; theater ballistic missile defense; deployable communication modules; headquarters; theater surveillance and reconnaissance air picture; strategic ISR IMINT collection; UAV, early warning and distant detection strategic level; strategic air mobility; roll-on-roll-off vessels.
proved difficult for the ECAP groups because national planners and procurement specialists were not included and, even when plans were drafted, the political and financial hurdles to realizing those plans were great.3

In May 2003, EU defense ministers declared that the EU had operational capabilities across the full range of Petersberg Tasks but acknowledged that these capabilities were limited. While the European Rapid Reaction Force was declared operational, the force still lacked the ability to be deployed rapidly and could not safely sustain more than one operation at a time. It also lacked capabilities such as all-weather strike capabilities and battlefield command and control. Hoping to revitalize and improve the ECAP process, the EU Military Committee eliminated four ECAP groups and assigned each of the remaining 15 a “lead nation.” The hope was that this streamlined version of ECAP would go beyond efforts to reorganize existing capabilities and lead to more concrete solutions based on leasing, acquisition, role specialization, and pooling.

Since then, additional progress has been made, especially in the areas of Headquarters, medical treatment facilities, and nuclear, chemical and biological defenses, but ECAP continues to suffer from a lack of leadership and coordination. Furthermore, its ad hoc, “bottom up” approach, which leaves EU members to decide when and how additional capabilities should be acquired, makes it difficult to achieve results in areas that require significant financial investments such as strategic lift and air-to-air refueling. There have been attempts to increase the pressure on the lead nations by requiring them to set goals and timelines and publish their results in regular Capability Improvement Charts (presented during every rotating EU Presidency) but progress in several critical areas remains minimal. In fact, at present, there are not any new or planned projects as a result of ECAP and a number of the ECAP Project Groups have indicated that they have reached or are close to reaching the maximum possible results within the current framework.

Two recent developments, however, stand to affect ECAP’s future. First, in the spring of 2004, the EU announced the Headline Goal 2010, which builds on the Helsinki Headline Goal, expanding and deepening EU commitments to strengthen its military and civilian capabilities with a strong emphasis on interoperability, deployability and sustainability. These newly outlined goals might provide incentives for EU member states to reaffirm their ECAP commitments, although a Headline Goal that is just five years away is likely too near-term to encourage the development of new equipment programs.

Second, the EU recently created the European Defense Agency (discussed later in this chapter), which has been tasked with tracking ECAP’s progress to date in remedying shortfalls, defining the remaining military capability shortfalls, and outlining its role in

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coordinating the implementation of ECAP. On May 23, 2005, the European Council approved an ECAP evaluation report presented by the EDA in collaboration with the EU Military Committee. The report provides a detailed review of the ECAP Project Groups and suggests a refocusing of their work in light of the 2010 Headline Goal. The project group on "Interoperability for Humanitarian & Evacuation Operations" will be closed and those on Special Forces and Helicopters will continue. All others will migrate to a new, more integrated process coordinated by the EDA, which will bring together all relevant actors under a broader ESDP context. Under newly established Integrated Development Teams, groups of military, technological, and industrial actors will generate specific projects to fulfil the capability shortfalls identified.

EU Battlegroups

Although the ECAP project groups have been slow to trigger major changes in European military capabilities, they did spur the creation of the EU Battlegroups in 2004. First conceived by the French, British and Germans and officially launched at the Brussels Military Capabilities Commitment Conference in November of 2004, the EU Battlegroups (numbering 1,500 ground troops each) are much smaller in scope than the ERF but are intended to correct some of the ERF’s shortcomings, especially its inability to be rapidly deployed. The Battlegroups aim to be able to reach the theater of operations in 15 days and sustain an operation for 30 days (120 with rotation). France, the UK, and Italy have each pledged to have one operational Battlegroup ready by the end of 2005. Ten others, developed collaboratively among EU members (and one non-EU member – Norway), have been promised by 2007. According to the November 2004 Capabilities Commitment Conference, the EU should be able to undertake two concurrent Battlegroup-size rapid response operations by 2007.

While many in and outside of Europe are hopeful that the Battlegroups will spur EU members to develop the expeditionary capability they lack, doubts have been raised about the viability of the overall concept. First, it is unclear whether EU member states will acquire the strategic lift needed to deploy the Battlegroups in a timely fashion. Second, questions remain about the Battlegroups’ relationship with the NATO Response Force and the extent to which their development might distract from the EU’s 2010 Headline Goals. Third, there are competing views on how and when the Battlegroups will be used, with some countries envisioning a full spectrum of future missions and others suggesting that the Battlegroups only be used for low-intensity missions. Finally, details on how the Battlegroups might work with or under UN authority have yet to be sketched out. Would the Battlegroups maintain operational autonomy? Would they be willing to operate alongside often poorly equipped UN troops?

Such hurdles may slow or hinder progress in the development of the EU Battlegroups. However, many EU observers are optimistic that this concept will serve as

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The Battlegroups’ future success also rests within the European Union and the degree to which the EU Military Staff can develop scenario-based work that promotes readiness, sustainability, and follow-on forces as well as cooperation with and transition to civilian operations. Individual member states can also play a role in developing scenario-based work. The Czech Republic, for example, has agreed to sponsor a high level seminar in November 2005 where participants, using a generic scenario, will examine the strategic decisionmaking process required before an EU Battlegroup can be deployed.

European Defense Agency

As mentioned earlier in this chapter, the EU created the European Defense Agency (EDA) in the summer of 2004 to further remedy capability shortfalls and steer the implementation of European Security and Defense Policy. Unlike the ECAP groups, the European Defense Agency is intended to be top-down in approach, driving coordination and pressuring EU member states, when necessary, to make capability improvements. It has four directorates, each responsible for one of the Agency’s four domains: defense capabilities development; armaments cooperation; the European defense technological and industrial base and defense equipment market; and research and technology. EU member states hope that the EDA will help them eliminate waste and duplication in their defense budgets, thereby freeing up resources for collaborative research, development, procurement, and improving interoperability.

Despite the enthusiasm surrounding its creation, the EDA faces a number of tough challenges. First, it has a very ambitious set of missions: modernizing and strengthening a catalyst for the acquisition of new capabilities (much as the NATO Response Force has done for NATO members) by allowing groups of self-selected countries to pursue very specific capability goals that play to their individual strengths. Indeed, the real test of the Battlegroups’ success will be whether they help produce new capabilities or simply re-arrange existing ones. The benchmarks, therefore, will be not only whether countries actually meet their commitments to form Battlegroups within the next two years but ultimately whether the Battlegroups are deployable outside of Europe. If the initiative does succeed, the Battlegroups will create a more expeditionary military capability that will serve as a useful compliment to the political, economic, and diplomatic instruments that the EU already possesses.


7 Though the EU has collectively the second largest military force in the world, spending €160 billion on defense and 1.6 billion troops, EU countries collectively spend only €30 billion on (often redundant) procurement and €10 billion on research. (See Daniel Keohane’s piece in “The European War of War,” published by the Centre for European Reform in May 2004.)
European military capabilities; coordinating hardware purchases; strengthening Europe’s fragmented defense industry; eliminating duplication in arms research and development; and monitoring the ECAP process and Headline Goals 2010. And yet, it has fewer than 80 people on staff and a budget of some 25 million euros for 2005. Fortunately, though, the EDA will rely on Qualified Majority Voting (QMV)\(^8\) – the first use of this approach in the defense arena – which should streamline decisionmaking and prevent gridlock.

Second, the EDA faces an enormous cultural challenge. At a time when most European military budgets are decreasing and a number of EU member states are promoting a “culture of peace,” the EDA will need to foster a rather radical shift in culture, a culture of increased – or at least wiser – spending on military research and procurement, which will decrease the amount of defense spending earmarked for personnel costs and legacy systems. That means a degree of dislocation and job loss at a time when most European governments are facing rising unemployment. Perhaps even more daunting, the EDA will have to convince large member states like France and the UK to commit to a European system they do not control.

Third, because the defense planning cycle for many European countries is four to five years in length and because new investments take time to bear fruit, the EDA will not be in a position to bring about notable change in the field of European defense for at least another five to ten years. Therefore, managing expectations among EU and non-EU members (especially the United States) will be a continuing challenge for the Agency. It will need to convince skeptics that it is capable of bringing real and lasting change to European Security and Defense Policy while grappling with the fact that its next opportunity to influence heavily a particular country’s defense planning may not arise for another three to five years.

However, if the EDA executes its challenging mission well, the benefits could be significant. In the next decade or two, the EDA’s work could lead to major advances in capabilities for expeditionary operations, interoperability, efficiency, cost savings and greater coherence in defense planning. In addition, the industrial base supporting defense could be strengthened if the EDA has the option of signing contracts. Working with one international body instead of several national departments would speed up contracting and provide an opportunity for industry to have a stronger voice in the military planning process.

**Constabulary Capabilities**

While the European Union has spent a considerable amount of time and energy on efforts aimed at strengthening and modernizing its military capabilities, it also possesses some of the world’s strongest constabulary forces. Europeans often argue that this capability is, in some cases, even more critical to success in some operations than the military. To be sure, recent stability operations in Kosovo, Afghanistan, and Iraq have all

\(^8\) Under Qualified Majority Voting (QMV), each EU member state has a fixed number of votes. The number allocated to each country is roughly determined by its population, but progressively weighted in favor of smaller countries.
highlighted the need for paramilitary forces that can maintain public order and safety, handle crowd control, and curb lower levels of organized violence before and during long-term reconstruction.

Therefore, the United States and a long list of other non-EU countries have applauded the willingness of European countries to deploy their constabulary units to a variety of hot spots around the world. For example, the French Gendarmerie has in recent years been sent to Haiti, El Salvador, Cambodia, and Rwanda, to name but a few and Dutch, Portuguese, and Spanish constabulary units have been involved in operations in Africa and the Balkans.  

9 The EU is also currently conducting three police missions in Macedonia, the Democratic Republic of Congo, and Bosnia and Herzegovina.

Given the high demand for forces that can bridge the gap between major military operations and reconstruction as well as the exceptional past performance of European paramilitary forces, the European Union is now working to form a multinational constabulary force or European Gendarmerie Force (EGF). Drawing on the five strongest national constabulary forces in the European Union (the French Gendarmerie, the Spanish Guardia Civil, the Italian Carabinieri, the Dutch Koninklijke Marechaussee, and the Portuguese Guarda Nacional Republicana), the EU is building a force of 800 ready to be deployed in 30 days. In addition to maintaining public order during or immediately after a military operation, the EGF will be able to conduct operations in support of the fight against organized crime and the protection of personnel in civil missions. The EU expects the EGF to be operational by late 2005.

Civilian Capabilities

The EU has also focused in recent years on strengthening its civilian capabilities for conflict prevention, stabilization and reconstruction, and humanitarian missions. In tandem with the Military Capabilities Commitment Conference in November of 2004, the EU held a Civilian Capabilities Commitment Conference where it assessed its collective civilian resources and identified shortcomings. Surprisingly, that conference found that the quantitative targets that were set in Feira in June 2000 had actually been exceeded.  

10 In total, member states have earmarked over 12,000 personnel in the areas of police, rule of law, civil administration, and civil protection, some of which have already been deployed abroad.  

11 They have also pledged 505 volunteers for the EU’s monitoring capability and just under 400 to provide support to EU Special Representatives. While EU member states deserve praise for the speed with which these commitments were made, a number of outstanding questions remain about deployability, real availability, sustainability, and the degree to which these personnel have been suitably trained.

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11 See, for example, EU contributions to the rule of law mission in Georgia (EUJUST THEMIS) and the policing missions in Kinshasa (EUPOL) and Bosnia (EUPM).
In an attempt to address some of those questions and establish detailed capability goals based on actual needs and scenarios, the EU launched the Civilian Headline Goal 2008 process in December 2004, which outlines a number of ambitions, including the ability to:

- Deploy integrated civilian crisis management packages;
- Conduct concurrent civilian missions at different levels of engagement;
- Deploy civilian capabilities at short notice (within five days of the approval of the mission concept);
- Work with the military; and
- Respond to requests from other international organizations, notably the UN.12

The Civilian Headline Goal 2008 also encourages the EU to outline the potential number, size, and kind of civilian responses to conflict that it wants to be able to provide in the future.

By the end of 2005, the EU, under the British Presidency, hopes to have completed a capabilities requirements catalogue and created better applications for the use of integrated, multifunctional civilian crisis management resources. The more long-term goal is to develop “packages” of pre-selected civilians who have trained together and are readily deployable for future UN, EU, or OSCE missions. Tackling the challenges associated with this goal and the others outlined in the Civilian Headline Goal 2008 will likely take years, if not decades. There is little doubt, however, that the EU has already positioned itself to be a global leader in the area of civilian crisis management. It is already conducting two rule of law missions in Georgia (Eujust Themis) and Iraq (Eujust Lex), providing security sector assistance in the Democratic Republic of Congo and supporting a monitoring team in Aceh as a follow up to the peace agreement reached by the Indonesian government and the separatist Free Aceh Movement (GAM).

**Recommendations**

- The EU should accelerate implementation of its Comprehensive Capabilities Development Process to the extent possible.

Currently, national decisions regarding defense capabilities are being made largely in a vacuum, with little or no consideration of what might be most useful for the European Union as a whole. National, bilateral, and multilateral initiatives are launched virtually every month but none of them is part of a broader strategic plan. The risk is that if member states continue to act without a broader EU framework, ten years hence their
combined capabilities will still represent “an incoherent whole, with surpluses of one capability and shortages of another.”

The EU has outlined a Comprehensive Capability Development Process (CCDP) in which: the European Council and its Political-Security Committee would articulate Europe’s role in the world and what it would like to be able to do militarily; the Council, the PSC and the EU Military Committee and staff would then determine the military capabilities required and identify shortfalls; and the EDA would assess alternative solutions and develop projects and initiatives to address capability shortfalls. This process, which is still in its infancy, could prove invaluable.

It should begin with a vision of Europe’s future military missions and requirements through the next two decades – a task outlined in the EU’s Headline Goal 2010, which states that, “between 2006 and 2010 a longer term vision beyond 2010 will be formulated with the objective of identifying trends in future capability developments and requirements.” Ideally, this vision would translate the European Security Strategy into more specific planning guidance for the organization. In addition, the UK, during its EU presidency, plans to create a requirements catalogue which will be distributed to all EU member states. They will then fill out a “Headline Goal Questionnaire,” which will ask them to offer up forces and capabilities against the requirements. All of the replies will form the EU’s force catalogue, which the Austrians hope to complete by the time their Presidency comes to an end in June 2006. This, in turn, will provide a basis for EDA to update the EU’s assessment of capability shortfalls and identify priority areas for the future.

- **Move full responsibility for ECAP to the EDA.**

As the European Defense Agency continues to build capacity and conduct scoping sessions, it should focus first and foremost on enhancing European military capabilities and addressing critical shortfalls. Quickly assessing both EU and national planning efforts should be a top priority in order to identify areas of cooperation and overlap. In keeping with the EDA’s ECAP evaluation report, groups of military, research, and procurement experts should be convened to develop actionable plans for addressing the most critical capability shortfalls already identified. When doing so, the EDA should also reach out to NATO’s Allied Command Transformation to leverage its work on transformation and compare notes on assessments of national capabilities, both existing and planned. The focus should be on strengthening deployability, sustainability, interoperability; and intelligence. "Name and shame" reports could also be published in order to stimulate action on the part of member states.

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14 For more detail, see [http://www.edu.eu.int/cpdv/cpdv.htm](http://www.edu.eu.int/cpdv/cpdv.htm)
• **Empower the EDA to do more than just coordinate; support its efforts to consolidate demand at the European level within the next two to five years.**

While in the short term it will be important for the EDA to focus on capabilities, it will have to be careful not to evolve into a strictly coordinating or convening body with no real authority or resources to invest. The EDA has tremendous potential to strengthen armaments cooperation and the European defense technological and industrial base, but it will need strong political support from EU member states as well as the full confidence and trust of the industrial community. More importantly, in the medium to long term, it will need a large research and technology budget (we recommend 200 million euros), a larger staff capable of managing medium to large investment projects, and eventually, a significant common procurement budget.

• **The EU Battlegroups should be strengthened through regular training and certification. They should also eventually include maritime and air components.**

While EU Battlegroups will certainly benefit from NATO-supported training and exercises (as most countries are members of both the EU and NATO), the EU should develop its own joint training program as the Battlegroups move from concept to reality. As such, the European Union must revisit decisions to disallow independent EU live training exercises. The EU Military Committee should also hold regular Battlegroup generation conferences to solicit country contributions to future rotations. The question of certification will need to be addressed as well. Currently, the lead nation of each Battlegroup is responsible for assessing its readiness. Without any oversight or agreement on what kind of metrics to use, though, there is a risk that the quality of the Battlegroups will vary significantly. Therefore, the EUMC should assume a coordinating role for certification and work to develop common standards for use by lead nations. In order to prevent any given nation from receiving conflicting guidance from the EU and NATO, though, the EU would be wise to utilize existing NATO Standardization Agreements.

Assuming the Battlegroups meet their operational goals in 2007, the EU should also consider expanding the concept to include maritime and air forces for missions such as maritime interdiction and close air support for ground troops.

• **The EU should expand its common funding for operations.**

As the EU continues to strengthen its civilian and military capabilities, it is likely to encounter a challenge that NATO has repeatedly faced over the years, namely a lack of financial resources and incentives for member states to contribute to operations. Daunting upfront costs (for example, setting up runways in remote areas or creating a logistical infrastructure on the ground) usually discourage nations from being the first to volunteer. Instead, countries tend to wait to see what others commit. An easy, affordable, and cost-effective way to surmount this problem is to create an expanded EU common fund for operations. Under the “Athena mechanism,” the EU now administers
the financing of the common costs of EU operations that have military or defense implications. But the term “operation” has never been defined, which given the differing member states’ views and the complexity of ESDP operations (military and/or civilian), leads to debates for each crisis on whether or not Athena can be used. Clarifying how and when the Athena mechanism applies would ensure that future mission costs are shared by those who contribute forces and those who do not.

- **EU member states should continue to enhance their civilian capabilities as well as their military capabilities.**

As the European Union continues to strengthen its military capabilities, it should not lose sight of the civilian side of the equation where it is well positioned to make an indispensable contribution. Again, recent stability operations have stressed the need for both military and civilian personnel that are trained, properly equipped, and rapidly deployable. The European Union has already made notable strides in meeting its Civilian Headline Goals 2008 but more work needs to be done, particularly in the areas of deployability and support capabilities. The EU should also focus on training standardization. Several EU countries (Finland, Austria, and Italy among others) have developed programs for international experts looking to acquire or strengthen their training in civil administration, rule of law, or humanitarian assistance. But few of these programs share a common curricula or certification requirements.

As they continue to work on their civilian capabilities, EU member states should never assume that world class civilian capabilities are a good substitute for world class military capabilities. Progress should continue in both capability areas to allow the transatlantic partners to work together across the full spectrum of operations that today’s security environment requires. Focusing solely on the civilian side would force EU member states into a burden-sharing arrangement that they have repeatedly rejected, one where the Europeans would be left “doing the dishes” after major combat operations have come to an end. If Europeans are intent on working with the United States and other international partners in a wide range of operations, it will be imperative to focus on strengthening both the military and civilian toolboxes.

- **The European Union should pursue structured cooperation beyond the EU Battlegroups.**

Because discrepancy of capabilities among EU member states is likely to remain a problem in the years to come, structured cooperation (where those members with the strongest capabilities pursue more advanced levels of cooperation within an EU framework) should continue to be used by EU member states. The EU Constitution included language that would have formalized this process, but even in light of the French and Dutch “no” votes, structured cooperation remains a viable path for future cooperation on military issues.

First used to create the Battlegroup concept, structured cooperation avoids the question of political will and grants more ambitious countries the freedom to move ahead
without waiting for the lowest common denominator to catch up. The EU should consider working within the framework of structured cooperation to create integrated multinational capabilities (both combat and support units) in all services. However, in doing so, those states that choose to take action (often the larger ones) should not assume that the smaller states will necessarily follow suit.

**Conclusion**

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

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

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CHAPTER 5:
Partners or Rivals? The EU-NATO Relationship

Once described by a U.S. ambassador as “divided by a common city,” NATO and the EU have significantly improved their working relationship since 2000. While the importance of strengthening the EU-NATO relationship has been stressed by U.S., Canadian and European policymakers for over a decade, the first major milestone came in August of 2001 when NATO and the EU jointly brokered a peace deal in Macedonia between the Slavs and the Albanians. This cooperative effort, where the EU and NATO each brought their respective strengths to bear – for the EU, promises of future negotiations on membership and economic assistance and for NATO, military capabilities – demonstrated how powerful the two organizations could be when they joined forces to tackle common security challenges.

A little more than a year later, in December 2002, NATO and the EU signed a common declaration, describing a future relationship based on “effective mutual consultation, dialogue, cooperation and transparency” while stressing “equality and due regard for the decisionmaking autonomy and interests of the European Union and NATO.” The declaration also encouraged the two organizations to pursue mutually reinforcing military capabilities, which led to regular bilateral meetings between the Prague Capabilities Commitment (PCC) and the European Capability Action Plan (ECAP) groups.

Those bilateral meetings, in tandem with the creation of the EU-NATO Capability Group on March 8, 2003, catapulted the EU and NATO into a previously unreachable level of dialogue and exchange. But they also magnified the long list of political, cultural and financial obstacles to ensuring coherent and mutually reinforcing development of the capabilities needed by both organizations. The same questions about enforcement, coordination, and resources that had plagued both the PCC and ECAP individually surfaced almost immediately in their joint meetings. It soon became obvious that increased dialogue alone would not necessarily produce results.

While underlying problems must be redressed for mutually reinforcing military capabilities to be achieved, the EU and NATO have continued their work together on the ground in the Balkans, undertaken their first joint conflict management exercise in November 2003 and watched their memberships converge, with 19 of the 25 EU states now also part of NATO. In addition, the EU has been open to learning from NATO experience in certain areas, such as multinational command and control capabilities, which features prominently on the agenda of the European Defense Agency’s capabilities directorate and on the EU Military Staff’s “Headline Goal 2010 Requirements Catalogue.” In this field, both the EDA and the EUMS are collaborating with the NATO

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2 This number will rise to 21 of 27 EU Member States when Bulgaria and Romania join the EU on January 1, 2007.
Command, Control and Consultation Agency (NC3A) to better understand the existing challenges and potential solutions for achieving interoperability.

**Berlin Plus**

Most notably, though, after seven years of tense negotiations, the EU and NATO signed the "Berlin Plus" arrangement, which allows EU military missions to use NATO assets and capabilities. This arrangement, signed March 17, 2003, was used by the EU in Macedonia in 2003 and in Bosnia during the handover from NATO’s SFOR to EUFOR on December 2, 2004.

Generally speaking, Berlin Plus has received high marks due to a number of innovative structural changes within NATO and the EU. For example, thanks to an EU agreement in December 2003 that proposed that the EU and NATO establish permanent military liaison arrangements in each other’s organizations, a provisional EU cell was created inside SHAPE for operation Althea in Bosnia. As a result, the NATO Deputy Supreme Allied Commander, Europe simultaneously serves as the European operations commander for the EUFOR mission in Bosnia.

But Berlin Plus has also had its share of challenges. Because two members of the European Union who are not members of NATO (Cyprus and Malta) lack the necessary security clearances, virtually no intelligence sharing takes place between the two organizations. This issue has not only affected Berlin Plus, it impacts every aspect of the EU-NATO relationship and paralyzes joint initiatives. Until Turkey, the strongest opponent of granting Cyprus and Malta clearances, changes its position, the current lack of trust between the two institutions will remain the biggest impediment to NATO-EU cooperation on a number of key security challenges.

Debates persist about whether or not the EU should develop a separate planning headquarters – an idea France, Belgium, Germany and Luxembourg proposed at the Brussels “Summit of Four” in April 2003. EU and NATO member states that were not at the Summit voiced fierce opposition to the idea, claiming that an independent headquarters would be dangerous and counterproductive for the EU-NATO relationship and would further tax already scarce resources. What resulted was the establishment of a small civilian/military planning cell inside the EU, which could serve as the core element of a planning/operational center for future EU operations. France and Germany also promised that their own national headquarters could be turned into multinational headquarters on an ad hoc basis if necessary. Questions remain, however, over the viability and cost-effectiveness of this solution in the long term.

In addition, the EU-NATO relationship has been troubled by a number of turbulent strategic debates. The desire of some European countries to build the EU’s capacity for relatively autonomous military action raises questions about the ultimate state of the EU-NATO relationship. Will the EU develop a stronger European pillar

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3 But the reciprocal arrangement to co-locate NATO liaison officers with the European Union Military Staff has yet to be realized.
within NATO or will the EU gradually replace NATO as the main security and defense organization in Europe? At present, there is no answer. The EU remains dependent on NATO for military assets while continuing its efforts to develop its own capabilities and operational structures. Because outlining a specific division of labor between the two organizations would be so politically charged, the two institutions appear content to leave that question off the table for now and accept that a certain level of duplication and friction is unavoidable.

**Recommendations**

- The strategic dialogue between the EU and NATO should be expanded and deepened.

For the past five years, the EU-NATO dialogue has been limited primarily to two core security issues: crisis management in the Balkans and ways to strengthen European military capabilities. While those issues merit continued attention, the changing nature of the global security environment has increased the need for the two institutions to broaden and deepen their dialogue. Opening up the often pre-scripted and stale dialogue between the North Atlantic Council and the EU’s Political and Security Committee to include topics such as combating terrorism and the proliferation of weapons of mass destruction, or regions such as Ukraine or Moldova, would enable NATO and the EU to look at future scenarios and examine ways they can work together to prevent and manage international crises. The current EU-NATO dialogue over cooperation in Darfur, while tense at times, has been a good first step toward pragmatic complementary action and a more open exchange between the two organizations.

An informal meeting of NATO Foreign Ministers, which took place on April 20-21, 2005 in Vilnius, served as a first attempt to move NATO’s internal political dialogue to a broader strategic level. Ministers from the 26 NATO countries discussed a wide variety of issues, including the situation in the Darfur region and the peace process in the Middle East. They also discussed hosting joint informal meetings between NATO and EU Foreign Ministers. We recommend that a similar meeting of NATO and EU Defense Ministers also be scheduled in the future.

A more important but also more difficult dialogue needs to take place at the strategic level to outline a future vision for the two organizations. Both NATO and the EU have documents that serve as strategic guideposts – NATO’s 1999 Strategic Concept and the EU’s 2002 Security Strategy – but the NATO-EU relationship continues to be plagued by strategic incoherence. With each document intentionally left vague to skirt politically charged questions about the two organizations’ future goals, roles, and missions, each member state is left to its own interpretation. Does NATO’s future rest in out of area operations in the Middle East? Africa? The Caucasus? What kind of military forces are required for NATO’s role in collective defense and the EU’s role in crisis management? Where does enlargement end for these two organizations? Should NATO...
have the right of first refusal when it comes to the conduct of operations? What type of threats should each organization be prepared to combat? Asking such questions in national capitals across the European continent produces a diverse mix of answers.

To its credit, NATO is currently drafting its own “comprehensive political guidance,” which aims to answer some of the questions above without redrafting NATO’s Strategic Concept. We urge the EU to undertake a similar effort by translating its Security Strategy into more specific planning guidance for the organization. At the very minimum, NATO and the EU need to try to come to some agreement on how they plan to use the capabilities they are working so hard to acquire. Such scenario-based planning processes do not necessarily need to be common but they do need to be as transparent and compatible as possible. A dialogue of this kind could be conducted among all members of the EU and NATO or limited at first to a handful of small contact groups, which might be more effective in the long term.4

• Intelligence sharing problems must be solved.

With little doubt, intelligence sharing is the biggest challenge facing the EU-NATO relationship and the key to solving it rests primarily in the complex relationship between Turkey, Cyprus and the EU. The myriad of stipulations that Turkey and the EU have thrown at each other in recent months, however, leaves many Europeans and Americans skeptical about the likelihood of a breakthrough. Turkey wants the EU to deliver a long-promised aid package to the Turkish side of Cyprus before allowing Cyprus, and Malta to join NATO’s Partnership for Peace Program (which would automatically grant the two countries the security clearances they need to join EU-NATO talks). And the EU wants Turkey to recognize the unification of Cyprus, which joined the EU last May. Neither option seems likely in the short term, especially as EU-Turkey relations have soured in recent months over Turkish membership.

At the time of writing, it is unclear whether or not the EU will proceed with its scheduled accession talks with Turkey on October 3, 2005. Assuming the talks do take place, a major diplomatic effort to break the current impasse should be launched by both the United States and key stakeholders in Europe with the hope that the carrot of EU membership might trump Turkish objections to EU-NATO intelligence sharing. A failure to hold the talks will severely limit the prospects for a compromise. At that point, EU member states and Turkey will need to ask themselves if halting future negotiations on the subject of intelligence sharing is worth the consequences: increased tension in the EU-NATO relationship; a deterioration in operational success where both institutions are involved (i.e., the Balkans); for the EU, a souring of relations with one of its strongest allies in the Muslim world; and for Turkey, less influence if European countries are forced to conduct EU work on defense independent of NATO.

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• The European Defense Agency should establish close links with NATO’s Allied Command Transformation.

Both the EDA and ACT are still in their early stages of development, but as they move forward in their work, there will clearly be natural overlap. As with the ECAP and PCC groups, the two bodies must identify ways to foster transparency and cooperation through regular consultation (something that France has blocked in the EU). In the meantime, the EDA and ACT should develop working-level contacts and collective effort. Given that many working-level staff are already working both EU and NATO processes, this should be readily achievable.

The two organizations might want to consider putting an ACT cell in the EDA (specifically in the Capabilities Directorate) and vice versa. NATO’s experience with transformation and collaborative defense planning and programs could be very helpful and its existing infrastructure and organization could be readily leveraged by the nascent EDA. The EDA and the larger EU-NATO relationship would certainly benefit from drawing on NATO’s Defense Requirements Review (DRR) process in developing the EU Comprehensive Capability Development Process.

• The EU and NATO should de-conflict force commitments to the EU Battlegroups and the NATO Response Force. They should also meet informally to discuss capabilities available for prospective operations.

While the EU and NATO have repeatedly stressed the importance of de-conflicting member state commitments to the EU Battlegroups and the NATO Response Force, few concrete steps have been taken to avoid a situation where troops are simultaneously committed to both multinational forces. Currently, neither force is fully operational (although the NRF and the Battlegroups have both reached “initial operational capability,” with full operational capability expected in 2006 and 2007 respectively). It is therefore important that a coordinating mechanism be developed now to ensure that the two organizations’ ability to react to mounting crises will not be inhibited by debates over the dual-hatting of forces. A handful of individual countries (the Netherlands, for example) have developed their own national plans for avoiding a situation where troops are committed to both forces, but no coordinated EU or NATO plan has been developed. Therefore, assuming that the impasse over intelligence sharing can be broken, we recommend that SHAPE hold a force commitment review conference every six months – something it did in the spring of 2005 for the missions in Afghanistan and the Balkans. We also recommend that the DSACEUR take on this particular responsibility given his current role in both institutions.5 In addition, when new operations arise, representatives from NATO, the EU and member states should meet informally to discuss what assets might be available and relevant.

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5 An idea also suggested in Leo Michel, “NATO and the EU: Stop the Minuet; it’s Time to Tango!” Eurofuture (Winter 2004): 88-91.
• The PCC/ECAP links must be renewed and strengthened.

Where there are direct and obvious links, the PCC and ECAP groups have met jointly to share ideas on strengthening specific European military capabilities such as strategic lift and air-to-air refueling. While some progress has been made, many experts agree that both initiatives have stalled in recent months. Most of the exchanges between the two groups tend to be largely informational and unproductive. Actual results in the form of concrete recommendations or decisions have proven elusive. This argues for restructuring the PCC/ECAP relationship based on a clearer sense of which countries have a comparative advantage to lead in what capability areas and which institutional context – NATO, EU, or ad hoc cooperation among member states – makes the most sense in specific areas. Consistent with the migration of ECAP to the EDA, future meetings of the two groups should also include representatives of the National Armaments Directors of EU and NATO nations.

• NATO and the EU should harmonize their standards and metrics for force planning.

As discussed in earlier chapters, NATO and the EU have both undertaken several initiatives aimed at strengthening their members’ military capabilities. NATO has also presented its members with specific deployability and usability targets (40 percent and 8 percent of national forces respectively). A key challenge, however, remains assessing what capabilities already exist and measuring the extent to which forces are both usable and deployable. Currently, member states have the freedom to count, characterize, and catalogue their capabilities as they see fit, using national metrics that may not match those of their neighbors. Understandably, countries want to counter any accusations that they are failing to modernize their forces, sometimes leading them to exaggerate the capabilities they actually have in hand. As a result, neither NATO nor the EU has an accurate reading of existing capabilities at a time when both organizations are working to identify shortfalls and conduct operations. Therefore, both the EU and NATO should launch a renewed effort to identify an agreed set of standards by which every member of the two organizations can measure and report their current capabilities.

• The EU and NATO should create a “Berlin Plus in reverse.”

The Berlin Plus arrangement is designed to provide the EU with NATO common assets and capabilities for military operations. Most missions, however, as seen today in Afghanistan and the Balkans, require a combination of military and civilian capabilities, especially during the post-conflict reconstruction phase. Given that the EU has already developed an impressive array of constabulary and civilian instruments and continues to grow in this area, NATO and the EU should consider developing a “Berlin Plus in reverse” arrangement. Such an agreement would provide NATO access to EU civilian and constabulary capabilities for crisis management operations.

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6 See the country cluster methodology presented in chapter 7 of this report.
8 Additional details on this idea can be found in Helga Haftendorn’s piece in Internationale Politik titled, “Ein Koloß auf tönernen Füßen,” (April 2005).
• The EU and NATO should consolidate all existing coordination cells and de-conflict any that are established in the future.

In recent years, a number of coordination cells have been created across Europe: the European Airlift Center in Eindhoven; the Sealift Coordination Cell, which is co-located with the EAC; the Strategic Air Lift Coordination Cell, also co-located with the EAC; and a Greek Sealift Coordination Cell. All these cells have declared their services and available assets to the EU and NATO. To maximize their effectiveness and avoid duplication, NATO and the EU should seek to consolidate these cells into one European Strategic Mobility Center to improve the coordination of all strategic lift assets, mechanisms, and initiatives to be used for future operations.9

Conclusion

While the exact direction of the EU-NATO relationship might be hard to predict at times, neither the EU nor NATO has the option of reversing course. The convergence of their memberships, the expanding dialogue between the two organizations, their respective strengths, growing interdependence, and overlapping interests make it impossible for the EU and NATO to limit the relationship indefinitely. That said, tackling the current mistrust, unhealthy competition, and severe information sharing blockages that are currently plaguing the relationship will be extremely challenging in the coming years and could certainly leave some countries reminiscing about the days when the two organizations had nothing to do with each other.

The good news is that the evolving U.S.-EU relationship, which appears to be gaining momentum after years of stagnation, will likely strengthen the NATO-EU relationship. Skepticism and concern in some U.S. quarters regarding the EU’s growing role in the foreign and defense arena has been no secret over the past decade. Likewise, some Europeans have expressed an interest in sidelining NATO to strengthen European influence vis a vis the United States. But as the United States and the EU expand their working relationship and foster greater transparency, it will become increasingly difficult to view America’s relationship with the EU and NATO as a zero sum game.

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9 There have been suggestions that a multinational coordination cell also be developed for land transport but we see less utility in doing so since future NATO and EU missions are likely to take place outside of Europe.
CHAPTER 6:  
The Industrial Base and European Defense Integration

The European defense industry accounts for over 90 percent of EU military equipment and services, provides over 200,000 jobs, involves numerous advanced – and often sensitive – technologies and evokes national sovereignty issues for many governments. It will be the political leaders and generals who decide if and how greater European defense integration will occur. However, the alignment of EU member nations’ industrial and economic interests will determine the speed and dynamics of this process.

Industrial Considerations and European Defense Planning

The greater European defense integration proposed in this report will occur within the context of EU member domestic economic and political environments. Most of the EU is currently experiencing sluggish growth and high unemployment rates. As of July 2005, the EU 25 had an aggregate seasonally adjusted unemployment rate of 8.7 percent. Unemployment rates in some of the larger nations are even higher: Germany suffers from 9.4 percent, France from 9.7 percent, Spain from 9.5 percent, and Poland from 17.6 percent unemployment. Many European defense procurement programs today are indirect jobs programs; parliaments across Europe embed the retention of jobs into their defense procurement budgets as a central goal even when these policies result in higher costs than buying equipment from alternative sources.

Job issues in general are inherently political as they affect voting constituencies and tax bases. Defense industry jobs in particular tend to require higher-level skills and are therefore comparatively high paying. Consequently, they have a higher than average impact on local economies. This is a key reason why offset and juste retour policies continue even though they have been out of favor from an EU perspective for almost a decade. Any strategic realignment or pooling of defense responsibilities will likely result in defense industry employment shifts at the prime contractor and supplier tiers. These employment impacts and their related political repercussions need to be anticipated and incorporated into defense integration planning. Defense industrial issues, therefore, form an integral part of the “country cluster” methodology proposed in the next chapter.

2 Eurostat, Monthly Harmonized Unemployment Rate Report, as of July 20, 2005, Europa website for EU Commission; http://epp.eurostat.cec.eu.int
3 Ibid.
4 Juste retour refers to countries investing in multinational programs only to the extent that they are allocated a workshare in them that is equal to the investment made.
With an overall market size of 41 billion euros in 2004 and defense exports (outside the EU 25) of 7.5 billion euros, the European defense industry is an important element of the EU’s economy. However, there exists an extremely uneven distribution of the defense industry among EU member states. France and the United Kingdom comprise over 55 percent of European defense industrial output. The six Letter of Intent (LoI) countries – France, Italy, Germany, Spain, Sweden, and the United Kingdom – today contribute 80 percent of all EU defense production and perform 97 percent of all EU defense research and development. Not surprisingly, these six stand to gain or lose the most in terms of GDP, employment, and technology base if there are any significant shifts in defense production.

Yet the defense industrial base is not the only European supplier for many of the capability shortfalls that Europeans should be addressing. Adjacent industries from the civilian sector are becoming extremely important for fulfilling defense requirements that can increasingly be characterized as “dual use.” Communications, command and control, sensors, and advanced materials are some of the areas where non-defense companies can contribute to the development of new military capabilities. The development and production of certain sensors for military applications, for example, could be based on the existence of cutting-edge civilian adjacent industries such as electro-optics and biotechnology. While these, too, are areas where the larger EU member states – France, Germany, Italy, Spain, and the United Kingdom – have a significant footprint, all European countries possess industrial bases that can contribute to them in some form. Firms with strong research, development, and manufacturing capacity in pharmaceuticals, biotechnology, robotics, nanotechnology, and information and telecommunications technologies abound throughout Europe and can be harnessed toward the development of future military capabilities. Finland, for example, is home to Nokia and a host of other mobile telecommunications companies with cutting-edge technologies and Belgium is home to Barco, a global leader in display, visualization, and simulation technologies.

**Critical Challenges for European Defense Investment**

There are three key challenges to achieving greater European defense cooperation: fragmented defense demand, existing rules of intra-European defense trade and the fact that industrial capabilities continue to be focused on weapons systems developed during the Cold War. While EU and NATO processes have been initiated to address these issues, progress has been excruciatingly slow.

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6 Ibid.

7 Ibid.
Fragmented Defense Demand

National governments have historically been the procurers of defense equipment. They are concerned first and foremost with getting equipment that meets their own defense requirements on time and in quantities and qualities that they can afford. The twin desires of maintaining security of supply and maintaining a technological advantage over competitors leads national governments to limit the wider diffusion of military and some commercial technologies in the name of national defense. This is reinforced by perceptions, commonly held among European and transatlantic allies, that existing export and intellectual property protections fail to assure member states that their technologies will be safeguarded by recipient countries. This focus on defense autonomy varies depending on the level of national resources. It also leads to the creation of national monopolies and to the granting of protected status to national defense firms. Though the arguments for security of supply and national monopolies have eroded as European defense companies consolidate and joint procurement programs proliferate, they are by no means dead. The resulting collection of primarily “national” defense markets keep Europeans as a whole from reaping any significant economic savings from a “common” defense and security market.

Greater defense integration will also cut into areas of member states’ national sovereignty that heretofore have been off-limits to NATO and the EU. As demonstrated by the recent “No” votes on the ratification of the EU Constitutional Treaty, the willingness of individual nations to cede parts of critical national decision-making processes to the EU has its limits. However, this must be done in the area of defense procurement, since consolidation of demand will drive price pressure, which in turn will drive consolidation of overcapacity, which in turn will create a lower cost structure. And a lower cost structure is a crucial step in generating new and improved capacity in the European industrial base supporting defense. Allowing another entity such as NATO, OCCAR or the EDA to assume a significant portion of this responsibility for consolidating demand will begin a much needed new era in European national procurement.

Existing Rules of Intra-European Defense Trade

The efficiency of the European defense market is currently hobbled by national governments making extensive use of the national security exception to the EU Treaty establishing the Common Market and in the practices related to juste retour. Article 296 EC of the EU Treaty allows any member state to “…take such measures at it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munitions and war materiel.” This effectively exempts defense products from Common Market trade rules. In addition, insistence on using a juste retour approach means that programs are divided up not by engineering or economic logic but by political expediency. Cost, schedule, and coordination problems

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are most often the result.\(^9\) National tender rules limiting bidding are another means by which European governments can enforce national defense industrial solutions.

*Industrial Capabilities are Primarily Focused on Cold War systems*

In most member states, national defense industrial capabilities are still primarily focused on large weapons platforms intended for use during the Cold War – ships, planes, tanks, and armored vehicles, for example – and the operating and maintaining of these systems. Very few countries have formulated clear modernization strategies for their military forces and, therefore, have not put in place new industrial policies. More importantly, political capital is still largely tied up in programs inherited from the Cold War. The fact that several governments still own – at least in part – their defense industrial bases also leads to a national resistance to downsizing of existing assets and workforces.

Moving from an industrial base focused on Cold War systems to one focused on expeditionary and multinationally interoperable systems for new missions will be a costly adjustment process involving economic and political dislocation. Though this transition is painful, it is nonetheless necessary to meet the defense needs of today and tomorrow. Industry incentives must be managed and national government initiatives must be timed to take advantage of opportunities to offset production shifts away from older platforms and toward transformational systems.

*Specialization and Leverage*

In those European countries that possess a particularly strong industrial base in a post-Cold War capability area, a de facto modernization or specialization has taken place, often without a specific national defense strategy. The Dutch government, for example, has in recent years done away with some of its military capabilities, such as manned aerial maritime reconnaissance, following a shift of its focus toward leadership in specific domains, such as communications and naval sensors. These areas were chosen to take advantage of local expertise. The country’s maritime patrol aircraft were P-3 Orions, manufactured and upgraded by Lockheed Martin, while its communications, naval radar, and sonar capabilities are locally developed by Thales Nederland (formerly Signaal) and the Netherlands Organization for Applied Scientific Research (TNO). One result of this “specialized modernization” is that focused local industry investment can provide capabilities for multiple applications. For example, investments in communications and sensors has allowed the Royal Netherlands Army and Air Force to become European leaders in deployed command, control, and communications systems through their Theatre Independent Tactical Army and Air Force Network (TITAAN) tactical radios and its Integrated Staff Information System (ISIS) linking mobile headquarters. Another result of defense specialization has been the emergence of several Netherlands-based companies as global leaders in maritime sensor systems. The build-up of specialized niche capabilities in other countries, such as those of the Czech Republic in CBRN defense, of Romania in mountain warfare, and of Hungary in combat engineering and

bridge-laying, has proven that countries are willing to develop competitive advantages in defense areas where it is economically beneficial, even at the cost of forgoing some autonomy across the defense capability board. Specialization, therefore, is a viable defense strategy in Europe if the economic benefits are large enough.

Specialization, however, must be coordinated to achieve broad-based capability improvements. In several domains relevant for the new range of missions – such as C4ISR – the differences between military systems and civilian systems are often slight. Since commercial telecommunications and information technology players, for example, abound in many countries, the tendency to procure locally is even stronger than in other, more traditional defense technology domains. Not only are systems available from local manufacturers, they are often of comparable quality to those produced in neighboring countries. The results for interoperability, however, are devastating. The fact that most European militaries have independently developed and procured information collection and dissemination infrastructures means that few today can talk to each other effectively.\footnote{Adams, Gordon, Guy Ben-Ari, John Logsdon and Ray Williamson, “Bridging the Gap: European C4ISR Capabilities and Transatlantic Interoperability,” National Defense University, Washington D.C. 2004, p. 114.} While this means that more countries’ industrial bases will be able to contribute to specific capabilities, it also means that a high degree of coordination will be required between the industry participants and national capability development efforts in the same areas.

Lastly, the industrial bases of the United States and Canada should be leveraged to the greatest extent possible to augment European capabilities. Despite significant recent frustrations over technology transfer controls, the medium – and long-term economic benefits of defense trade with North America far outweigh the costs of attempted national or continental autarky. European defense firms know that transatlantic revenues provide them a more stable financial base than they can achieve with purely European sales and have stepped up their North American activities accordingly. Conversely, in some instances involving both very complex and very cost-sensitive defense items, it may be more logical to buy from North American suppliers than to make these items in limited, uneconomic quantities in Europe. Collaborative transatlantic research and development programs should also be maintained and expanded. Europe needs access to the breadth and scale of U.S. defense research efforts (e.g., NATO AGS and Joint Strike Fighter) while the United States increasingly requires access to deep niche technologies that Europeans can provide (e.g. Swedish UHF mobile communications systems and UK Anti-Improvised Explosive Device technology). Recent calls for increased restrictions on transfers of defense articles, technologies, and company ownerships from both U.S. and European capitals are ultimately counterproductive and should not be heeded. To achieve greater European defense capabilities with existing defense budgets, greater transatlantic cooperation is essential.
Recommendations for NATO and the EU

NATO

The NATO-industry relationship today is best characterized as mutual dependence based on distinctly different roles. The defense industry provides the tools (defense systems and services) for NATO to do its work while NATO tells the industry’s customers (member governments) how the tools have to work together. Of course, NATO leaders perpetually desire more and better tools, but as currently structured, the Alliance does not order, build, or pay for them. In economic terms, NATO functions more as a regulator of the transatlantic defense industry than as a participant. NATO’s standards and protocol setting committees seek to ensure interoperability among Alliance members. NATO also issues substantial guidance on intergovernmental acquisition practices, including drafting of MOU’s for cooperative armaments programs, currency exchange management, liability for patent infringements, changes to multi-government programs, pricing practices, auditing procedures, cooperative program sales to non-participating countries, source selection processes, collaborative program management, and cooperative research and technology development.\(^{11}\) NATO’s annual budget, however, is less than one percent of total defense expenditures of the NATO countries. With a few notable exceptions, NATO is rarely the actual buyer of defense products.\(^{12}\) It therefore has a much better chance of influencing member governments than the defense industry itself.

NATO’s roles and environment, however, are changing. As noted earlier, NATO has moved from being a planning organization for static territorial defense leveraging high member defense budgets to an operating organization for expeditionary missions working in the context of tight member defense budgets. The Alliance’s new missions (such as Bosnia, Kosovo, and Afghanistan) and anti-terrorist activities (Active Endeavour, CBRN response) are demanding new capabilities and significantly different systems than those that have been required in the past. New requirements combined with low defense expenditure levels are forcing NATO investment committees to focus more on procurement economics than at any time in its past.

- **Given the new security environment and new requirements, NATO must take a more active role – sometimes a leadership role – in creating transformational capabilities and assuring that they succeed.**

This includes interacting closely with companies developing these capabilities. Specifically, since NATO is the only defense organization today with a proven track record of bringing large, strategic, multinational programs into existence, it should focus on those capability areas that involve purely military applications of high complexity and require transatlantic technological competence. Examples would include air-to-air

\(^{11}\) AACP-1 Guidance Manual for Co-Operative Programme Arrangements, AC/313 NATO Group on Acquisition Practices CNAD Partnership Group, Part I & Part II.

\(^{12}\) The three principal exceptions are the NATO AWACS, ACCS air defense and planned Air-Ground Surveillance programs.
tankers, space-based C4ISR and airborne C4ISR. This should be accomplished as soon as possible, preferably beginning with the next meeting of the NATO Defense Planning Committee in 2006. This will also strengthen transatlantic links in the most important areas involving alliance interoperability.

**European Union**

The European Union is the rational locus of pan-European development efforts for new defense and security technologies. The European Commission’s Framework Program for research and technology development, for example, has, since its inception in 1984, been a tool for funding collaborative civilian research undertaken in small- and medium-sized consortia that bring together firms, research organizations, and government entities. The Western European Armaments Group (WEAG) and the Western European Armaments Organization (WEAO) have been funding collaborative defense research and technology programs since 1993 and 1996, respectively. Pooling the efforts of various countries in these organizations is viewed not only as a way to generate larger capital funds, but also as a means for avoiding duplication and enhancing political integration. The EU is currently in the process of initiating two programs that will be important for industrial involvement in Europe’s future defense capabilities: the European Commission’s 7th Framework Program (FP7) and the EDA’s R&T programs.

When the Commission’s FP7 begins in 2007, it will – for the first time in the program’s history – include space and homeland security research and development as significant parts of its portfolio. As in previous FPs, the budget is made up of contributions by member states, but it is the EC that allocates funding for specific projects, all of which must be undertaken by consortia made up of at least three partners from three different countries. However, FP7 may differ from its predecessors in that it has a proposed duration of seven years and an annual budget of over 10 billion euros. While some would argue that there have always been Commission investments in defense- and security-related research in previous FPs through the funding of certain dual-use and commercial projects, many see the setting aside of specific funds (currently four to seven billion euros are proposed) for fields such as earth observation and detection of chemical and biological agents as a positive first step in the development of a European-wide security capability.

The EDA, through some of its proposed programs, will also have the potential to become involved in the “country cluster” strategy described in the next chapter. The ultimate goal of the EDA is to support the member states in the effort to improve European defense capabilities. As part of this endeavor, the EDA’s R&T directorate will create specific clusters for its development programs, the first of which will focus on technologies for long-endurance UAVs.

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13 WEAG and WEAO are gradually being incorporated into the EDA between May 2005 and the first quarter of 2006.
• The European Commission’s FP7 Thematic Priority on Security and Space and the EDA should become more actively involved in channeling industry towards several transformational defense capabilities.

Specifically, those capabilities requiring medium to large investments and dual-use technologies of medium to high complexity that require strong Europe-wide collaboration should be targeted. Specific opportunities include UAVs, large communications networks and advanced sensors.

• The EDA should be provided with a 200 million euro funding pool for running its own collaborative R&T programs. It should also develop its own capacity for program management.

Conclusion

Ultimately, economics (i.e., jobs, technology innovation, and security of supply) will be at least as large a factor as strategy in defining Europe’s political choices on defense and security. Thus, the industrial base will affect each policy option for European defense integration and in turn be affected by it.

Fragmented defense demand, intra-European defense trade regulations, and a defense industrial base focused on Cold War era systems impair the initiation of an efficient, large-scale effort to develop and produce Europe’s future defense capabilities. Migrating to a more efficient defense industry structure will require European leaders to accept that fiscal and capabilities improvement, will come at a price to national governments and businesses as a result of political and economic dislocation. They should also realize that these dislocations will be felt largely in the short term and that further down the road, the approach will be positive not only for their militaries, but also their industrial bases. They must also be aware that development of capacities in new technology and industry areas will generate positive spin-offs to other, non-military, economic sectors and assist in strengthening their national innovation systems.

NATO and the EU both have roles to play in encouraging industrial involvement in enhancing Europe’s defense capabilities. Both foresee a European need for new defense capabilities and recognize the role of the European – and in many cases the transatlantic industrial base in supplying them. Both must improve their relationships with industry in order to help the right firms, wherever they are located, to take part in transformational programs in which they are needed. In addition, both can use existing mechanisms, such as NATO development and procurement programs and the European Commission’s FP, to initiate and manage these efforts.
CHAPTER 7:  
Addressing Critical Capability Shortfalls: A New “Country Cluster” Methodology

Enhancing European defense capabilities has been a perennial goal on both sides of the Atlantic since the founding of the NATO alliance. Initiative after initiative has been pursued over the years, resulting in both victories and disappointments. The end of the Cold War and the emergence of a fundamentally changed international security environment have given rise to renewed calls to strengthen European security capabilities – with military forces that are rapidly deployable to distant theaters, can sustain multiple simultaneous operations over time, can operate across the spectrum of conflict and with the forces of other countries and can also contribute to counterterrorism and homeland defense. NATO, the EU, and individual nation states have identified key shortfalls. This chapter offers a new methodology for addressing them and applies it to some real world cases.

The “Country Cluster” Methodology

The first step is to identify which capability areas are truly critical to the ability of European military forces to conduct expeditionary operations and to assess whether current and planned forces can meet projected requirements. Rather than undertake a comprehensive, *tabula rasa* assessment of European capability shortfalls – a task that was beyond the resources of this study – we used critical capability shortfalls already identified by both NATO’s Prague Capabilities Commitment and the EU’s European Capabilities Action Plan as a starting point. As illustrated in Figure 4 below, we focused on those areas identified by both NATO and the EU: strategic sealift, strategic airlift, air-to-air refueling, deployable logistics, C4ISR, CBRN defense, precision munitions, special operations forces, and deployable follow-on forces.¹

Identify, for each capability area, a cluster of countries that have a comparative advantage and the incentives to play a lead or supporting role in addressing the shortfall.

¹ While NATO is also addressing some other ECAP areas like theater ballistic missile defense, it is doing so outside the PCC framework.
The second step in our approach is to identify for each capability area a cluster of countries that have a comparative advantage and the incentives to play a lead or supporting role in addressing the shortfall. Several factors should be considered in developing a “country cluster” for a particular capability area:

- **Operational capability or experience**: Which countries have fielded and operated such capabilities in the past? Which are considered to have the highest quality capabilities of this type?

- **National level of ambition**: Which countries aspire to field this capability in support of their own national defense strategies?

- **Political leadership**: Which countries have committed or might be willing to commit themselves to be leaders in this area? Which have political or economic incentives to do so?

- **Historical and political-military ties**: Which countries have worked closely and well together in the past? Which have strong enough political-military ties to support close cooperation?
• **Relevant industrial capacity and expertise:** Which countries have industrial expertise or experience relevant to developing and producing this capability? Which have defense or adjacent industrial bases that could support the recommended program? Which stand to gain economically from contributing?

Identifying a “country cluster” is more of an art than a science; there is no formula for weighting these factors and a good deal of expert judgment is involved. That said, this approach is useful in identifying groups of countries that, taken together, have the right mix of operational, political, and industrial competencies – and, therefore, potentially the right incentives to address a given capability shortfall, as will be illustrated by a number of cases below.

Although both the PCC and ECAP have formed country clusters to tackle specific capability problems, these have been fairly ad hoc in nature and not based on the factors described above. As a result, several of the existing clusters have lacked the incentives and leadership to be effective. It is worth noting that, often, smaller countries are well positioned to play disproportionately important roles in these clusters based on the relevant experience and expertise they can bring to the table. Although it has not been included in the examples provided below, the United States also has a role to play in these country clusters based on its operational experiences, military relations with European countries and extensive technological and industrial expertise in key areas.

Once a country cluster has been identified, the next step is to determine the best institutional context for the effort: Should the action be taken under the auspices of NATO, the EU, or as a more ad hoc cooperative effort among individual nations? The question of who should lead investments in transformational capabilities is particularly important when these capabilities are designed to fulfill multiple missions at the national, European or transatlantic levels.

In Figure 5, we outline a set of recommended criteria for deciding which entities should logically take on leadership responsibility for investing in the systems needed to create transformational defense capabilities. This chart is intended to be prescriptive rather than descriptive of the situation today. It is designed to cover solely transformational capabilities and not the entire scope of defense materiel. In some cases, institutions (such as the European Defense Agency) must mature further before these roles can be completely fulfilled. The chart indicates which organizations could provide meaningful requirements definition and funding coordination. Program oversight would occur at the multilateral organizational level; however, program execution would be performed at the national clusters level (as described below). In all cases, it must be acknowledged that the ultimate source of funding for these new capabilities will be sovereign nations. Nations will invest individually or collectively depending on which organization is taking the lead on which capability.
The rationale for the recommended criteria for investment leadership is as follows:

- **Interoperability requirements**: Interoperability refers here to the degree of multinational coordination required for the capability to be operational. This includes areas such as communications, out-of-country basing, over-flight rights, data fusion from allied government sources, shared use, and command and control of multinational forces. The locus of capability development responsibility and program oversight is therefore assumed to be dependent upon how many nations are involved in the user community. A high rating means all or a large number of nations, such as may be required under a NRF or EU Battlegroup deployment. Medium rating means a few nations and low means as few as one nation may use a capability (e.g. special operations forces).

- **Primary application**: This criterion refers to the primary, but not exclusive, use envisioned for a given capability. An example of a military system would be the NATO AWACS component, which is designed to perform the military function of surveillance and air battle management. Dual-use applications refer to systems developed for homeland security or civil applications, but can be just as easily used for military needs. A rating of military means the organization allocates over two-thirds of its development effort to military capabilities. A dual-use rating means the organization has an almost equal development focus on civilian and military capabilities.

- **Complexity**: Complexity is measured here along the two axes of program complexity and technical complexity. Program complexity is determined by the degree of system integration required to create the capability, the extent to which platforms versus
smaller systems are involved, and overall program size. Technical complexity refers to the software-intensity of a program and the number of new technologies to be matured in order for the new system to work properly. A high rating means a new capability involves a high degree of both program and technical complexity. A medium rating means the capability involves either a high degree of program or technical complexity but not both. A low rating means the capability involves a high degree of neither program nor technical complexity.

- **Industrial Expertise**: This is a measure of where the predominant industrial expertise in a given capability is located. Transatlantic means the vast majority of industrial experience resides in the United States or involves U.S. suppliers. For example, the United States has produced and fielded airborne synthetic aperture radars (SARs) for military purposes for over 15 years. Europe has yet to field a combat SAR. Europe-wide means industrial capabilities reside in more than four or five countries in Europe. Europe-niche means proven industrial expertise exists in Europe but may be limited to fewer than four or five countries in any given capability.

Therefore, cases in which a nation or small group of nations will lead investment in a transformational capability will: have limited interoperability and complexity requirements; potentially require industrial capabilities, which are available in Europe but are not widely distributed; and likely incorporate both military-specific and a significant number of dual-use programs. By contrast, the EU is expected in the future to be able to develop capabilities of high interoperability and complexity, with a development focus on both military and dual-use applications using industrial capabilities from a broad cross-section of Europe and, in some cases, U.S. suppliers. Finally, NATO would be the most probable choice for highly interoperable, highly complex, primarily military programs requiring a significant degree of U.S. industry participation.

The last step in this process is to identify possible offsets or areas for divestment, which could free up resources to address shortfalls in critical capability areas. This issue is discussed in chapter 2, which explores national efforts to transform military capabilities.

**Applying the “Country Cluster” Methodology**

This “country cluster” methodology is applied below to eight priority capability areas in which there is an acknowledged gap between what Europe needs for the future and what it has in hand or in the pipeline today. Specifically, we examine in detail: strategic sealift; strategic airlift and air-to-air refueling; deployable logistics; C4ISR systems, including airborne ground surveillance, earth observation satellites, and UAVs; chemical, biological, radiological, nuclear (CBRN) defense; precision munitions; special operations forces; and deployable follow-on forces. In each case, we propose a specific solution or way forward based on the factors described above. Taken together, these cases are meant to be a starting point for applying the methodology more comprehensively in the future.
Strategic Sealift

Strategic sealift is of primary importance in deploying and sustaining military forces – especially sizeable ground formations – in distant theaters of operations. In most operations, sealift will transport the bulk of equipment and supplies as it is much more cost efficient than airlift. For example, in a notional scenario in which equipment and supplies must be transported over a distance of 4,000 nautical miles, $20 million worth of airlift could deliver 72,000 tons of cargo in 36 days, whereas comparable cost sealift could deliver 55 times that amount in the same period.

Today, Europe’s military sealift capacity is inadequate to meet NATO’s stated level of ambition – that is, the ability to conduct three major joint operations simultaneously. There are only nine so-called “RO/RO” ships in current European military inventories. These ships are customized to enable military forces literally to “roll on” and “roll off” their equipment, substantially reducing the time required to load and unload the ship and to prepare equipment for use in operations. However, Europe does have significant commercial shipping assets that European militaries can and do lease to transport supplies and equipment. The commercial inventory is a mix of RO/RO ships and container ships. One complicating factor is that not all military equipment – such as main battle tanks, armored fighting vehicles, and helicopters – can be packed in standard shipping containers. While it is clear that a shortage of available RO/RO ships likely exists, it is impossible to quantify this shortfall given the absence of both authoritative planning requirements and capacity assessments in the unclassified domain.

Nevertheless, both NATO and the EU recognize that there is a problem. In the context of NATO’s PCC on strategic sealift, Norway is leading an 11-nation effort to gain assured access to 12-14 commercial ships (mainly RO/ROs) for NATO operations based on a mix of assured access and full-time charter contracts with private shipping companies. Although some have voiced concerns as to whether commercial ships could be accessed fast enough and whether they would be willing to enter a contested or hostile security environment to support operations, there is already a strong track record of using leased commercial assets to deliver military supplies to distant theaters during crises. Furthermore, given the strategic sealift capacity available on the open market and the high costs associated with procuring additional military sealift, it is almost certainly

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2 Access to ports in the theater is obviously a prerequisite.
3 This assumes no pre-positioned ships of equipment in the theater.
4 Unclassified estimates of the sealift requirements associated with NATO’s level of ambition vary widely, from 40 to 80 RO/RO ships.
5 As part of this effort, Denmark launched its “ARK Project,” which provides assured access for NATO, Alliance members and others to two Danish commercial sealift ships. See: http://forsvaret.dk/SOK/eng/The+ARK+Project/.
cheaper to address Europe’s capability shortfall in this area through leasing and charter arrangements to the greatest extent possible. The challenge, of course, is to determine how much access to pay for in advance (presumably at lower prices), how much to pay for on the spot (at higher prices) as needed and whether such arrangements can meet the need in its entirety. If not, procurement of additional RO/RO’s to close the gap would make sense.

As argued in the previous chapter, fiscal constraints make the acquisition of expensive capabilities like strategic lift extremely difficult for many nations. Ultimately, for high-end assets that are essential for NATO operations, NATO should take the lead in alleviating these shortfalls through common funding. The institutional mechanisms for doing so already exist within the alliance.

In light of the importance of strategic sealift to meeting both NATO and the EU’s goals with regard to expeditionary operations, we recommend:

- **NATO and EU planners should attempt to quantify their requirements for strategic sealift in general and RO/RO’s in particular.**
- **The 11-nation consortium should expand current efforts to increase access to commercial sealift, especially RO/RO’s, via leasing and charter arrangements and ensure that these assets could be made available to both NATO and the EU for operations. The degree of access negotiated should reflect the requirements assessment above.**
- **If access to commercial shipping is not adequate to completely close the gap between what is required and what is currently available in national military inventories, then NATO should procure a small fleet of RO/ROs to close the gap.**

These should be procured using NATO common funding and operated as a NATO sealift component. They should, however, also be made available to the EU for operations. Based on their operational experience and industrial capacity, the UK, Norway, Denmark, and Sweden should form the core country cluster to spearhead this procurement on NATO’s behalf. Other industrial partners could include companies from Germany, France, Spain, Italy, Greece, and Finland who have relevant shipbuilding expertise.

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6 A number of countries have also established a Sealift Coordination Cell in the Netherlands to use existing sealift more efficiently. This initiative is discussed in Chapter 2.

*Center for Strategic and International Studies*
Strategic Airlift and Air-to-Air Refueling

Strategic airlift is often critical to rapidly deploy lead elements of a military force to a distant theater of operations. It often requires the ability to refuel aircraft in flight to avoid frequent landings and the associated time delays.

Today, the only truly strategic airlift in Europe’s inventory consists of four C-17s being leased by the UK from the United States. Most of the airlifters on the continent are tactical aircraft which have more limited ranges and capacities; and about half of these are older model aircraft nearing retirement. This shortfall is well recognized. Most recently, the absence of strategic airlift slowed Europe’s ability to respond effectively to provide disaster assistance to tsunami victims in Southeast Asia.

Germany, France, Spain, the UK, Turkey, Belgium, Luxembourg, and South Africa are working together to acquire 180 A400M aircraft, which will begin to come online in 2009. Although the A400M will certainly provide Europe with more modern airlift capacity, it does not have the range or capacity to be considered truly strategic.7

Since the A400M will not be in service for several years, Germany is leading a consortium of 15 nations to negotiate and finance a Strategic Airlift Interim Solution (SALIS) agreement, through NATO contracting agencies, to assure access to up to six Ukrainian strategic airlift aircraft as a stop gap measure for the near to medium term.8 However, the SALIS agreement secures access to only about half of the flight hours that were originally estimated to be needed, suggesting that it is only a partial solution.9 Because neither NATO nor the EU has sought to quantify its projected airlift requirements in any definitive way, it is difficult to determine whether a given “fix” actually solves the problem.

A similar picture exists for Europe’s air-to-air refueling (AAR) capacity. Europe has some 78 aircraft that can function in the AAR role,10 and nearly half of these are nearing the end of their service lives. Four European countries – Germany, France, the UK, and Italy – are planning purchases of some 46 AAR aircraft over the next seven years.11 In addition, Spain lead a nine-nation effort, under the auspices of NATO’s PCC and in consultation with their ECAP counterparts, to build a jointly owned and operated fleet of approximately ten multi-role aircraft that can perform air-to-air refueling operations. Currently, this effort is stalled due to lack of resources.

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7 Other countries such as Italy, Greece, Poland, Denmark, and Spain are also buying new tactical airlifters.
8 This leasing arrangement provides NATO with access to flight hours on six Antonov 124-100 aircraft and is expected to cost 70 million Euros per year for the next 8-10 years. However, a single Antonov flight to Afghanistan as part of ISAF ran $250,000, making this less than a cost effective option.
9 It is also worth noting that Germany, Belgium, Italy, the UK, France and the Netherlands have established the European Airlift Coordination Cell in Eindhoven, similar to the Sealift Coordination Cell cited above, to coordinate utilization of their airlift and refueling assets in the interests of enhancing efficiency and reducing costs.
10 Most of these are multi-role aircraft like C-130s, C-160s and 707s, which can also serve as tactical airlift.
11 Germany and France plan to buy seven KC-310s between 2005-6, the UK plans to buy 19 KC-330s between 2009-2012 and Italy plans to buy 20 KC-767s between 2005-2009.
Given the importance of strategic airlift and air-to-air refueling to Europe’s future strategic needs and given that planned procurements and leasing arrangements may not be enough to meet operational requirements, we recommend:

- **NATO and EU planners should quantify their requirements for strategic airlift and AAR for out of area operations.**

  NATO planners should begin by developing authoritative estimates for what it would take to rapidly deploy the NRF. EU planners should assess the requirements associated with the stated intention of being able to undertake two simultaneous Battlegroup deployments. With these requirements in hand, NATO and the EU will be in a better position to consider alternative approaches.

- **If requirements exceed what is planned in national inventories, NATO should procure a small fleet of strategic airlift and air-to-air refueling aircraft to close the gap.**

  These should be procured using NATO common funding and operated as a NATO strategic mobility force. They should, however, also be made available to the EU for operations. Germany, France, Spain and the UK should form a country cluster to lead this procurement effort on NATO’s behalf. These four countries are well positioned to lead this effort given their operational experience and industrial capacity.

*Deployable Logistics*

Conducting operations in far-flung theaters also requires deployable logistics. The bulk of Europe’s logistics capabilities, however, having been designed to support Europe’s defense against a Warsaw Pact invasion, are not able to get to or operate in distant or austere environments. This situation is further complicated by the fact that European forces rely on a highly diverse array of equipment which requires different types of ammunition, maintenance, spare parts and so on. This problem has become even more complex with the addition of a number of Central and Eastern European countries to the EU and NATO, as they still field a number of Soviet legacy systems. That said, there are notable areas where the potential for relying on common logistics support is great, including fuels, water, food and spare parts and maintenance for common platforms.

As both NATO and the EU deploy multinational formations to real-world operations, these challenges are felt more acutely. As General James Jones, NATO’s Supreme Allied Commander, Europe, has recently stated, “If we make the forces more usable we can probably do the jobs we are doing now with 50 percent less in terms of manpower involvement and if we move to multinational logistics, there is even a bigger

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12 This requirement should encompass the whole of the NRF, not just the headquarters element.
13 If Italy goes ahead with its rumored lease of C-17s, they might be added to this cluster as well.
saving. Often up to 30 percent of any NATO-led operation is purely there to support their own national contingents.”

In light of these challenges, we recommend:

- **Within NATO**, create a multinational logistics command to spearhead logistics planning and operations for the Alliance.

- **NATO and the EU** should create multinational logistics units in those areas where a great deal of commonality exists, such as fuel, water, food and spare parts and maintenance for common platforms. Within NATO, this effort should be pioneered in the context of providing support to the NRF. Within the EU, the effort should focus on supporting the Battlegroups.

- **Share NATO** standards and best practices for multinational logistics support with the EU and partner nations to facilitate standardization of logistics and support equipment and practices over time.

- **When countries contribute capabilities** that a multinational logistics base cannot support, they should be required to “bring their own” deployable logistics support for these assets.

**C4ISR**

**Airborne Ground Surveillance**

Airborne Ground Surveillance refers to a radar system – mounted on an aircraft, helicopter, or UAV – that is used for mapping friendly and enemy forces on the ground on a continuous basis and passing information on their location to commanders for command and control, intelligence, and strike purposes. Such a system provides strategic long-range, all-weather theater surveillance and target acquisition capabilities and thus reduces both the time and mass required to execute operational tasks. AGS systems consist of a radar that can operate in synthetic aperture radar (SAR) mode, which provides broad area imaging at high resolutions, ground moving target indicator (GMTI) mode for tracking moving objects, or both.

Only two European countries currently possess AGS capabilities. France has HORIZON (Helicop tre d'Observation Radar et d'Investigation sur Zone, or On-Site Radar and Investigation Observation Helicopter), a heliborne AGS system that operates solely in moving target indicator mode. Four such systems are operational with the French army since 2002, all mounted on AS-532 Cougar helicopters. Italy fields CRESO (Complesso Radar Eliportato per la Sorveglianza, or Combined Heliborne Surveillance Radar), a heliborne system with moving target indicator and forward-looking infrared sensors. Four systems are operational, carried on board Agusta-Bell 412 helicopters.

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In addition to France and Italy, the United Kingdom and NATO are currently developing their own AGS capabilities. The United Kingdom will begin taking delivery of the first two Airborne Stand-Off Radar (ASTOR) systems in early 2006. Full operational capability of all five systems is expected in 2008. ASTOR consists of a radar system, capable of operating in both synthetic aperture radar and moving target indicator mode, installed on modified Bombardier Global Express business jets. NATO initiated a two-year design and development phase for its AGS program in late 2004. Six manned Airbus A-321 aircraft and several high-altitude, long endurance UAVs – all carrying the Transatlantic Cooperative AGS Radar (TCAR) system, capable of operating in both synthetic aperture radar and moving target indicator mode – are expected to be deployed under this program. Initial operating capability is expected in 2010 and a full operational capability by 2013.

Strong industrial bases exist in the countries currently operating or developing national AGS systems. France, Italy, and the United Kingdom all possess defense and civilian institutions and companies able to provide the equipment and services needed to support their national AGS capabilities. Furthermore, Germany – while not undertaking a military AGS program of its own – is a European leader in airborne synthetic aperture radar and moving target indicators, with ongoing programs, such as the German Aerospace Center’s Experimental Airborne SAR (E-SAR) and EADS’ SOSTAR-X and QuaSARs system, in both the public and private sectors.

Based on these existing and planned capabilities, we recommend:

- **Given their mix of operational experience, level of ambition, and industrial capacity in AGS systems, France, Italy, and the United Kingdom should lead the country cluster in this domain. Germany should be included in the cluster due to the high level of technological and industrial expertise it possesses in areas relevant to this capability.**

- **NATO is the right entity to develop and procure this capability for Europe, as AGS is a capability that demands a high level of investment, a high degree of interoperability amongst users, a mastery of complex technologies, and a sharing of know-how between partners across the Atlantic. The proposed country cluster should be designated to lead the ongoing NATO effort and provide it with the political and industrial leadership it requires.**

**Earth Observation Satellites**

Space systems have become crucial tools for planning and executing military operations. Used primarily for communications and intelligence gathering, space assets are particularly important today in cases where distances between national headquarters and the theater of operations are great. Since many European countries have access to satellites communications via either nationally owned or commercial assets, space communications do not constitute a capability shortfall for Europe. Earth observation...
satellites, however, are certainly low-density/high-demand assets in Europe, as few countries possess national assets and the resolution of commercial ones is usually insufficient for military purposes. Earth observation satellites can have optical or radar sensors as payloads; the former provide higher resolution imagery by day (and by night, if outfitted with infrared sensors), the latter can “see” through cloud cover but provide lower resolution imagery.

France is the European leader in deployed space-based intelligence, surveillance, and reconnaissance capabilities. It is the primary owner and operator of Helios, the only European military earth observation system currently in orbit. The Helios 1-A satellite is jointly owned and operated with Italy and Spain, the Helios 2-A satellite with Belgium and Spain. The former is capable of one-meter resolution of optical imagery, the latter of approximately 50-centimeter resolution in both optical and infrared mode. A second Helios 2 satellite will be launched in 2008. No European country currently operates a military or dual-use radar satellite program.

During the next few years, however, European earth observation capabilities will be dramatically improved. Italy, Germany, and the United Kingdom are developing military earth observation programs of their own. Italy is working on COSMO-SkyMed, a constellation of four radar satellites capable of less than one-meter resolution; it is expected to be fully operational by the end of 2007. Germany is building five synthetic aperture radar satellites under the SAR-Lupe program; the first will be launched in 2006. The United Kingdom will launch its TOPSAT demonstrator in late 2005, a micro-satellite capable of 2.5-meter resolution optical imagery. France is also developing its next generation of optical satellites, dubbed Pleiades, for deployment around 2008 – 09. Data collected by the French, German, and Italian satellites will be shared via the Optical and Radar Federated Earth Observation (ORFEO) system, also currently under development.

In addition, many European countries possess scientific and industrial capacity in earth observation systems. Expertise in civilian programs, such as those managed by the Belgian Office for Scientific, Technical and Cultural Affairs, can be transferred to dual-use and military programs. Industrial expertise, such as that of Saab Ericsson Space in synthetic aperture radar antennas for satellites, can provide important input to security space programs. Other countries with industrial capacities for space-based earth observation systems include Poland and Norway.

Given that Europe must build up its capabilities in both optical and radar earth observation satellite systems, we recommend:

- **France**, due to its operational and industrial expertise, should lead the optical imagery country cluster and work together with Belgium and Spain, its partners in the Helios-2 system, both of whom now have experience in this area. The United Kingdom, with its increasing experience from the TOPSAT project and its strong industrial base, is encouraged to join this cluster.

- **Italy**, **Germany**, **Spain** and **Sweden** should comprise the radar imagery country cluster. While none currently operate dedicated military earth observation satellites, all have a history of innovation and collaboration in this field under the COSMO-SkyMed, SAR-Lupe and various national programs.
• New entrants into the field of earth observation systems should be encouraged and could focus on emerging technologies for earth observation satellites.

One such technology is that of mini-, micro-, and nano-satellites. Increasingly cheaper to produce, launch, and operate, even in larger constellations, these could mold the future of European space-based capabilities. British leadership in this area could be complemented by countries such as Sweden, Norway, Denmark, and Poland, who have an interest in this technology and the know-how to support its development.

• European countries must coordinate all of their activities in the earth observation domain and place an emphasis on data sharing.

This will reduce duplication of effort and ensure that a small number of systems benefit a large number of countries. The EU must take a more active role in these efforts through the European Space Agency, the European Commission’s Directorate-General for Industry and Enterprise and the European Union Satellite Center in Torrejón, Spain.

UAVs

Unmanned Aerial Vehicles (UAVs) are increasingly viewed in Europe as affordable, versatile, and dependable options for future intelligence, surveillance and reconnaissance missions. Most countries already operate tactical UAVs for short-range missions. These UAVs fly at low altitudes carrying a simple sensors suite that provides photographs, video, or infrared imagery to controllers on the ground via a data link. Larger, more advanced UAVs boast more complex payloads, such as synthetic aperture radar systems, color video cameras, and broadband data links for transferring information in real-time. These fly at medium altitudes and have a longer endurance than tactical UAVs – hence the term MALE UAV – but few exist in European arsenals. UAVs capable of flying at high altitudes and which have long endurance are known as HALE UAVs and can carry a plethora of payloads that include signals intelligence, electronic warfare, and advanced airborne ground surveillance (AGS) systems. No European country currently possesses HALE UAVs.

In Europe, France leads the way in developing and producing advanced UAVs and their payloads. The French air force operates several Hunter and Eagle-1 MALE UAVs, both co-developed by EADS and Israeli Aircraft Industries. Sensor payloads on these include synthetic aperture radar, moving target indicator radar, TV cameras, forward-looking infrared sensors, and satellite data links. In addition, the French Ministry of Defense has initiated the EuroMALE program, a 300 million euro program planned for deployment between 2008 and 2010. Sweden is a partner in the program and the Netherlands and Italy have expressed interest. These countries also possess the technological and industrial capacity to become strong partners in a long endurance UAV program: EADS, Thales, Sagem and Dassault in France; Saab and Ericsson in Sweden; the National Aerospace Laboratory in the Netherlands; and Alenia Aeronautica of Italy.
Beyond France, Germany is undertaking the only other ongoing European program for developing long endurance UAV capabilities. The EuroHawk program will fuse the U.S. Global Hawk platform with a German sensors package manufactured by EADS. Initiated in 2000, the first prototype delivery is scheduled for 2007 and contract approval for series production and initial operational capability are expected in mid 2008. EuroHawk UAVs will also be part of the German contribution to the NATO AGS program.

There was some expectation that the EDA, which announced that it would be initiating a long endurance UAV program under its R&T Directorate, would take over the management of the French EuroMALE program. However, EDA made clear in July 2005 that its R&T Directorate would merely fund a project to map European UAV demonstrator programs and identify technology gaps and, at a later stage, initiate demonstrators in the areas of UAV survivability and data links.

We recommend:

- **Germany, the Netherlands, and Italy should join the ongoing French and Swedish effort to develop a European long endurance UAV. Efforts should focus on the payloads, including their miniaturization, and on performance, including automatic take-off and landing and airworthiness.**

- **The EDA should monitor the country cluster’s work and advise it on areas that require specific focus. Once it builds up its capacity to handle larger R&T and demonstration programs, EDA should consider taking over the management of the effort undertaken by the UAV country cluster.**

**CBRN Defense**

In an era in which chemical, biological, radiological, and nuclear (CBRN) weapons and materials can come into the hands of terrorists and states alike, military forces must be prepared to operate in a CBRN environment and to help prevent and defend against CBRN attacks. Both NATO and the EU have identified this as an area in which they need to enhance their capabilities and some substantial progress has been made in recent years. In 2004, a CBRN Battalion was established under the leadership of the Czech Republic. The battalion is composed of specialized units and individual experts from 13 countries and is supported by a consortium of nine companies producing CBRN detection and protection equipment.

This force has been in high demand since its creation, deploying frequently to support ongoing operations, military exercises, and major international events. While this high operational tempo has certainly been a testament to the unit’s utility, it has put substantial strains on the battalion’s personnel. The unit also faces challenges associated with inadequate communications equipment and lack of organic or dedicated lift to deploy to operations and exercises. Given the need to relieve some of the strain on the
Czech-led battalion, Germany has recently stepped in to offer comparable capabilities in some NRF rotations.

In light of this state of affairs, we recommend:

- **Build on the success of the Czech-led CBRN battalion with a second battalion to deepen the pool of available CBRN defense capabilities and reduce op-tempo strains on the force.**

  This recommendation seems well on its way to being implemented given the steps recently taken by Germany to increase the pool of CBRN capabilities available to NATO. Germany might consider sharing the leadership of this additional battalion with Poland, given the two countries’ operational expertise in this area and their close political-military relationship and include the same core constellation of countries who already contribute to the Czech-led battalion. This additional battalion should in principle also be made available to the EU and others for operations.

- **Provide both CBRN battalions with deployable, secure communications systems. Building on its success in providing EU forces in the Balkans with secure wireless communications, Finland might be the ideal country to develop and contribute this capability.**

**Precision Guided Munitions**

Precision Guided Munitions (PGMs), also known as “smart weapons,” are a key capability in modern warfighting. They can be specifically designed or regular munitions with an added-on guidance system, but in either form, maximize damage to the target while reducing the overall amount of munitions required and minimizing collateral damage. While the older, less accurate visually-guided munitions are still in use, more modern versions are laser- or satellite-guided.

Several European nations currently possess PGMs. The United Kingdom has been acquiring U.S.-made PGMs, including the Paveway laser-guided bomb and the Maverick air-to-ground missiles. It has also purchased some 1,000 MBDA-made Storm Shadow air-to-surface missiles. France has approximately 500 Scalp missiles, a variant of the Storm Shadow. Italy and Greece have purchased 200 and 50 Storm Shadow missiles, respectively. The Netherlands, Norway, Italy, and Denmark have purchased U.S. inertial navigation and satellite-guided JDAMS systems. Germany and Sweden co-developed and currently deploy the Taurus air-to-ground precision missile, several of which have also been sold to Spain.

MBDA (Matra BAE Dynamics Alenia) is the second largest producer of missiles in the world today and through its work on the Storm Shadow/Scalp missiles now possesses extensive expertise in PGMs. This gives France, the United Kingdom and Italy core industrial leadership in this field. In addition, EADS facilities in Germany and Saab in Sweden possess the technological and industrial capacity to produce PGMs.
Based on these findings, we recommend:

- **The United Kingdom, France, and Italy should form the core of the country cluster responsible for increasing European PGM capability.**

  This country cluster could be enlarged to include German, Swedish and Spanish participation. Given that several countries already possess inventories of PGMs, that technical and industrial capacity already exists in several European countries and that multinational collaborative efforts in this field have proven to be successful, efforts for acquiring increased European PGM capability should continue under the auspices of the members of the country cluster.

**Special Operations Forces**

In the new security environment, special operations forces (SOF) can play particularly valuable roles across the spectrum of operations, from combating terrorism to training indigenous security forces to conducting combat search and rescue operations. SOF are generally regarded as highly capable, highly adaptable, and highly deployable forces. A number of European militaries have special operations forces of high quality. To date, however, there has been little coordination of how these forces are used in peacetime and in crises. While bilateral contacts between the special operations forces of various countries exist, there is no multilateral forum or mechanism for coordinating their peacetime activities, including the training of indigenous security forces, which is so critical to combating terrorism and insurgency.

Given the substantial demands for limited SOF assets to train other militaries around the world, we recommend:

- **Create a mechanism within NATO to enable European, U.S. and Canadian special operations forces from both member and partner countries to coordinate their training of indigenous security forces on a global basis and to share lessons learned and best practices.**

  Such a mechanism would enable NATO member states and partners to approach the challenge of strengthening the counterterrorism and counterinsurgency capabilities of other countries in a more collaborative and efficient way. An explicit but informal division of labor between North American and European SOF in peacetime could reduce both gaps and overlaps in the training of indigenous forces.

- **Within NATO, develop country clusters of SOF with regional expertise.**

  These should be drawn from both member and partner states. One cluster might be focused on the Middle East, another on Central Asia, another on North Africa, another on Central Africa and so on. This would facilitate the development of the language skills and deeper knowledge of local cultures and environments that is often so critical to SOF
success. By reducing unnecessary duplication of effort between national special operations forces, it could also be a force multiplier.

*Deployable Follow-on Forces*

Many of the types of operations envisioned in country, NATO, and EU strategy documents, such as crisis management operations, would likely be of long duration – lasting a few years or more. Such missions require a pool of deployable forces that can rotate in to continue the operation once other contingents have completed their tours of duty. At present, Europe as a whole lacks an adequate rotation base of deployable, follow-on forces to support lengthy missions.

In light of this shortfall, we recommend:

- *Every European country should take the steps necessary to reach the Istanbul summit goal of having 8% of its forces be usable and 40 percent deployable in out-of-area operations by 2007.*\(^{15}\) These forces should also be capable of operating in semi- and non-permissive environments.

- *NATO and the EU should launch a joint initiative to identify and enhance military and civilian capabilities that could be used for long duration crisis management missions, such as stabilization and reconstruction operations, and develop a mechanism for requesting use of one another’s assets across institutional lines.*\(^{16}\)

**Conclusion**

The country clusters and other recommendations offered in this chapter have two parallel goals: first, to highlight concrete opportunities where a more integrated approach to defense could meaningfully enhance Europe’s capabilities in critical areas; and second, to identify those actors that are most likely to have the right mix of operational, political, and industrial competencies – and, perhaps most importantly, the incentives – to act. As stated earlier, the proposed “country cluster” methodology is more of an art than a science. But it offers a framework for addressing areas of critical importance to Europe’s future security.

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\(^{15}\) At the Istanbul Summit last June, NATO defense ministers agreed to intensify national efforts to make their forces more usable. Specifically, they agreed that 40 percent of each nation’s overall land force strength should be structured, prepared, and equipped for deployed operations under NATO or other auspices and that 8 percent of the overall land force strength would either be engaged in or earmarked for sustained operations at any one time. See: [http://www.nato.int/docu/review/2005/issue1/english/military_pr.html](http://www.nato.int/docu/review/2005/issue1/english/military_pr.html).

\(^{16}\) For more on the notion of developing a “Berlin Plus in reverse” arrangement, see the recommendation made in chapter 5.
A Final Thought

Some question whether further defense integration can occur among European nations which value their sovereignty and see the world from diverse perspectives. This is especially pertinent after the recent “No” votes in France and the Netherlands on the European Constitutional Treaty, which underscored public skepticism about ceding too much power to the European Union. But the strategies for defense integration recommended in this report do not require ceding decisionmaking on defense to supranational bodies or reaching complete consensus among each and every EU or NATO member state.

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

No doubt such integration will require the sustained personal leadership of heads of state and government, military leaders, and the leaders of NATO and the European Union. Although this will be no small challenge, there really is no viable alternative.

Staying the course is not an option – indeed, it is a recipe for disaster. If the nations of Europe do not pursue a more integrated approach to defense, in 20 years’ time:

- Europe collectively will not have the expeditionary military forces to protect its interests beyond its borders;
- The ability of many European countries to collaborate in any meaningful way with the United States and others will be greatly diminished;
- NATO’s viability as a military alliance will be called into question;
- A number of European governments will have frittered away much of their defense investment on Cold War era systems that they no longer need, leaving their forces without the capabilities required to meet 21st century challenges;
- The European defense industry will no longer be competitive in the global marketplace; and
- Many European leaders will be judged harshly for having failed to make the tough choices necessary to safeguard their countries’ and the continent’s security.

Seen in this light, defense integration is not just an appealing notion; it is a necessity.