



BRIEFING PAPER

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EU defence: where is it heading?

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Summary

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Background

The intergovernmental nature of the EU's Common Security and Defence Policy (CSDP) has meant that its evolution, thus far, has been entirely dependent upon political will and the convergence of competing national interests among the EU Member States, in particular the UK, France and Germany. As such it has been quick to lose impetus in the face of other challenges.

Over the years the EU has thus become a notable 'soft power' actor, with a focus on civilian crisis management; while greater regulation of the European defence market has been a European Commission priority.

2013 – A fresh impetus for CSDP

This loss of momentum in developing the "hard power" aspects of CSDP led, in 2013, to efforts to inject fresh impetus into the European defence agenda. Consequently, it became the main topic of discussion for the European Council Summit in December of that year; the first time in five years that EU leaders had comprehensively discussed EU defence policy.

The Council made a "strong" commitment to the further development of a credible and effective CSDP, focusing specifically on:

- Increasing the effectiveness, visibility and impact of CSDP
- Enhancing the development of capabilities
- Strengthening Europe's defence industry

At a more strategic level, the Council also tasked the EU High Representative for Foreign and Security Policy (EUHR) with the role of assessing the future challenges and opportunities for the EU.

The decisions taken at that summit meeting subsequently laid the foundations for the significant developments in EU defence that have taken place over the last few years.

Making progress on CSDP

First and foremost, in June 2016 the EU High Representative published a new [EU Global Strategy for Foreign and Security Policy](#), which offered an overarching strategic vision for the EU's global role in the future and measures for achieving its aims. Security and defence was identified as one of [five priorities](#) going forward.

A [Security and Defence Implementation Plan](#) (SDIP) was subsequently adopted by EU leaders in December 2016, as part of a broader package of defence and security measures which also focused [on increased cooperation between the EU and NATO](#) and the implementation of the European Commission's [Defence Action Plan](#) on the European defence industry. Specific measures of the SDIP included:

- Establishing a Coordinated Annual Review on Defence (CARD) to promote transparency and cooperation among Member States
- Developing the EU battlegroups so that they are more usable and effective
- Enhancing and coordinating oversight of all EU missions, including the establishment of a new permanent operational planning and conduct capability within the EU Military Staff for non-executive military missions

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- Investigating areas for CSDP cooperation using the Permanent Structured Cooperation (PESCO) mechanism
- Enhancing partnerships with the UN, NATO, African Union and OSCE and adopting a more strategic approach to engaging with third party countries in CSDP matters.

Over the last few years significant progress has been made across all of these areas.

In December 2016 EU leaders agreed the establishment of the **Military Planning and Conduct Capability (MPCC)** for non-executive CSDP missions. Following a recommendation from the EU High Representative, that capability was subsequently strengthened in November 2018 with an agreement to expand the MPCC's remit into the planning and conduct of small-scale (EU battlegroup size) executive military operations by the end of 2020. A further review of the MPCC's roles and responsibilities is now underway. It is expected to recommend the expansion of the MPCC's role even further and establish it as the EU military planning HQ that France and Germany, among others, have long hoped for and the UK has always opposed.

In spring 2017 the Council of Ministers endorsed proposals on the scope, modalities and content of the **Co-ordinated Annual Review on Defence (CARD)** and a trial run involving all EU Member States, including the UK, began in autumn 2017. If successful, the intention was to fully implement the initiative in autumn 2019, following a period of reflection and adaptation where necessary. In November 2018 the Council subsequently agreed to launch CARD as a standing activity, starting with the first full cycle in 2019/2020. Currently the CARD does not directly provide for third country involvement, and therefore continued participation by the UK in this initiative after Brexit appears unlikely, unless terms of participation can be agreed as part of any future relationship.

In December 2017 the Council of Ministers also formally adopted a Decision establishing **Permanent Structured Cooperation (PESCO)**. 25 EU Member States have joined PESCO, with the exception of Denmark, Malta and the UK. To date, 34 PESCO projects have been identified. Among the more 'strategic' projects on the list is a medium altitude, long endurance unmanned drone, an upgrade to the Tiger attack helicopter and a high-altitude Intelligence, surveillance and reconnaissance (ISR) capability. Any capabilities developed through the PESCO mechanism will remain under national control and will not be "EU" military assets.

Only participating Member States will have decision making rights with regard to PESCO. Those States which remain outside of the mechanism, including the UK, will have no powers or voting rights over current projects or its future strategic direction. The conditions under which third party states may be invited to participate in individual PESCO projects remains under consideration. Indications thus far suggest that it will be for the members of individual PESCO projects to consider inviting a third State to participate, on a case-by-case basis, if they meet the general conditions of participation, and where it is proven that they will bring substantial added value to a specific project. The expectation is that the conditions for participation will differ between projects but on the whole third-party states will be expected to share EU values, and significantly "contribute to strengthening PESCO and the CSDP and meet more demanding commitments" that have been agreed as part of the PESCO framework.

In June 2018, the EU High Representative, with the support of the EU Commission proposed the **European Peace Facility (EPF)**, a new €10.5 billion off-budget fund for 2021-2027, that will allow for the financing of all CFSP actions with military or defence implications. It will streamline and simplify existing off-budget mechanisms, including the Athena Mechanism which has been used since 2004 to finance CSDP operations. The

creation of the EPF has been described as “a significant shift by the EU’s member states towards stronger collective funding of their military missions”. In particular, expanding the common costs of CSDP operations that could be financed by the EPF, it is expected to give fresh impetus to the EU battlegroup concept since their deployment, thus far, has been hampered by the large cost to participating states of doing so.

EU-NATO cooperation - Recognising that the current strategic environment is one of unprecedented security challenges, in July 2016 the President of the European Council, the President of the European Commission and the NATO Secretary General signed a Joint Declaration intended to give new impetus and substance to the NATO-EU strategic partnership. That Declaration outlined seven priority areas where cooperation between the two organisations should be enhanced: countering hybrid threats; operational cooperation; cyber security and defence; defence capabilities; defence industry and research; exercises and supporting Eastern and Southern European partner’s capacity-building efforts.

Subsequently a [common set of proposals](#) was endorsed in December 2016. That list was extended in December 2017 to include actions in the areas of counter-terrorism, women, peace and security and military mobility.

Defence Action Plan - In November 2016 the European Commission published a [Defence Action Plan](#) in order to support more efficient spending on joint defence capabilities by Member States, strengthen security and foster a competitive and innovative European defence industrial base. At its heart are three measures: The creation of a European Defence Fund for collaborative research projects; support for SMEs; and ensuring Europe has an open and competitive single market for defence.

The **European Defence Fund (EDF)** is the initiative which has received the most attention. It was launched in June 2017 with the intention of supporting investment in joint research and the joint development of defence equipment and technologies, with a view to more efficient defence spending and avoiding duplication. The fund will not be established with additional contributions by EU Member States but will be provided out of the existing EU budget. This will be the first time that the EU budget has been used for defence research and equipment purposes.

A two-step approach is being taken in the creation of the EDF. A ‘pilot’ period under the current 2014-2020 multiannual financial framework which has a budget of €590 million; and the creation of a dedicated European Defence Fund for the period 2021-2027, once it had been established that “added value” comes from the EU budget supporting defence research and development.

During the pilot to 2020, the fund has two strands: the Preparatory Action on Defence Research (PADR), which will fund collaborative research in innovative defence technologies in EU Member States and Norway, directly from the EU budget (up to €90 million until 2020); and a ‘capability’ strand which will create financial incentives for Member States to cooperate on joint defence equipment projects, in order to reduce their costs. This ‘strand’ has two elements: the European Defence Industrial Development Programme (EDIDP) (€500 million in 2019-20) which will part-finance the early stages of development for new defensive technologies (prototypes), and a ‘financial toolbox’ to facilitate joint defence acquisition by multiple Member States. However, EDIDP funding will only be available to organisations that are majority owned and controlled either by EU governments or EU nationals, and only collaborative projects will be eligible for EU co-financing.

While the Commission will be responsible for the execution and management structure of the EDIDP, any technology and assets developed under it will remain under the ownership

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of the relevant Member States and will not be 'EU assets'. Calls for proposals will be issued over the next two years in four priority areas:

- Enabling operations, protection and mobility of forces
- Intelligence, secured communication, and cyber
- The conduct of high-end operations
- Innovative defence technologies and SMEs.

In addition, the Commission has outlined its direct support to two flagship initiatives: [Eurodrone](#) and [ESSOR](#).

Proposals for the creation of a dedicated European Defence Fund from 2021, worth €13 billion, were published in June 2018. Many of the features of the PADR and EDIDP will continue, including the eligibility criteria and levels of financing available. However, by operating as a single fund, the intention is to enable a more integrated planning approach across both strands and allow for harmonised rules on participation.

Under article 5 of the EDF agreement, full third-party involvement will only be open to non-EU Members of the European Economic Area (EEA). The EDF agreement allows for participation in cooperative projects by entities in third countries, but they will not receive any funding which, by 2021, will include the UK.

The Brexit effect

While generally supportive of CSDP, successive UK governments have been cautious in their approach to greater European defence integration. They have regarded it as entirely complementary to NATO and essential for strengthening European military capabilities within that alliance, as opposed to the view that the EU should establish an independent military capability outside the NATO framework. To that end, UK involvement in the evolution of CSDP has been significant in that it has allowed the UK to influence and shape its development.

Until the UK leaves the EU it remains a full EU Member State and as such remains a full participant in the EU's defence-related activities, including CSDP planning structures, the financing of current initiatives and any EU military operations to which the UK has committed forces. It also retains a veto over any proposals to further CSDP.

However, the UK's role with respect to European defence post-Brexit remains uncertain. The Government has stated that UK support for European defence and security is unconditional and as such has expressed the desire to see continued participation as a third country in CSDP operations, capabilities development and defence industrial cooperation, through PESCO and the EDF. This intention to maintain close defence cooperation with the EU has been welcomed by many observers, although many Brexiteers have expressed concern, suggesting that the Government's approach fails to deliver on the promise of Brexit and that the UK will be permanently tied to EU defence structures and principles, over which it will have no say.

While many of the finer details of cooperation and participation in defence and security matters will only be negotiated once the UK leaves the EU, what is clear is that, as a third-party state outside the EU, the UK will have no decision making rights, and no veto, over how EU defence policy evolves, including in those areas it has historically opposed. Its influence will be restricted to the pressure it can bring to bear through other organisations such as NATO, diplomatic channels and bilateral relationships with other EU Member States.

Towards a common European defence?

Given that the UK has been one of the main driving forces behind the development of CSDP and has the largest defence budget among EU Member States, it has been suggested that, without the UK's support, the strategic ambition of a "common European defence" could ultimately falter. However, as the main source of opposition to integrationist proposals thus far, the absence of the UK from CSDP decision making could equally be the opportunity that states, such as Germany, and key figures such as current EU Commission President, Jean-Claude Juncker, have been looking for to further the EU defence project.

In the last few years support for that goal has gained traction because of Brexit, an increasingly assertive Russia and the unpredictable attitude of US President Donald Trump to the defence and security of Europe. This combination of events has presented an almost "now or never" opportunity to act. Indeed, the speed at which PESCO was launched, after years of inactivity, is indicative of the changing tide in European defence and what can be achieved when political interests converge. The question is, how far will EU member states be willing to go?

At present, there is a political appetite for progress in European defence. If that is to be capitalised on, post-Brexit, the creation of a fully independent, permanent operational planning HQ for all EU military operations seems inevitable, along with the extension of PESCO into full spectrum capabilities. The strengthening of the European Commission's role in defence is also considered likely with the creation of the European Defence Fund from 2021 and the use of the EU budget for defence-related purposes, for the first time in the organisation's history. The creation of a new Directorate General (DG) for defence industrial policy, from 2020, has already been proposed.

However, as many commentators have noted, projects such as PESCO could fragment if the involvement of 25 nations leads to stagnation or arguments over industrial workshare, which has blighted so many pan-European defence projects in the past. The creation of a fully-fledged 'European Army' under the direct control of Brussels is also something that many observers remain sceptical about. While many EU Member States, including France and Germany, may wish to see the EU's capacity to act enhanced, and may even support changes to the decision-making processes surrounding CSDP, sovereignty and control over their respective armed forces is unlikely to be something that any EU Member State will cede.

And above all, windows of opportunity such as this often prove to be short-lived. National interests must remain in sync amid broader global challenges, and the EU at 27 must have a unified view on what it wants CSDP to be, and to achieve. Without the UK Brexit undoubtedly offers opportunities, but equally national interests will dictate progress and further integration in EU defence matters is not without its sceptics among the remaining EU Member States. It has taken decades of negotiation to get CSDP this far. Achieving a common European Defence Union is, arguably, likely to take years more with or without the involvement of the UK.

1. Background

The EU's Common Security and Defence Policy (CSDP) has had a chequered past. First set down as an aspiration in the 1992 Maastricht Treaty, the intergovernmental nature of this policy area has meant that its evolution and development has been entirely dependent upon political will and the convergence of competing national interests among the EU Member States, in particular the UK, France and Germany. Indeed, the major turning points for European defence over the last ten years have come about largely as a result of Franco-British proposals.

Equally, however, it has been quick to lose impetus when political will has been lost and in the face of other challenges, such as the 2008 global economic crisis, which precipitated a fall in defence budget budgets across Europe and requisite cuts to military capabilities across the board.¹ As a result efforts to improve key European military capabilities, establish new EU military structures, and commit more forces to EU-led operations were either met with little enthusiasm, or were side-lined by the bigger political agenda.²

Crucially, there continued to be no consensual EU approach to foreign policy crises³ or, in the longer term, a vision for CSDP at the highest political level. Sharp divisions remained among EU Member States about what they wanted CSDP to achieve. Instead, the EU has become a notable 'soft power' actor, with a focus on civilian crisis management.⁴ Greater regulation of the European defence market has also been a European Commission priority.⁵

This loss of momentum in developing the 'hard power' aspects of CSDP led to efforts to inject fresh impetus into the European defence agenda. It became the main topic of discussion for the European Council Summit in December 2013. It was the first time in five years that EU leaders had comprehensively discussed EU defence policy.

¹ The UK's 2010 Strategic Defence and Security Review (SDSR), for example, recommended significant force reductions, in terms of both personnel and capabilities. Similar reforms were also undertaken among the other major European military powers, notably in France (see [French Defence White Paper](#), July 2013)

² In both 2008 and 2011 the French and Polish Presidencies of the EU attempted to generate fresh momentum in CSDP but to little avail. The French government's ambitious plans for CSDP in 2008 were effectively dropped as its Presidency became dominated by the Irish 'no vote' on the Lisbon treaty and the onset of the global financial crisis. Polish initiatives in 2011 also suffered the same fate. Notably, the proposal, supported by the EU High Representative, for the creation of a permanent Operational Headquarters for EU-led missions was vetoed by the UK.

³ This was discussed by Stokes and Whitman in "Transatlantic Triage?", *International Affairs*, 89:5, 2013

⁴ The EU has launched over 30 missions under the guise of CSDP in Africa, Asia and Europe, the majority of which are focused on crisis management, security sector reform, training, monitoring and humanitarian aid. Further information is available at: http://www.eeas.europa.eu/csdp/missions-and-operations/index_en.htm

⁵ In 2009 the European Commission passed two directives aimed at regulating defence procurement across the EU and the intra-community transfer of defence goods and services.

Acknowledging the decisions taken in 2013 is crucial to understanding recent developments in European defence, as they are the culmination of over five years of work by the European Commission and EU Member States within the Council of Ministers and at European Council level.

Box 1: Library Briefings on CSDP

A number of Library briefing papers over the last two decades have charted the evolution of the EU's Common Security and Defence Policy, including its institutional structures, capabilities development and its relationship with NATO:

- RP00/20, [*European Defence: From Pörschach to Helsinki*](#), 21 February 2000
- RP00/84, [*Common European Security and Defence Policy: A Progress Report*](#), 31 October 2000
- RP01/50, [*European Security and Defence Policy: Nice and Beyond*](#), 2 May 2001
- RP06/32, [*European Security and Defence Policy: Developments Since 2003*](#), 8 June 2006
- RP08/09, [*The Treaty of Lisbon: amendments to the Treaty on European Union*](#), 24 January 2008
- SN04807, [*Priorities for ESDP under the French Presidency of the EU*](#), 18 July 2008
- SN04640, [*EC Defence Equipment Directives*](#), 3 June 2011
- RP13/42, [*Leaving the EU*](#), 1 July 2013
- SN06771, [*The EU's Common Security and Defence Policy: A Fresh Impetus?*](#), 4 December 2013

An earlier version of this paper was published in May 2018.

A list of recommended reading on EU defence issues is also available in Library briefing paper CBP7742, [*Brexit reading list: defence and security*](#), updated 16 May 2019.

2. 2013 - A fresh impetus for CSDP

In preparation for the European Council Summit in Brussels in December 2013 the then EU High Representative for Foreign and Security Policy, Baroness Ashton, published a [report](#) in October of that year which made a number of recommendations for strengthening CSDP, improving the availability of civilian and military capabilities, and strengthening Europe's defence industry.

A further document on the defence industry was also prepared by a Task Force on Defence Industries and Markets established by the European Commission in 2011. The Commission Task Force presented the outcome of its work in a [Communication on the European Defence and Security Sector](#) in July 2013 (12773/13).

Library briefing SN06771, [The EU's Common Security and Defence Policy: A Fresh Impetus?](#), December 2013 examined those reports and the prospects for the upcoming summit.

2.1 Conclusions of the 2013 European Council summit

In line with Baroness Ashton's report, summit discussion of CSDP focused on operational effectiveness, defence capabilities, and establishing a stronger European defence industry.

In its [Conclusions on the Common Security and Defence Policy](#) the Council affirmed the need for an effective CSDP but identified two main challenges:

- Constrained defence budgets
- A fragmented European defence market

It called on Member States to exercise greater responsibilities in response to those challenges. The Council stated that it is making a "strong commitment to the further development of a credible and effective CSDP" and that further work to develop the CDSP should focus on:

Increasing the effectiveness, visibility and impact of CSDP

The EU needs to speed up the deployment of civilian missions and improve its rapid response capabilities. Financing for EU missions and operations should be examined and improved. Leaders also called for specific actions in the area of cyber defence, maritime security and border management.

Enhancing the development of capabilities

The European Council stressed the importance of cooperation in the area of military capability development. It welcomed cooperative projects supported by the European Defence Agency in the areas of remotely piloted air systems, air-to-air refuelling capacity, governmental satellite communication and cyber defence.

Strengthening Europe's defence industry

Leaders called for a more integrated, sustainable, innovative and competitive European defence industry. They underlined the role of SMEs and called for the development of defence industry standards, mutual recognition of military certification and collaboration between civil and military research.⁶

Specifically, the Council requested a number of reports from either the High Representative and/or the European Defence Agency,⁷ including:

- An EU Maritime Security Strategy.
- An EU Cyber Defence Policy Framework.
- Proposals in which Member States can cooperate more effectively and efficiently in pooled procurement projects.
- A detailed roadmap with concrete actions to make the European defence and security industry more competitive and efficient.
- A framework to foster more systematic and long-term cooperation in planning processes.

At a more strategic level, and given the changes in the international security environment over the last decade, the Council also tasked the EU High Representative with the role of assessing the future challenges and opportunities for the EU.⁸

Progress on all issues relating to CSDP was set to be examined again at the European Council summit in June 2015.

The then Prime Minister, David Cameron, made a written statement on the European Council meeting on 6 January 2014. On the issue of defence he stated:

Protecting our national security is our first priority. At this European Council, the United Kingdom was clear that when it comes to defence issues and decisions about national armed forces, policy must be driven by nations themselves, on a voluntary basis, according to individual priorities and needs; not by the EU institutions.

For the UK, this means that NATO has been, and will continue to be, the foundation of our national defence. We are pleased to be hosting the 2014 NATO summit—the first time such a summit has been hosted in the UK since 1990.

It is of course also right for European neighbours to co-operate on defence issues and in this respect I am proud that the UK is always in the vanguard when our European allies are in need of practical help, including supporting French efforts in Mali and the Central African Republic and co-ordination of the EU's counter-piracy operation off the horn of Africa.

I made these points at the Council and the agreed conclusions make it clear that there will be no EU ownership of defence assets and no EU headquarters. I removed references to Europe's armed forces, to a European pooled acquisition mechanism and to EU assets and fleets and made it clear that equipment such as drones

⁶ "[Security and defence policy high on the agenda at the European Council](#)", *European Council*, 20 December 2013

⁷ To support efforts to improve the EU's military capabilities, the [European Defence Agency](#) was established in 2004.

⁸ The Council conclusions are available at: <https://europa.eu/globalstrategy/en/european-council-conclusions-december-2013>

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and air-to-air refuelling tankers are to be owned and operated by the member states. The conclusions of the European Council are clear that nations, not the EU institutions, are in the driving seat of defence and must remain there.⁹

⁹ HC Deb 6 January 2014 c6WS

3. Making progress on CSDP

Over the last five years work has been undertaken within the European Commission, the Council of Ministers and at European Council level on a package of measures intended to implement the decisions taken at the 2013 European Council meeting.

First and foremost, in June 2016 the EU High Representative published a new [EU Global Strategy for Foreign and Security Policy](#), which offered an overarching strategic vision for the EU's global role in the future and measures for achieving its aims.¹⁰ Security and defence was identified in that document as one of [five priorities](#) going forward.

In November 2016 [proposals on an implementation plan](#) for CSDP were subsequently discussed in the Council of Ministers. That implementation plan was adopted by EU leaders at the European Council Summit in December 2016, as part of a broader package of defence and security measures which also focused [on increased cooperation between the EU and NATO](#) and the implementation of the European Commission's [European Defence Action Plan](#).¹¹

Work on each of these areas continues.

“On the EU level, more progress has been achieved in the last two years [in defence] than in the last two decades”

European Political Strategy Centre, February 2019

3.1 Security and Defence Implementation Plan

The [Implementation Plan](#), has been described as raising “the level of ambition of the European Union's security and defence policy”. Indeed, based on previously agreed goals and commitments,¹² the plan defines the types of civilian missions and military operations that the EU should be capable of undertaking within the context of the new Global Strategy.

Box 2: CSDP mission set

The EU should be capable to undertake the following types of CSDP civilian missions and military operations outside the Union, a number of which may be executed concurrently, in different scenarios, including in situations of higher security risk and underdeveloped local infrastructure:

- Joint crisis management operations in situations of high security risk in the regions surrounding the EU
- Joint stabilisation operations, including air and special operations
- Civilian and military rapid response, including military rapid response operations using the EU Battlegroups as a whole, or within a mission-tailored Force package
- Substitution/executive civilian missions
- Air security operations including close air support and air surveillance
- Maritime security or surveillance operations, including longer term in the vicinity of Europe

¹⁰ This is the first time the EU has published an updated security strategy since 2003 when the EU's first ever *European Security Strategy* was published.

¹¹ Also published in November 2016

¹² Including the Helsinki Headline Goal 2010 and the Civilian Headline Goal 2010. These are examined in House of Commons Library briefing paper RP06/32, [European Security and Defence Policy: Developments Since 2003](#), June 2006

- Civilian capacity building and security sector reform missions (monitoring, mentoring and advising, training) inter alia on police, rule of law, border management, counter-terrorism, resilience, response to hybrid threats, and civil administration as well as civilian monitoring missions
- Military capacity building through advisory, training and mentoring missions, including robust force protection if necessary, as well as military monitoring/observation missions.

In order to meet the level of ambition for CSDP, the Implementation Plan has five specific work strands:

- **Deepen defence cooperation** – including establishing a Coordinated Annual Review on Defence to promote transparency and cooperation through joint programmes among Member States; and a review of the Capability Development Plan by spring 2018 in order to identify capability shortfalls.
- **Rapid response** – identify options for more flexible, faster and targeted actions in civilian crisis management, and develop the EU battlegroups so that they are more usable and effective.
- **Planning and conduct of missions** – oversight of all EU missions (both civilian and military) needs to be enhanced and coordinated and in the short term, a new permanent operational planning and conduct capability will be established, within the EU Military Staff of the European External Action Service, for non-executive military missions.
- **New Permanent Structured Cooperation (PESCO)** – to investigate areas for CSDP cooperation using the PESCO mechanism, as set out in the Lisbon Treaty. An agreement on the possible common commitments and projects to be implemented within the framework of PESCO will be presented to Member States for comment.
- **CSDP partnerships** – cooperation with the UN, NATO, African Union and OSCE will be enhanced. Options on a more strategic approach to engaging with third party countries in CSDP matters will be presented.

EU Battlegroups

The EU Battlegroup concept was first launched in 2004, as a result of a Franco-British proposal, and designed to allow the EU to rapidly respond, in a military capacity, to a crisis or urgent request from the UN. They achieved full operational capability in 2007 although, in the last decade, no EU battlegroup has ever been deployed on operations.¹³

Thus far, the UK has been a consistent contributor to EU-led operations, often as lead nation, and since the battlegroups concept was launched the UK has provided, or led, a battlegroup five times, most recently in the latter half of 2016.¹⁴ The UK had been provisionally scheduled to

¹³ Further information on the EU battlegroups is available at: [EU Battlegroups](#), April 2013.

¹⁴ In the first half of 2005, the latter half of 2008 and 2010 and the latter half of 2013, in conjunction with Sweden, Latvia, Lithuania and the Netherlands. The most recent battlegroup in the latter half of 2016 also included personnel from Ireland and Lithuania.

provide an EU battlegroup in the second half of 2019. However, the UK has since withdrawn that offer due to Brexit.¹⁵

Under the Security and Defence Implementation Plan measures to improve the usability of the battlegroups have been under consideration. To that end, in June 2017 the European Council agreed that the deployment of battlegroups should be borne as a common cost, to be financed through the [Athena mechanism](#), rather than on a national (costs lie where they fall) basis. In June 2018, however, the EU High Representative, with the support of the EU Commission, proposed to create a new off-budget fund,¹⁶ the European Peace Facility, that would allow the financing of all CFSP actions with military or defence implications. The Athena mechanism will be subsumed into that facility, along with the financing of EU battlegroup deployments (see below). The expectation is that it will give fresh impetus to the EU battlegroup concept since their deployment, thus far, has been hampered by the large cost to participating states of doing so.

Operational planning

Background

In 2000 the Nice European Council agreed the creation of permanent political and military structures within the EU for CSDP purposes. In 2003 an EU civil-military planning cell, which would operate in parallel with a European cell based with NATO's operational planning HQ (SHAPE), was also created. Initially France, Germany, Belgium and Luxembourg had proposed the creation of an entirely independent EU military planning cell, outside of the NATO framework. It was only UK opposition and influence that led to the proposals being watered down.¹⁷ The resulting compromise was a small EU operational planning cell of 30-40 people established within the existing EU Military Staff in Brussels, rather than as an independent entity, and subject to an operational planning hierarchy that would give first refusal to NATO and then to any national operational HQ before the EU planning cell would play a role.¹⁸ The Civil-Military cell achieved full operational capability on 1 January 2007. This includes the capacity to generate an Operations

¹⁵ Once the UK leaves the EU it will no longer be able to assume command responsibility for any CSDP operations or missions, including the EU battlegroups.

¹⁶ Therefore, outside of the EU's multi-annual budget

¹⁷ In August 2003 the British Government circulated a paper entitled *Food for Thought* to all EU Member and Acceding States. Along with proposals on structured co-operation and mutual defence, the paper presented an alternative to the proposal put forward by France, Germany, Belgium and Luxembourg, that would place any EU planning capability firmly within the NATO framework. The paper's support for EU planning within NATO was interpreted by many as a firm indication of UK opposition to the Tervuren plans, a position also supported by several EU Member States including Spain, Italy and Poland. However, it was regarded by others as an acceptance by the UK of its need to remain involved in the CSDP debate in order to shape any potential outcome. The Food for Thought paper was considered as the first step towards a compromise.

¹⁸ The Berlin Plus agreement allows for EU access to NATO military assets and capabilities when conducting an operation that NATO as a whole is not engaged in.

Centre in order to run an autonomous EU operation as and when required.¹⁹

A number of commentators expressed concern at the time “that a large oak [would] grow from the acorn being planted in Brussels”.²⁰ Indeed, the idea of an entirely independent military HQ for the EU has never been far off the agenda. It was proposed again during the French Presidency of the EU in the latter half of 2008 and by the Polish Presidency in 2011.²¹ Both times those proposals were dropped. Notably, the proposal in 2011 was supported by the EU High Representative but was again vetoed by the UK.

In September 2012 eleven EU Member States (excluding the UK)²² published a communiqué on *The Future of Europe* which called for, among other things, a new model defence policy, designed to create a “European Army” and more majority based decisions in defence and foreign policy, in order to “prevent one single member state from being able to obstruct initiatives”.²³ Those proposals were supported in a further communiqué issued by France, Germany, Italy, Poland and Spain in November 2012, which also called for a “new military structure” for EU-led operations to be established.²⁴

In March 2015 the EU Commission President, Jean-Claude Juncker, suggested that an EU army should be created “to build a common foreign and national security policy, and to collectively take on Europe’s responsibilities in the world”. He also argued that it would “show Russia that we are serious when it comes to defending the values of the European Union”.²⁵

This is a position supported by the German government which stated in 2015 that “a European Army is Germany’s long term goal”.²⁶ Indeed, a [German defence White Paper](#) published on 13 July 2016 reiterated that “Germany is striving to achieve the long-term goal of a common European Security and Defence Union”. Specifically, it proposes the greater use of permanent structured cooperation and the creation of “a permanent civil-military operational headquarters in the medium term. This will be a civil-military planning and command and control capability that is not yet available in this form in the EU member states”.²⁷

¹⁹ Detailed background on the initial planning cell proposals and the subsequent agreement that was reached at Naples is available in Library Research Paper RP06/32, [European Security and Defence Policy: Developments since 2003](#).

²⁰ “Defensive war: Arguments on defence further complicate negotiations on EU constitution”, *The Economist*, 6 December 2003.

²¹ The French presidency proposals are set out in Library briefing paper SNIA/4807, [Priorities for ESDP during the French Presidency of the EU](#), July 2008

²² Austria, Belgium, Denmark, France, Germany, Italy, Luxembourg, Netherlands, Poland, Portugal and Spain.

²³ As reported in “Ministers call for stronger EU foreign policy chief”, *EU Observer*, 18 September 2012.

²⁴ “Five EU countries call for new military structure”, *Stratistics*, 18 November 2012.

²⁵ “Create and EU army to keep back the Russians”, *The Daily Telegraph*, 8 March 2015

²⁶ “Our goal is an EU Army says Germany’s defence chief”, *The Daily Mail*, 4 May 2015

²⁷ German Federal Government, [White paper on German security policy and the future of the Bundeswehr](#), 13 July 2016.

The Military Planning and Conduct Capability (MPCC)

In December 2016 EU leaders agreed that a new permanent operational planning and conduct capability would be established within the existing EU Military Staff in order to provide an out-of-area command and control structure at the strategic level for *non-executive* military missions. The intention was to improve the EU's crisis management structures by providing greater coherence and coordination between the EU's civilian crisis management operations and military missions operating within the same regions.

It would initially have 25 staff and be responsible for the operational planning and conduct of such missions, including the build-up, launching, sustaining and recovery of EU forces. As such, it would allow the mission commanders on the ground to focus on the specific activities of their mission, with better strategic support from Brussels. It would work in conjunction with its existing civilian counterpart, the Civilian Planning and Conduct Capability through a Joint Support Coordination Cell which oversees and promotes overall civilian/military cooperation, including the generation of capabilities such as medical and logistics.

A concept note on the MPCC was agreed by the Council of Ministers in March 2017 and adopted by EU leaders, including the UK, in June 2017. The initial scope of the MPCC was reportedly curtailed following opposition from the UK.

A non-executive military mission is defined as an operation conducted in support of a host nation which has an advisory role only.²⁸ As such, the MPCC has assumed strategic responsibility for the operational planning and conduct of the EU's three training missions in Central African Republic, Mali and Somalia.

EU-led military operations such as Operation Atalanta off the Horn of Africa, Operation Sophia in the Mediterranean and Operation Althea in Bosnia did not come under the remit of the MPCC.

Expansion of the MPCC's remit

With a focus on non-executive missions the MPCC, in its initial format, was not the independent operational planning headquarters for all EU military operations, which has been the long-held ambition of France and Germany.

However, in November 2018 the Council agreed, on the recommendation of the EU High Representative, to give the MPCC additional responsibility that would take it beyond its current role and into the planning and conduct of small-scale (EU battlegroup size) executive military operations by integrating the executive tasks of the EU Operations Centre.²⁹ By the end of 2020 the MPCC is thus expected to

²⁸ In comparison to an executive military operation which is mandated to conduct actions in replacement of the host nation. Combat operations would fall into this category ([European Union Concept for EU-led Military Operations and Missions](#), 19 December 2014)

²⁹ The EU Operations Centre (OPSEN) can set up an operations centre for a specific operation, in particular where a joint civil/military response is required and where no

have responsibility for all non-executive CSDP missions and one executive military operation.³⁰ The EU High Representative referred to the newly enhanced MPCC in December 2018 as a “command centre”, suggesting that by 2020 it would be “going beyond what is done now...”.³¹

A further review of the MPCC’s roles and responsibilities has also been agreed with a view to completion by the end of 2020. It is expected that the review will recommend the expansion of the MPCC’s role even further and establish it as the EU military planning HQ that France and Germany, among others, have long hoped for and the UK has always opposed.

Permanent Structured Cooperation (PESCO)³²

While CSDP remains an intergovernmental area of EU competence, [Article 42](#) of the EU Treaty, as amended by Lisbon in 2009, opened up the potential for greater military cooperation, specifically in capabilities development and planning, through the mechanism of Permanent Structured Cooperation (PESCO). Under that concept a smaller group of eligible and willing Member States would be able to adopt decisions regarding greater military cooperation, therefore moving forward in certain areas without the full approval of all EU Member States. Among the aspirations for PESCO were capability harmonisation, the pooling of assets, cooperation in training and logistics, regular assessments of national defence expenditure and the development of flexibility, interoperability and deployability among forces.³³

Realisation of PESCO

Despite its inclusion in the Lisbon Treaty, and many references to it over the years, PESCO had never been utilised by EU Member States.

As outlined above, however, the EU Global Strategy and subsequent Security and Defence Implementation Plan set out the intention to examine possible areas for CSDP cooperation using the PESCO mechanism. The intention is to help generate new collaborative efforts, cooperation and projects among Member States, thereby addressing any remaining capability shortfalls and enhancing the EU’s ability to act. Any capabilities developed through PESCO, however, will remain owned and operated by Member States. They will not be ‘EU’ assets but remain under national control and capable of being deployed in other frameworks such as the UN and NATO.

national HQ is identified. It can also generate the capacity to plan and run an autonomous EU military operation.

³⁰ Council of the European Union, *Council conclusions on Security and Defence in the context of the EU Global Strategy*, 13978/18, 19 November 2018, paras 5-8

³¹ Speech by the High Representative at the European Parliament Plenary Session, 11 December 2018

³² The evolution of PESCO over the last few years is examined in greater detail in Library briefing paper [CBP8149, EU defence: the realisation of Permanent Structured Cooperation](#).

³³ Article 46 TEU sets out the arrangements whereby Member States can engage in permanent structured cooperation in defence matters. The criteria and capability commitments for doing so are set out in the Protocol to the TEU on Permanent Structured Cooperation (No. 10).

At a meeting of the Foreign Affairs Council (including Defence) on 13 November 2017, Ministers from 23 EU Member States signed a [Joint Notification on Permanent Structured Cooperation](#). The first formal step in establishing PESCO, that notification set out the principles of PESCO, the list of broader commitments that participating Member States have agreed to undertake and proposals on PESCO governance and the overall ambition for the project.

Box 1: Basics of Permanent Structured Cooperation (PESCO)

- The initial decision to participate in PESCO is voluntary and decision-making within the PESCO mechanism will only be taken by participating states. Those EU states which do not participate in PESCO will have no decision-making rights and no veto over its future strategic direction.
- PESCO will have a two-layered structure. The Council of Ministers will be responsible for the overall policy direction and assessment mechanism to determine if Member States are fulfilling their commitments. Each project will be managed by those Member States which contribute to it.
- The PESCO Secretariat will be provided through existing CSDP structures, primarily the EU External Action Service, including the EU Military Staff, and the European Defence Agency. Any administrative expenditure will be charged to the EU budget.
- Participating states commit to fulfil 20 broader commitments relating to their national defence policies, including agreed defence spending targets and harmonisation of plans and requirements.
- As a treaty-based mechanism any commitments undertaken by participating states will be legally binding. National implementation plans will be subject to regular assessment by the Council of Ministers.
- Any participating State will be able to propose projects to the PESCO Secretariat. With regard to capability development, the EDA will ensure that there is no duplication with existing initiatives in other institutions, such as NATO. The EU High Representative will make recommendations to the Council of Ministers on those projects which are consistent with the EU's Capability Development Priorities and the Coordinated Annual Review on Defence, which contribute to the EU's 'Level of Ambition' and are best suited to furthering Europe's 'strategic autonomy' in the longer term. The Council (participating PESCO states only) will then decide, by unanimity, on the list of PESCO capability projects.
- Third party states may be invited to participate in specific PESCO projects, where it is demonstrated that they bring "substantial added value". While the terms of participation are still to be agreed, the expectation is that the conditions for participation will differ between projects but on the whole states will be expected to share EU values, "contribute to strengthening PESCO and the CSDP and meet more demanding commitments" that have been agreed as part of the PESCO framework. Despite these commitments, third-party states will not, however, have any decision-making rights.
- Capabilities developed through the PESCO mechanism will remain under national control. They will not be "EU" assets and will not form the basis of an "EU Army". States will be able to make those capabilities available through other frameworks such as NATO and the UN.

Annex II of the Joint Notification sets out the broader commitments that participating States will have to meet. Among them are commitments to:

- Regularly increase defence budgets in order to meet agreed objectives.
- Increase defence capabilities expenditure to 20% of total defence spending.
- Increase expenditure allocated to defence research and technology to 2% of total defence spending.
- Increase joint and collaborative capability projects, supported through the EU Defence Fund if required.
- Harmonise capability requirements and consider, as a priority, a European collaborative approach in order to address capability shortfalls identified at the national level. As a general rule an “exclusively national approach” should only be used once that assessment has been carried out.

Participating states are also committed to considering the joint use of existing capabilities in order to increase effectiveness and to making “substantial” contributions to the EU battlegroups. States must also participate in at least one PESCO capability project.

The implementation of commitments under PESCO will take place in two stages: 2018-2021 and 2021-2025. After each phase there will be a strategic review of PESCO, which will also identify additional commitments moving forward.³⁴

Twenty three Member States initially signed the Joint Notification, with the exception of Denmark, Malta, Ireland, Portugal and the UK. Ireland and Portugal subsequently notified the Council of their decision to join PESCO on 7 December 2017, bringing the number of participating states to 25.

On 11 December the Council of Ministers formally adopted a [Decision](#) establishing Permanent Structured Cooperation.³⁵

³⁴ In March 2018 participating PESCO states adopted [a recommendation](#) setting out strategic guidance for the implementation of PESCO in the longer term, including fulfilment of the broader commitments originally agreed in the 2017 Joint Notification. That was followed by [a further recommendation](#) in October 2018 setting out detailed guidance on the timeframe for participating countries to review and update their National Implementation Plans and the level of detail required on each of the commitments, including the submission of detailed financial data, up to the end of the first implementation phase in 2020.

³⁵ Council of the European Union, *Council Decision establishing Permanent Structured Cooperation*, CSDP/PSDC 667

Box 2: 25 Participating Member States

Austria	France	The Netherlands
Belgium	Germany	Poland
Bulgaria	Greece	Portugal
Czech Republic	Hungary	Romania
Croatia	Italy	Slovakia
Cyprus	Ireland	Slovenia
Estonia	Latvia	Spain
Finland	Lithuania	Sweden
	Luxembourg	

Now that it has been formally established, any other EU Member State that wishes to participate must notify the Council of Ministers and the EU High Representative. However, under the EU Treaty, it is for the participating PESCO States to decide, by QMV, on the future participation of others.

Denmark, Malta and the UK remain outside of PESCO.

Only participating Member States will have decision making rights with regard to PESCO. Those States which remain outside of the mechanism, including the UK, will have no powers or voting rights over current projects or its future strategic direction.

PESCO Projects*Initial tranche*

As part of the formal Declaration establishing PESCO, participating Member States also adopted a [Declaration](#) which identified an initial list of [17 projects](#) to be undertaken within the remit of PESCO, including a European Medical Command, military mobility,³⁶ maritime surveillance, armoured vehicles and indirect fire support.

A number of these projects could potentially be part-funded through the newly established European Defence Fund and at a higher rate of financing than that available to other collaborative projects (see below).³⁷

A [formal Decision](#) approving that list of 17 PESCO projects, including participating countries, was reached in March 2018.

A [common set of governance rules](#) for those projects was subsequently adopted in June 2018, in order to ensure consistency across the board and provide a mechanism through which to report progress, and

³⁶ In November 2017 the European Commission and EU High Representative issued a [Joint Communication](#) outlining proposals to improve military mobility within the EU, including addressing regulatory barriers to the movement of military equipment and personnel across borders. The proposals have been likened to the creation of a "military schengen". An [Action Plan on Military Mobility](#) was presented in March 2018. A dedicated EU budget of €6.5 billion has been earmarked through the 'Connecting Europe Facility' for military mobility.

³⁷ "EC welcomes first operational step towards a European Defence Union", *EU News*, 12 December 2017

provide oversight by the Council of Ministers. The intention is for the Council to review PESCO projects by November each year.

Second tranche

In May 2018 a call for new project proposals was issued by the PESCO Secretariat. Following a 6-month period of assessment, the second set of PESCO projects was formally adopted by the Council of Ministers in November 2018.

Among the more 'strategic' projects on the list is a medium altitude, long endurance unmanned drone, an upgrade to the Tiger attack helicopter and a high altitude intelligence, surveillance and reconnaissance (ISR) capability.

The full list of PESCO projects, including participating nations, is available [online](#).

A third tranche of PESCO projects is expected to be approved in 2019, followed by a fourth tranche in 2021.³⁸

Third party participation

The conditions under which third party states may be invited to participate in individual PESCO projects remain under consideration. A Decision had been expected, in principle, by the end of 2018.³⁹ However, while the European Council in December 2018 welcomed the progress made in implementing PESCO, the Council's conclusions revealed nothing about the terms of third-party participation, which led many to speculate that differences in opinion remain between the PESCO participating states.

Indeed, following a meeting of EU Defence Ministers on 14 May 2019 the EU High Representative expressed the hope that agreement on the conditions for third party participation could be reached in time for the European Council meeting in June 2019.⁴⁰

Indications thus far, however, would suggest that it will be for the members of individual PESCO projects to consider inviting a third State to participate, on a case-by-case basis if they meet the general conditions of participation, and where it is proven that they will bring substantial added value to a specific project.

The expectation is that the conditions for participation will differ between projects but on the whole third-party states will be expected to share EU values, and "contribute to strengthening PESCO and the CSDP and meet more demanding commitments" that have been agreed as part of the PESCO framework.⁴¹

³⁸ Council of the European Union press release, "Defence cooperation: Council assesses progress made in the framework of PESCO after first year of implementation", 14 May 2019

³⁹ Council of the European Union, Council Conclusions on Security and Defence, 10246/18, 25 June 2018

⁴⁰ [Remarks by EU High Representative at the press conference following the Foreign Affairs Council \(Defence\)](#), 14 May 2019

⁴¹ Council conclusions on Security and Defence in the context of the EU Global Strategy, 13978/18, 19 November 2018, para.12

What is not yet clear is the extent of that linkage between commitments, support for CSDP and third-party participation. Third party states will not be fully fledged members of the PESCO and therefore it is considered unlikely that they would be required to “sign up” to the broader commitments on defence spending and harmonisation in the same way as a PESCO state.

The Council (meeting in PESCO format) will then decide whether a third State meets the general conditions of participation before an Administrative Agreement is entered into.

At all times the procedures and decision-making autonomy of the EU will be respected. As such, there will be no blanket acceptance of third parties into PESCO projects. Equally, while initial commitment to a project would be voluntary, once involved a third party, such as the UK, would have to meet the conditions of participation in a project while at the same time having no decision-making rights over the scope or direction of the project as it moves forward.

The United States has expressed its concerns over the potential restriction on US involvement in pan-European PESCO projects, suggesting that in retaliation it may impose reciprocal restrictions on EU companies operating in the US. In response to those concerns the EU High Representative stated at a press conference on 14 May 2019:

Let me be very clear already, and we share this with Member States, that the European Union is and remains open to US companies and equipment. The PESCO projects are an additional element that comes on top of everything we have already in place when it comes to cooperation, including on defence, industrial and research projects [...]

the PESCO projects are not substituting nor changing the procurement rules and are not substituting any other projects that are already ongoing. They are an additional instrument that is aimed at incentivising, increasing cooperation among the EU Member States that are participating in that particular PESCO project.

It is a circle that is intended to go deeper and that, by definition, is more restricted than even the membership of the European Union at 28. It is not defined to be an instrument for partnership, we have other instruments for partnership. It does not substitute other partnerships, including in the defence industry and research that we have already in place and that are essential for us.⁴²

Longer term aspirations

In the longer term, it has been acknowledged that PESCO is:

Both a permanent framework for closer cooperation and a structured process to gradually deepen defence cooperation within the Union framework. It will be a driver for integration in the field of defence [...]

PESCO will help reinforce the EU’s strategic autonomy to act alone when necessary and with partners whenever possible.⁴³

⁴² [Remarks by EU High Representative at the press conference following the Foreign Affairs Council \(Defence\)](#), 14 May 2019

⁴³ European Union, [Permanent Structured Cooperation – PESCO Fact Sheet](#), May 2019

The Joint Notification of November 2017 also states:

PESCO is a crucial step towards strengthening the common defence policy. It could be an element of a possible development towards a common defence should the Council by unanimous vote decide so (as provided for in article 42.2 TEU). A long term vision of PESCO could be to arrive at a coherent full spectrum force package - in complementarity with NATO, which will continue to be the cornerstone of collective defence for its members.⁴⁴

NATO Secretary General, Jens Stoltenberg, has welcomed the launch of PESCO expressing his belief “that this can strengthen European defence”. However, he has also stressed the need for complementarity between NATO and EU efforts.⁴⁵

A number of commentators have questioned whether the extent of participation in PESCO may eventually lead to it becoming unwieldy and ineffective. Indeed, when PESCO was first discussed within the context of the Lisbon Treaty, the intention was for “small groups” of “eligible” like-minded states to pursue defence cooperation.⁴⁶

Nick Whitney of the European Council on Foreign Relations, and former Chief Executive of the EDA, has argued that PESCO has been made far too inclusive, with certain states, such as Poland, only joining in order to “slow it down”.⁴⁷ As such, he concludes that “there is no value-added in any of this”.⁴⁸

Many commentators have also expressed scepticism over the ability of PESCO to deliver the EU’s objective of strategic autonomy, unless the very largest capability projects, such as satellites or combat aircraft, are included in the initiative. Maintaining the momentum to move PESCO projects forward beyond their initial phases, are also regarded as somewhat of a challenge.⁴⁹

Co-ordinated Annual Review of Defence

The aim of the Co-ordinated Annual Review of Defence (CARD) is to develop, on a voluntary basis, a more structured way of developing required capabilities, based on greater transparency and commitments from Member States. It has been suggested that the process would provide a better overview at the EU level of defence spending, national investment plans and defence research efforts, and that “such transparency and visible commitment would increase output,

⁴⁴ [Notification on Permanent Structured Cooperation](#), November 2017

⁴⁵ NATO press release, 14 November 2017

⁴⁶ Eligibility was to be based on the ability of states to meet the capability requirements set out in the Protocol on Permanent Structured Cooperation.

⁴⁷ Poland, like the UK, has been a longstanding advocate of developing European military capabilities within the framework of NATO. The Czech Republic, Finland, Hungary, Slovakia and Sweden are also reported to be deeply sceptical of PESCO’s ambitions (“2017: the year of European defence?”, *Jane’s Defence Weekly*, 5 April 2017)

⁴⁸ [“Pesco, the impotent gorilla”](#), European Council on Foreign Relations, 17 November 2017

⁴⁹ See for example, “EU to launch joint spy school, boost electronic warfare”, *Politico*, 20 November 2018

collaboration and mutual accountability, while ensuring coherent output with NATO processes".⁵⁰

In spring 2017 the Council of Ministers endorsed proposals on the scope, modalities and content of CARD.⁵¹ Under those proposals, a written report is to be prepared every two years by the European Defence Agency (EDA), in its capacity as CARD Secretariat, and in cooperation with the EU Military Staff and the EU Military Committee. That report will provide a comprehensive overview of Member States' aggregated defence plans, including spending, the implementation of identified capability development priorities resulting from the EU Capability Development Plan, prioritisation in Research and Technology, and the extent of cooperation.

The intention is to provide, over time, a comprehensive picture of EU capabilities in order to identify the potential for additional capability development and identify new opportunities for cooperation and joint investments. The expectation is that this process will be closely coordinated with the PESCO mechanism and the European Defence Fund through which any newly identified collaborative projects could be pursued.

The pursuit of new projects through other bilateral or multilateral frameworks is acknowledged as a possibility given that participation in CARD is voluntary, but the onus of the initiative is on establishing an all-encompassing EU-based mechanism for defence capability collaboration. As an article in *Jane's Defence Weekly* reported in November 2018:

The CARD is expected to function as the filter for funnelling the most strategically relevant multi-nation projects into the EU's Permanent Structured Cooperation (PESCO) for defence.⁵²

A one-year trial run of CARD involving all EU Member States, including the UK, began in autumn 2017.

Facing questions over the UK's involvement in the trial, despite its intention to leave the EU, the MOD commented:

As far as the Co-ordinated Annual Review of Defence is concerned, in principle it is trying to do something sensible – trying to get EU countries to focus their capability development in the right sort of areas that will benefit the European Union and them as individual countries, but also benefit NATO.

Our objective with CARD is to ensure that it does not duplicate or undermine the NATO defence planning process, which is a separate, well-established process. So, we have engaged with CARD...to try to ensure that it is complementary to the NATO process.⁵³

⁵⁰ Council of Foreign Ministers, [Security and Defence Implementation Plan](#), November 2016, para.30

⁵¹ Council of the European Union, [Council conclusions on Security and Defence in the context of the EU Global Strategy](#), 9178/17, 18 May 2017

⁵² "EDA report to national defence ministers frames their future defence co-operation", *Jane's Defence Weekly*, 14 November 2018

⁵³ Defence Committee, *Oral evidence: the DExEU position paper*, HC594, 6 February 2018, Q.83

If successful, the intention was to fully implement the initiative in autumn 2019, following a period of reflection and adaptation where necessary. Indeed, in November 2018 the Council agreed to launch CARD as a standing activity, starting with the first full cycle in 2019/2020.⁵⁴

Currently the CARD does not directly provide for third country involvement, and therefore continued participation by the UK in this initiative after Brexit appears unlikely. However, in answer to a Parliamentary Question in December 2018 the Government continued to express its support for CARD, commenting:

The recent Political Declaration on the Future Relationship between the UK and the EU sets out our shared vision of close and lasting cooperating on external action, including cooperation on defence capabilities development.⁵⁵

European Peace Facility

In June 2018, the EU High Representative, with the support of the EU Commission proposed a new off-budget fund,⁵⁶ to allow for the financing of all CFSP actions with military or defence implications. Termed the European Peace Facility (EPF), the budget is worth €10.5 billion over the period of the next Multiannual Financial Framework (2021 to 2027) and will streamline and simplify existing off-budget mechanisms, namely the Athena Mechanism⁵⁷ which has been used since 2004 to finance CSDP operations, and the African Peace Facility.⁵⁸ It will also allow the EU to overcome the geographic and thematic limitations imposed by these mechanisms.

The aim is to increase the effectiveness of operations by ensuring EU funding for a more comprehensive set of common costs of CSDP operations,⁵⁹ and on a permanent basis. It will also allow the EU to contribute to the financing of military support operations led by international partners,⁶⁰ and provide more comprehensive and integrated support packages including the provision of training, equipment and infrastructure, in order to build the capacity of partner countries' armed forces.

Actions funded by the EPF will be decided by the Council.

The EPF will be financed in a similar way to Athena, through contributions by Member States based on a Gross National Income (GNI) distribution key.

⁵⁴ Council conclusions on Security and Defence in the context of the EU Global Strategy, 13978/18, 19 November 2018, para.14

⁵⁵ PQ199792, *EU Defence Policy*, 11 December 2018

⁵⁶ Therefore, outside of the EU's multi-annual budget

⁵⁷ Further information on the principles of Athena is available at: <https://www.consilium.europa.eu/en/policies/athena/>

⁵⁸ The African Peace Facility supports peacekeeping and stabilisation actions on the African continent by allowing for EU financing of African-led peace support operations. It is financed from the extra-budgetary European Development Fund.

⁵⁹ Under the Athena mechanism 5-10% of the costs of military operations are covered through common financing.

⁶⁰ To date, the African Peace Facility has only allowed financing for African-led peace support operations.

The creation of the EPF has been described as “a significant shift by the EU’s member states towards stronger collective funding of their military missions”.⁶¹ In particular, expanding the common costs of CSDP operations that could be financed by the EPF is expected to give fresh impetus to the EU battlegroup concept since their deployment, thus far, has been hampered by the large cost to participating states of doing so.

3.2 Enhanced EU-NATO Co-operation

EU-NATO cooperation has a long history. During the 1990s, and amid calls for Europe to take greater responsibility for its security, efforts began to bring NATO and the Western European Union, which acted for the EU in security and defence at the time, closer together.⁶²

However, it was the signing of the *NATO-EU Declaration on ESDP* in December 2002 that put the relationship on a ‘strategic partnership’ basis. That declaration cemented in place the “Berlin Plus arrangements”, which gave the EU recourse to NATO assets and capabilities for operations in which the Alliance as a whole chose not to be engaged. It also committed both institutions to regular consultation and concerted planning in capabilities development.

Over the last 15 years crisis management operations have been a key part of that strategic partnership, in particular in the Balkans⁶³ and more recently in maritime security operations in the Mediterranean, off the coast of Somalia and in the Aegean Sea. In order to support operations and ensure harmonisation, in 2005 a NATO Permanent Liaison Team was established within the EU Military Staff and in 2006 an EU cell was set up within SHAPE.

Another key element of NATO-EU cooperation has been in the field of capabilities development. In 2003 the NATO-EU capability group was established in order to ensure coherence and complementarity between NATO and EU efforts⁶⁴ to address recognised shortfalls in military capabilities.

2016 NATO-EU Joint Declaration

Recognising that the current strategic environment is one of unprecedented security challenges, in July 2016 the President of the European Council, the President of the European Commission and the

Twenty two states are currently members of both NATO and the EU. 94% of EU citizens currently live in NATO countries.

(Eurostat, Usual resident population on 1 January 2018)

⁶¹ “EU proposes ‘peace facility’ to transform its expeditionary missions and policies”, *Jane’s Defence Weekly*, 20 June 2018

⁶² In 1996, for example, NATO leaders agreed to build up a European Security and Defence Identity (ESDI) within NATO, including initiatives to improve European capabilities. Crucially, the decision was taken to make Alliance assets available to WEU-led crisis management operations. At the NATO 50th Anniversary summit in April 1999 the Alliance agreed to make its military assets available “for use in EU-led operations”, and in December of that year the crisis management tasks of the WEU were transferred to the EU. These decisions were the first steps in the evolution of the “Berlin-Plus” arrangements.

⁶³ In 2003 the EU assumed responsibility for the NATO operation in Macedonia, and in 2004, following the conclusion of the NATO-led SFOR operation in Bosnia and Herzegovina, the EU deployed Operation Althea to the country. That operation continues to the present day.

⁶⁴ The NATO Defence Planning Process and the EU Capability Development Plan respectively.

NATO Secretary General signed a Joint Declaration intended to give new impetus and substance to the NATO-EU strategic partnership.

Acknowledging that “a stronger NATO and a stronger EU are mutually reinforcing”, that Declaration outlined seven areas where cooperation between the two organisations should be enhanced, as a matter of priority:

- Countering hybrid threats – by bolstering resilience, timely information sharing and, where possible, intelligence sharing and cooperating on strategic communication and response.
- Operational cooperation, including at sea, and on migration – through increased sharing of maritime situational awareness as well as better coordination and reinforcement of operations in the Mediterranean and elsewhere.
- Cyber security and defence – expand coordination, including within the context of missions and operations, exercises and on education and training.
- Defence capabilities – develop complementary and interoperable capabilities, as well as multilateral projects.
- Defence industry and research – facilitate a stronger defence industry and greater defence research and industrial collaboration within Europe, and across the Atlantic.
- Exercises – step up coordination on exercises.
- Supporting Eastern and Southern European partners’ capacity-building efforts – through specific projects for individual recipient countries, including strengthening maritime capacity.

Subsequently a [common set of proposals](#), consisting of 42 actions across all seven areas, was endorsed by the North Atlantic Council and the European Council in December 2016. In a statement the European Council confirmed that implementation of the Joint Declaration is “a key political priority for the EU” and “constitutes an essential element of broader efforts aimed at strengthening the Union’s ability to act as a security provider...”. It also acknowledged that “Member states have a single set of forces which they can use in different frameworks” and that “coherent development of Member States’ capabilities through EU and NATO respective processes will thus also help to strengthen capabilities potentially available for both organisations, while recognising their different nature and responsibility”.⁶⁵ Progress in delivering on those objectives will be monitored and reviewed on a bi-annual basis.

In December 2017 the EU and NATO [endorsed plans](#) to extend the common set of proposals to include a further 32 actions (74 in total), including in the area of counter-terrorism, women, peace and security and military mobility.

⁶⁵ Council of the EU Press Release, 728/16, 6 December 2016

Progress in implementation across the common set of proposals was most recently set out in [May 2018](#). The next progress report is expected in June 2019.

2018 Joint Declaration

Building on the initial NATO-EU Joint Declaration, in July 2018 the NATO Secretary General, President of the European Council and President of the European Commission once again met to discuss progress and the way forward.

Recognising the evolving security challenges facing EU and NATO Member States on their Eastern and Southern borders, all parties expressed their ongoing commitment to continued cooperation within the context of the existing framework of common proposals. Going forward, the renewed Declaration called for “swift and demonstrable progress”, in particular in military mobility, counter-terrorism, strengthening resilience to CBRN⁶⁶ risks and promoting the women, peace and security agenda.⁶⁷

The Declaration also acknowledged the EU’s efforts to bolster European security, and the contribution of PESCO and the European Defence Fund to meet those objectives, in particular. Reference was also made to the intention to “give higher priority to security and defence in the forthcoming discussions on the next long-term EU budget”. However, the Declaration also went on to state:

The capabilities developed through the defence initiatives of the EU and NATO should remain coherent, complementary and interoperable. They should be available to both organisations, subject to the sovereign decisions of the countries that own them.⁶⁸

NATO Leaders welcomed the Joint Declaration, recognising “that a stronger and more capable European defence will lead to a stronger NATO”.⁶⁹

3.3 European Defence Industry

Background

Since 2005 the European Commission has made several moves to improve the efficiency and competitiveness of the EU defence market and industrial base, including the adoption of two EU defence directives in 2009 aimed at opening up the defence market.⁷⁰ In response to the global financial crisis and falling European defence budgets,⁷¹ in 2011

⁶⁶ Chemical, biological, radiological and nuclear

⁶⁷ NATO Press Office, Joint Declaration on EU-NATO Cooperation, 10 July 2018

⁶⁸ Ibid, para.10

⁶⁹ NATO Press Release, Brussels Declaration on Transatlantic Security and Solidarity, 11 July 2018

⁷⁰ Further detail on both of these directives is available in Library briefing SN04640, [EC Defence Equipment Directives](#). Both of those directives were transposed into UK law in 2011.

⁷¹ According to the European Commission, over the last decade the EU Member States have, collectively, decreased defence spending by 12% in real terms. In comparison, China has increased its defence budget by 150% during that same period and in

the European Commission established a Task Force on Defence Industries and Markets to explore the different policy options available to the Commission in order to further strengthen the European defence equipment market, enhance the competitiveness of the sector and promote cooperation. In July 2013 the Commission Task Force presented the outcome of its work in a Communication on the European Defence and Security Sector entitled, [*Towards a more competitive and efficient defence and security sector*](#). That report announced plans for a detailed roadmap with concrete actions and timelines for the areas defined in the Communication. The Commission's Communication was endorsed by the European Council in December 2013 and in June 2014 the roadmap, [*A new deal for European Defence*](#), was published.

The roadmap had four main objectives:

- The creation of an Internal Market for Defence where European companies can operate freely and without discrimination in all Member States.
- Establishing an EU-wide security of supply regime.
- Preparatory Action on CSDP-related research to explore the potential of a European research programme which, in the future, may cover both security and defence.
- Establishing an industrial policy which fosters competitiveness of European defence industries.

A progress report on the roadmap was published by the Commission in [May 2015](#).

Defence Action Plan and the European Defence Fund

To take some of these actions forward, and complement the ambitions and objectives of the EU Global Strategy and SDIP, in November 2016 the European Commission published a [Defence Action Plan](#). The intention of the DAP is to support more efficient spending on joint defence capabilities by Member States, strengthen security and foster a competitive and innovative European defence industrial base. At its heart are three measures:

- The creation of a European Defence Fund (EDF) for collaborative research projects.
- Support for SMEs by encouraging investment in defence supply chains.
- Ensure Europe has an open and competitive single market for defence.

The DAP was endorsed by the European Council in December 2016, and again in June 2017.

The European Defence Fund

The [European Defence Fund](#) is the initiative which has received the most attention from commentators and the media. It was launched on 7 June 2017 and the intention is to support investment in joint research and the joint development of defence equipment and technologies, with a view to more efficient defence spending and avoiding duplication.⁷² The fund will not be established with additional contributions by EU Member States but will be provided out of the existing EU budget. This will be the first time that the EU budget has been used for defence research and equipment purposes.

Initial proposals envisaged a two-step approach for establishing the EDF. A 'test' period under the 2014-2020 multiannual financial framework with a budget of €590 million; and the creation of a dedicated European Defence Fund for the period 2021-2027 once it had been established that "added value" comes from the EU budget supporting defence research and development. Proposals for the creation of that dedicated fund, worth €13 billion, were published in June 2018.⁷³

During the 'pilot' to 2020, the fund has two strands:

1 Research

A 'research' strand (the Preparatory Action on Defence Research (PADR)) which will fund collaborative research in innovative defence technologies in EU Member States and Norway, directly from the EU budget.⁷⁴ It has a budget of €90 million in total until 2020.

The EU will directly finance total costs of a project, with money allocated as a grant. The projects eligible for funding will focus on priority areas previously agreed by Member States, notably through the EU Capability Development Plan. The Commission has made clear that such funds must complement national research efforts, and not substitute or duplicate them. In December 2017 the first grant agreement, worth €1 million for a research project on 'strategic technology foresight', was signed (codenamed Pythia). The UK is involved in this project.⁷⁵ A further four grant agreements were signed in February 2018:⁷⁶

All capabilities developed through the European Defence Fund will be owned by the Member States concerned. The EU will not own any assets, nor will it retain any intellectual property rights.

⁷² The European Commission has estimated that approximately 80% of defence procurement is done nationally and this lack of cooperation between Member States costs between €25 billion and €100 billion every year ([The European Defence Fund Factsheet](#), June 2018)

⁷³ Council of the European Union, [Proposal for a regulation of the European Parliament and of the Council establishing the European Defence Fund](#), 10084/18 (2018/0254 COD), 13 June 2018

⁷⁴ Norway is permitted access to the research fund because it applies EU legislation on research and technological development as part of its commitments under the European Economic Area Agreement. While Iceland and Liechtenstein are also part of the EEA they will not participate in the research programme as neither country has a military force.

⁷⁵ [European Commission Press Release](#), 21 December 2017 and *European Union Factsheet: Defending Europe*, February 2018. Until the UK leaves the EU it is entitled, as a full EU Member States, to access funds available under this programme.

⁷⁶ European Commission Press Release, 16 February 2018 and *European Union Factsheet: Defending Europe*, February 2018

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- a. Ocean 2020 – a €35 million project to enhance situational awareness in a maritime environment, using manned and unmanned systems. It will involve 42 partners from 15 countries, including the UK.
- b. Three projects aimed at improving soldiers' equipment (each €1 million to €3 million):
 - Gossra – improving the compatibility of complex system elements (i.e. sensors or digital goggles)
 - ACAMSII – adaptive camouflage
 - Vestlife – ultralight protective clothing for soldiers.

On 19 March 2019 the Commission published its [work programme for 2019/2020](#). With €25 million of funding available, the programme is focused on the development of electromagnetic spectrum dominance and future disruptive defence technologies. Calls for proposals have been issued by the European Defence Agency, with grant agreements expected to be announced at the end of 2019. The EDA will manage those projects selected to receive EU funding.⁷⁷

2 Capability Acquisition

A 'capability' strand which will build on the research and development phase and create financial incentives for Member States to cooperate on joint development and acquisition of defence equipment and technology, in order to reduce their costs. This 'strand' will have two elements: the European Defence Industrial Development Programme (EDIDP), which will part-finance the early stages of development of commons prototypes for new defensive technologies, and a 'financial toolbox' to facilitate joint defence acquisition by multiple Member States.

EDIDP

The European Commission tabled a [legislative proposal](#) in order to establish the EDIDP in June 2017.⁷⁸ After only a year of negotiation the Council of Ministers and the European Parliament [approved the establishment of the EDIDP](#) in July 2018.

Under that regulation, the EDIDP will cover a two-year period from 1 January 2019 to 31 December 2020 and have a budget of €500 million.

EDIDP co-funding will only be available, in principle, to organisations which are established in the EU and are not subject to control by a third country or by a third-country entity.⁷⁹ However, derogation from that principle, thereby allowing third party access to EDIDP funding, will be possible so long as those countries or parties adhere to strict conditions related to the support and strengthening of CSDP and the European defence industrial base. Concerns over security of supply will also be

⁷⁷ European Commission, [European Defence Fund: Questions and Answers](#), June 2017

⁷⁸ COM (2017) 294, 7 June 2017

⁷⁹ All infrastructure, facilities, assets and resources used by the beneficiaries and subcontractors in a project funded by the EDIDP must also be located within the EU.

taken into account.⁸⁰ After Brexit the UK will be considered a third party country in this context.

Only collaborative projects⁸¹ will be eligible for EU co-financing (20% of the project cost, with the remainder falling to national Governments) and a proportion of the overall budget will also be earmarked for projects involving cross-border participation of SMEs. The EDIDP is expected to be utilised to support the capability projects identified under Permanent Structured Cooperation (see above), by providing a higher rate of financing (30%) than that available to other projects (20%), dubbed 'the PESCO bonus'. EDIDP funding for PESCO projects will not, however, be automatic.⁸²

While the Commission will be responsible for the execution and management structure of the EDIDP, projects will be defined along priorities set with Member States through the EU Capability Development Plan and the Co-ordinated Annual Review of Defence (see above). Any technology and assets developed with EDIDP funding will remain under the ownership of the relevant Member States and would not be EU assets. The EU will not retain any intellectual property rights.⁸³

Despite expectations that the EDIDP would adopt its first projects at the beginning of 2019, the European Commission adopted its first [Work Programme for 2019/20](#) on 19 March 2019. Calls for proposals will be published over the next two years in four priority areas:⁸⁴

- Enabling operations, protection and mobility of forces - €80 million of Commission financing is available across four areas: CBRN detection (2020 budget), a multi-purpose unmanned ground system (2019 budget), underwater control (2020), and counter-UAS capabilities (2020).
- Intelligence, secured communication, and cyber - €180 million for projects in six areas: ISR and remotely piloted air systems (2019), cyber situational awareness and military networks (2019 and 2020), space situational awareness and early warning (2020), positioning navigation and timing and satellite communications (2019), maritime surveillance (2020) and European command and control (2020).

⁸⁰ Regulation 2018/1092 of the European Parliament and of the Council establishing the European Defence Industrial Development Programme, 18 July 2018, para.16. The regulation does not state, however, what those conditions will be.

⁸¹ Involving at least three undertakings from 3 different Member States, who can demonstrate that their respective national governments have committed to jointly finance further development of the capability and procure the final product in a coordinated way, including joint procurement where applicable. Under the Commission's original proposals participants had to be from 2 or more EU Member States. That eligibility was changed by the European Parliament at its Plenary Session in July 2018, following a [recommendation](#) from the EP Committee on industry, Research and Energy.

⁸² European Commission, [The European Defence Fund Factsheet](#), June 2018

⁸³ Regulation 2018/1092 of the European Parliament and of the Council establishing the European Defence Industrial Development Programme, 18 July 2018, para. 27

⁸⁴ Further details on the exact division of funding between the projects, and over the two-year period is available in: [European Commission, EDIDP and PADR factsheet, March 2019](#)

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- Ability to conduct high-end operations - €70 million across four areas: upgrading or developing next generation ground-based precision strike (2019 and 2020), ground combat (2020), air combat (2019 and 2020) and future naval systems (2019).
- Innovative defence technologies and SMEs - €27 million for projects across three areas: simulation and virtualisation tools (2020), artificial intelligence (2020), and innovative defence solutions specifically proposed by SMEs (2019 and 2020 budgets).

In addition, the Commission has outlined support for two flagship initiatives that will receive direct awards:

- [Eurodrone](#) - €100 million to support the development of the MALE RPAS programme.
- [ESSOR](#) - €37 million to support the development of interoperable and secure defence communications systems for operations.

Both of these are PESCO projects that are managed through OCCAR. The Commission has justified the direct award of funding in both cases because:

There is no other European project known of this type and magnitude within the timeframe... and that has achieved that level of maturity in the Union. Therefore this is a monopoly situation.⁸⁵

The financial toolbox

The toolbox will consist of standardised financial tools to be utilised by Member States in collaborative defence procurement projects. The Commission has set up an internal Task Force (The Expert Group on the Financial Toolbox)⁸⁶ to act as a “one stop shop” providing support to Member States on collaborative projects.

Beyond 2020

On the basis of the ‘pilot’ programmes, in June 2018 the Commission [presented legislative proposals](#) to launch a fully-fledged European Defence Fund (EDF) in 2021.

The proposals aim to streamline and simplify the current structure by integrating the Preparatory Action on Defence Research and the EDIDP into a single fund. The Fund will have a total budget of €13 billion under the next EU multiannual financial framework for 2021-2027, although that money will continue to be divided between research: €4.1 billion, and capability development: €8.9 billion.⁸⁷

Many of the features of the PADR and EDIDP will continue, including the eligibility criteria and levels of financing available. However, by

⁸⁵ European Commission, Annexes to the Commission Implementing Decision, C (2019) 2205 final.

⁸⁶ The EGFT comprises EU country experts from the ministries of finance and defence, the European Defence Agency, OCCAR and the European Investment Bank Group. It is chaired by the Commission Director General for Economic and Financial Affairs and also includes representatives from other EU institutions, notable the European External Action Service.

⁸⁷ When the EDF was first launched the Commission initially proposed a dedicated budget of €500 million per year for research and €1 billion per year for the EDIDP, beyond 2020.

operating as a single fund, the intention is to enable a more integrated planning approach across both strands and allow for harmonised rules on participation.⁸⁸

Under article 5 of the agreement, full third-party involvement in the EDF is only open to non-EU Members of the European Economic Area (EEA).⁸⁹ The EDF agreement allows for participation in cooperative projects by entities in third countries, but they will not receive any funding which, by 2021, will include the UK. The EU Commission has stated that by adopting such an approach:

The EU is therefore not excluding anybody from the European Defence Fund, but setting conditions to receive funding which are similar to the ones that EU companies face on third country markets.⁹⁰

However, as the European Scrutiny Committee has pointed out:

The Commission proposal for the EDF reserves the ability for non-EU countries to be 'associated' with the Fund to the non-EU Member States of the European Economic Area only. As a result, UK entities could only participate in projects financed by the EDF under a very limited set of circumstances, primarily via EU-based subsidiaries and subject to numerous constraints.⁹¹

Such an approach has led to fears of EU protectionism. The Committee has also questioned whether any financial contribution the UK made, were it to achieve some sort of 'associated' status with the fund (which it has estimated at approximately £1.9 billion), "could secure a fair return for UK organisations seeking funding from the Fund to match its contribution, as the remaining Member States would take grant decisions without any direct involvement from the UK Government".⁹²

Box 3: Key elements on the European Defence Fund 2021-2027⁹³

- Projects will be defined in line with defence priorities agreed by Member States within the context of the EU Capability Development Plan.
- The Fund will provide support all along the industrial development lifecycle, from research to prototype development up to certification.
- 100% of funding will be available for research and design, mainly through the provision of grants; while the EU will co-finance up to 20% of costs for prototype development and up to 80% for testing, qualification and certification. Member States will provide the remaining 80% and 20% respectively.
- Projects with cross-border participation among SMEs and mid-capitalised companies will attract higher rates of financing.
- Projects developed through the PESCO framework may receive additional co-financing of 10%, dubbed 'the PESCO bonus', although funding will not be automatic.

⁸⁸ European Parliamentary Research Service, *European Defence Fund: Multiannual Financial Framework 2021-2027*, November 2018

⁸⁹ Norway, Iceland and Lichtenstein

⁹⁰ European Commission Press Release, 20 February 2019

⁹¹ European Scrutiny Committee, Thirty-eighth report of session 2018-19, HC301-xxxvii, p.152

⁹² *ibid*

⁹³ European Commission Press Release, 20 February 2019

- Only collaborative projects involving at least 3 eligible entities from at least 3 EU Member States or associated countries (non-EU members of the EEA) will be eligible.
- In principle, only entities established in the EU or associated countries (non-EU members of the EEA), and not controlled by third countries, will be eligible for funding. EU-based subsidiaries of third country companies can exceptionally be eligible to funding subject to defined conditions related to the retention of intellectual property within the EU, security of supply and access to classified information. Third country entities will not receive any EU funding from the EDF but can participate in cooperative projects.

The proposals also introduce a new element to the fund: the dedication of 5% of funds towards the development of disruptive technology and innovative equipment. The EDF will also work closely with the new €100 billion Horizon Europe civilian research programme, in order to exploit synergies between the two programmes and avoid duplication.

At the end of February 2019, the Council and the European Parliament reached a partial agreement on the EDF, which is now subject to formal approval by both institutions. The [European Parliament](#) adopted the regulation on 18 April 2019. Approval of the Council is still outstanding. The budgetary aspects of the Fund are subject to the overall agreement on the EU's next long-term budget.

4. The Brexit effect

While generally supportive of the EU's Common Security and Defence Policy, successive UK governments have been cautious in their approach to greater European defence integration. They have regarded it as entirely complementary to NATO and essential for strengthening European military capabilities within that alliance, as opposed to the view, traditionally advocated by Germany and France, that the EU should establish an independent military capability outside the NATO framework.

UK involvement in the evolution of CSDP has been significant in that it has allowed the UK to influence and shape its development. This has been particularly evident in efforts to improve EU Member States' military assets and capabilities, including the creation of the EU battlegroups, and the establishment of the European Defence Agency. The UK has, thus far, also been influential in determining the parameters of the EU military decision making and planning structures that have developed, in particular ensuring their complementarity with NATO.

Until the UK leaves the EU it remains a full Member State and as such remains a full participant in the EU's defence-related activities, including CSDP planning structures, the financing of current initiatives and any EU military operations to which the UK has committed forces. It also retains a veto over any proposals to further CSDP.

However, the UK's role with respect to European defence post-Brexit remains uncertain. The Government has stated that UK support for European defence and security is unconditional and as such has expressed the desire to see continued participation as a third country in CSDP operations, and in capabilities development and defence industrial cooperation through PESCO and the EDF. This intention to maintain close defence cooperation with the EU has been welcomed by many observers, although many Brexiteers have expressed concern, suggesting that the Government's approach fails to deliver on the promise of Brexit and that the UK will be permanently tied to EU defence structures and principles, over which it will have no say.

While many of the finer details of cooperation and participation in defence and security matters will only be negotiated once the UK leaves the EU, what is clear is that, as a third-party state outside the EU, the UK will have no decision making rights, and no veto, over how EU defence policy evolves, including in those areas it has historically opposed. Its influence will be restricted to the pressure it can bring to bear through other organisations such as NATO, diplomatic channels and bilateral relationships with other EU Member States.

"Influencing from without is harder than leading from within".

Simon Fraser, *The World Today*, December 2017

4.1 What sort of relationship do both sides want?

The British Government has made it very clear that although the UK is leaving the EU, it is not withdrawing from Europe and that it is fully committed to European security. At the core of the UK's aspiration is the desire to see an unprecedented UK-EU defence and security relationship that goes beyond any existing third country arrangements with the EU.

For its part, the EU has long expressed the hope "for an ambitious partnership in the interests of the Union". Yet, it has also been keen to stress that no third country "may lay claim to a status that is equivalent to or superior to that of a Member of the Union", and that the EU's decision-making autonomy must be respected. Michel Barnier has consistently expressed the view that "any voluntary participation of the United Kingdom in European defence will confer rights and obligations in proportion to the level of this participation".

Political Declaration on the Framework for Future Relations

Concluded in November 2018, along with the Withdrawal Agreement, the Political Declaration reiterates many of the principles of future cooperation in foreign policy and defence (the Future Security Partnership) that have already been discussed and agreed,⁹⁴ such as the need for "close, flexible and scalable cooperation" that respects the autonomy of both Parties, structured consultation between the UK and EU at different levels, the exchange of information, and the need for "close cooperation in Union-led crisis management missions and operations, both civilian and military".

However, the detail on how such principles will be delivered is limited. While the language of the Declaration would suggest a degree of compromise in certain areas such as operational planning and defence industrial cooperation, it remains unclear what either side has ceded, or achieved, in that discussion and what is left to be resolved once formal negotiations on the future security partnership commence.⁹⁵

Coordination of Foreign Policy

Given the shared values and interests of the UK and the EU, the need for close cooperation in external action has long been recognised and reflected in both Parties negotiating positions. The Political Declaration reiterates that need for "ambitious, close and lasting cooperation".

It envisages structured consultation and regular thematic dialogue in areas where close cooperation could contribute to the attainment of

⁹⁴ The negotiating positions of the UK and EU on defence matters is outlined in detail in section 11.2 Library Briefing Paper, CBP8408, [Brexit Unknowns \(update\)](#), September 2018

⁹⁵ The Political Declaration is merely a statement of intent and aspiration regarding the UK's future security relationship with the EU. It is not a concluded treaty, and is, therefore, not legally binding.

common objectives.⁹⁶ Where appropriate, the UK may also be invited to participate in informal EU Ministerial meetings.

Coordination on security, consular provision and development projects in relation to third countries should also form part of the future relationship in order for both Parties “to support each other’s positions, deliver external action and manage global challenges in a coherent manner through agreed statements, demarches and shared positions”. The Declaration also envisages close consultation and cooperation on sanctions.

Military operations and planning

The Political Declaration commits to establishing a “Framework Participation Agreement” that will allow the UK to participate in CSDP missions and operations on a case-by-case basis, where it chooses to do so, and it is in the UK’s national interest. However, it has been acknowledged that once the UK leaves the EU it will no longer be able to command CSDP operations and missions.⁹⁷

The Political Declaration suggests consultation and the exchange of information with the UK early on in the planning process for those CSDP operations “open to third countries”, which would intensify at “relevant planning stages” once the UK had indicated its intention to contribute. That degree of consultation and exchange of information would remain proportionate to the level of participation by the UK, although the Declaration acknowledges that it would also allow the UK “to best tailor its contribution and provide timely expertise”.

While the language is similar to that used by both sides in previous negotiating documents,⁹⁸ the commitment to early consultation and information exchange would indicate a degree of compromise by the EU. However, it remains unclear whether that early exchange of information would also include UK access to operational planning documents. Such a level of access would go far beyond current third-party arrangements and is something that the EU has long resisted.

Should the UK choose to become involved in any CSDP operation it would be entitled to participate in the Force Generation conference and the Committee of Contributors to enable the sharing of information.

The UK currently contributes to 7 out of 16 CSDP missions. (PQ 252467, 14 May 2019)

These involve approximately 200 British personnel and several assets, although it has been noted that the UK’s principal contribution to CSDP operations has been at the strategic command level.

⁹⁶ At Ministerial, senior official and working levels.

⁹⁷ This was reiterated in HM Government, *EU exit: assessment of the security partnership*, CM 9743, November 2018. In March 2019 operational command responsibility for the EU’s anti-piracy mission, Operation Atalanta, was transferred from the UK to Spain, ahead of the UK’s departure from the EU. The OHQ for Atalanta was originally established at PJHQ Northwood in 2008. The UK also currently provides the Operational Commander (as opposed to the Mission Commander) and a reserve battalion for Operation Althea in Bosnia. The UK will still be able to participate in the mission as a NATO member (Operation Althea is conducted as a joint operation under the Berlin-Plus Agreement between the EU and NATO). The Government has stated that DSACEUR’s role as Operational Commander is for the EU and NATO to decide and that it does not regard this as a “Brexit issue” ([Government response to Lords Select Committee report Brexit: CSDP missions and operations](#), July 2018).

⁹⁸ [Proposals presented by the EU](#) in June 2018 and the British Government’s July 2018 [White Paper on the future relationship](#).

The secondment of staff to the designated Operational HQ would also be a possibility.

However, it remains the case that as a third country the UK would not have any decision-making rights with respect to the direction of the EU-led operation, regardless of its contribution, which would remain within the purview of the EU Member States. For many commentators the commitment of UK military capabilities to an operation over which the British Government would have no formal say, is an unacceptable compromise.

Defence capabilities

The need for collaboration in capability development in order to achieve interoperability has already been acknowledged by both sides. The Political Declaration reiterates that with a commitment to participation by the UK in European Defence Fund (EDF) projects, collaboration in Permanent Structured Cooperation (PESCO) projects where invited to do so (see above), and projects under the remit of the European Defence Agency through the establishment of an Administrative Arrangement.⁹⁹

Such collaboration, particularly in EDF and PESCO projects, will however be subject to conditions set down in EU law, and the details of that third-party participation are currently being discussed within the EU's institutions.

Therefore, while any future security partnership may set out the principle of defence industrial collaboration, the terms of that involvement will continue to be determined by, and subject to, the procedures and decision-making autonomy of the EU. If the UK wishes to participate it will have to find those terms acceptable.

Sharing of intelligence

The Political Declaration envisages the sharing of intelligence on a "timely and voluntary basis as appropriate" between the relevant EU bodies and the UK, in particular in the field of counter-terrorism, hybrid and cyber threats and in support of CSDP missions which the UK is contributing to.

4.2 What if the UK leaves with no deal?¹⁰⁰

In a no-deal scenario the UK would lose access to Common Foreign and Security Policy (CFSP) decision-making mechanisms used to co-ordinate joint responses to foreign policy challenges across all EU Member States. There are also questions around intelligence sharing, if there is no legal mechanism in place to share classified information.

But the implications of 'no deal' for UK defence policy and the UK armed forces would be arguably relatively limited, if one looks at this policy area independently of the broader security framework.

⁹⁹ Norway (2006), Switzerland (2012), Serbia (2013) and Ukraine (2015) have all concluded Administrative Arrangements that enable them to participate in EDA projects and programmes.

¹⁰⁰ This question is considered in greater detail in Library Briefing Paper, [CBP8397, what if there's no Brexit deal?](#)

Successive Governments have stated that NATO is the cornerstone of European defence and security, supported by a network of strong multilateral and bilateral alliances and partnerships of which the UK is a participant, including permanent membership of the UN Security Council. From the UK's perspective the EU has instead been a notable 'soft power' actor, focusing on crisis prevention, crisis management and post-conflict stabilisation. In terms of military capability, the UK could also be considered a net contributor to the EU.¹⁰¹

Were the UK to leave with EU with 'no deal', the most immediate implication would be that that UK would no longer be able to participate in CSDP missions, the EU battlegroups or in organisations such as the European Defence Agency (EDA). All military and civilian personnel deployed on EU-led operations, such as Operation Althea in Bosnia, would have to return to the UK, along with all UK military and civilian staff seconded to the EU. Yet, the UK's ability to project military power would arguably remain largely unaffected at this time. 'Hard' power would continue to be the purview of NATO or 'coalitions of the willing'; while any shortfalls in soft power projection could be compensated for through other multilateral or bilateral frameworks.

In terms of capability development, the UK would no longer be able to participate in the European Defence Agency,¹⁰² or any projects currently underway under the remit of the PADR. Even during the proposed transitional period, the UK could already be [excluded](#) from certain EU-funded research & development projects related to defence because of their 'sensitive' nature. However, as the Defence Secretary highlighted on the Floor of the House in January 2019:

90% of our industrial collaboration with other European countries on defence is actually on a bilateral basis, not through the European Union. I imagine that that pattern will go long into the future.¹⁰³

In the longer term, and regardless of a 'no deal' scenario, the UK could seek to re-negotiate its participation in EU military operations via a third party framework agreement, in much the same way that the United States, Canada and Norway have.¹⁰⁴ The same is true of the European

¹⁰¹ The UK is one of the largest and most advanced military powers in the EU in terms of manpower, assets, capabilities and defence spending. It currently provides 20% of the EU's force catalogue, including strategic enablers such as airlift, refuelling and intelligence surveillance and reconnaissance. It is also one of only five EU countries capable of deploying an operational HQ and therefore taking command of a mission.

¹⁰² At several points over the last 10 years the UK has reviewed its membership of the EDA citing concerns over institution building, as opposed to capability development, and argued against any increases in its funding. An independent review of the UK's EDA membership by Cranfield University in 2015 however, concluded that membership enabled the UK to influence coherent capability development across Member States, the majority of which are in NATO, and identified benefits to the UK's defence industry (PQ20110, *European Defence Agency, 18 December 2015*)

¹⁰³ HC Deb 14 January 2019, *Leaving the EU: Defence Co-operation*

¹⁰⁴ As a result, Canada and Norway have both contributed forces to Operation Althea in Bosnia, Canada has provided personnel for EU police Missions in Bosnia and the Democratic Republic of Congo, while Norway has contributed assets to Operation Atalanta (EUNAVFOR) and has provided forces to the EU Nordic Battlegroup.

Defence Agency,¹⁰⁵ and the European Defence Fund, although, as outlined above, third country access to the European Defence Fund will be tightly controlled and access to it by the UK is considered questionable. The impact on the UK will, therefore, be the same whether the UK leaves the EU with an agreement or not.

Indeed, in the event of a 'no deal', and were the UK to pursue third country agreements in the longer term, then the majority of the negotiations and debate would centre around exactly the same discussions which are happening now with respect to Brexit. Yet, the political will of the EU27 to positively engage with the UK in such negotiations following a 'no deal' scenario is debatable. As a result, the process could be lengthy, and the terms of engagement could be less favourable.

There is also a school of thought which would argue that, in defence terms at least, the EU needs the UK. As recently as February 2019 the Chairman of the EU Military Committee suggested that the EU faced "a force generation issue in most of our missions and operations because the member states do not provide sufficient personnel and equipment to match the needs agreed".¹⁰⁶ Given recent shifts in the international security environment, the increasing belligerence of Russia and a US President who appears to have very little time for European security or the US' European allies, engaging the UK as a third country participant in CSDP regardless of a no deal scenario may subsequently not be so unappealing.

But there are also non-EU initiatives afoot, such as French President Macron's European Intervention Initiative, in which the UK is participating and will continue to do so, whether or not there is a Withdrawal Agreement.¹⁰⁷

¹⁰⁵ In 2006 Norway, for example, signed an administrative agreement with the EDA which allows it to participate in the Agency's research and technology projects. Switzerland also has a similar cooperation agreement. Under current Brexit discussions the UK will still have to conclude an Administrative Agreement with the EDA to continue participating in specific EDA capability projects.

¹⁰⁶ "EU member states lack solidarity and commitment for missions, says General", *Jane's Defence Weekly*, 27 February 2019

¹⁰⁷ The EII is examined in greater detail in Library Briefing Paper [CBP8432, The European Intervention Initiative \(EII/EI2\)](#)

5. Towards a common European defence?

Given that the UK has been one of the main driving forces behind the development of CSDP since its early inception, has the largest defence budget among EU Member States, and contributes approximately 20% of the EU's force catalogue, it has been suggested that, without the UK's support, the strategic ambition of a "common European defence" could ultimately falter and the EU's strategic autonomy will remain at the 'soft power' end of the spectrum.

However, as the main source of opposition to integrationist proposals thus far, the absence of the UK from CSDP decision making has equally been regarded as the opportunity that states, such as Germany, have been looking for to further the EU defence project, and potentially realise the Maastricht Treaty's ultimate goal of a "common European defence". Once outside the EU, even if it chooses, and is able, to participate in CSDP operations or capability development projects as a third country, the UK will, for example, have no negotiating, decision-making power and no veto in discussions over the evolution of PESCO, or longstanding proposals to establish a permanent, fully independent EU military planning headquarters.

5.1 Integrationist voices

CSDP has made significant leaps forward in the last few years, influenced by key figures such as EU Commission President, Jean-Claude Juncker, who is a long standing advocate of a Defence Union,¹⁰⁸ but largely as a result of political will and the convergence of national interests among the EU Member States.

What Brexit arguably offers is the opportunity for the EU27 to develop CSDP even further. Indeed, in June 2017 the European Commission commissioned a public debate on the future direction of CSDP, post-Brexit. It published a '[reflection paper](#)' setting out a number of scenarios on how to address the threats facing the EU over the next few years

Top five European defence expenditures in 2018

Ranked on total defence expenditure in current US\$

	Defence expenditure (\$m)	Per capita	Percent GDP
United Kingdom	56,105	\$862	2.00%
France	53,365	\$792	1.91%
Germany	45,686	\$568	1.13%
Italy	24,870	\$400	1.19%
Spain	15,117	\$306	1.05%

Source: IISS, The Military Balance 2019

¹⁰⁸ In July 2014 newly appointed EU Commission President, Jean-Claude Juncker, published the political guidelines for his five-year term in office. Among those priorities was a call for greater effort in defence and security, including the development of "some integrated defence capacities". In March 2015 he suggested that an EU army should be created "to build a common foreign and national security policy, and to collectively take on Europe's responsibilities in the world" ("Create and EU army to keep back the Russians", *The Daily Telegraph*, 8 March 2015)

and how to enhance the EU's defence capabilities by 2025. It presents three levels of ambition:

- **'Security and Defence Cooperation'**, which would largely retain the status quo, although cooperation would be strengthened.
- **'Shared Security and Defence'**, whereby Member States would pool certain financial and operational assets in defence; the EU would become more engaged operationally within and beyond its borders; decision making would be made "fit for a rapidly changing context" and the EU and NATO would increase co-operation and coordinate across a full spectrum of issues.
- **'Common Defence and Security'**, which would see the progressive framing of a common European Defence Union based on Article 42 of the EU treaty. The EU would develop the capacity to run 'high-end' military operations, underpinned by a "greater level of integration of Member States' defence forces". The EU would support joint defence programmes through the European Defence Fund, as well as set up a dedicated European Defence Research Agency.

In line with his Commission's priorities President Juncker would appear to be an advocate of the latter approach. In a speech to the [Defence and Security Conference in Prague](#) in June 2017 and again in his [State of the Union Address](#) in September 2017, President Juncker made the case for a "a fully-fledged European Defence Union" by 2025.

However, he has also acknowledged that EU Commission competence and influence in this area can only achieve so much and that realising the dream of true defence integration will ultimately be at the behest of the EU Member States.

The Franco-German axis has always been the driver behind closer defence union and in the last few years support for that goal has gained traction because of Brexit, an increasingly assertive Russia and the unpredictable attitude of US President Donald Trump to the defence and security of Europe. This combination of events has presented an almost "now or never" opportunity to act. Indeed, the speed at which PESCO was launched, after years of inactivity, is indicative of the changing tide in European defence and what can be achieved when political interests converge. The question is: how far would EU Member States be willing to go?

Only days after the UK referendum on membership of the EU, the French and German Foreign Ministers published a statement which recommitted to "a shared vision of Europe as a security union, based on solidarity and mutual assistance between member states in support of common security and defence policy". Among other things, they specifically called for the establishment of an independent operational planning capability, employable high readiness forces, common

financing for CSDP operations, the utilisation of PESCO and, if necessary, the acquisition of EU-owned capabilities in key areas.¹⁰⁹

Those views were reiterated in the [2016 German Defence White Paper](#) which set out Germany's long term goal of a "common European Security and Defence Union"; while the election of pro-European French President, Emmanuel Macron, in May 2017 reconfirmed European defence and security as a priority for France going forward. More recently, President Macron has called for the creation of a European Army, a call that was later reiterated by German Chancellor Angela Merkel in a speech to the European Parliament in November 2018.¹¹⁰

In January 2019 France and Germany subsequently signed a new treaty intended to strengthen their cooperation, specifically on issues of defence and security. The Aachen Treaty commits the two countries to assist each other in the event of aggression against each countries' territory, to developing their military capabilities, the creation of a joint France-German Defence Council, possible joint military deployments and to seek to enhance the EU's capacity to act autonomously. Many observers have regarded this as another step towards the eventual goal of EU military union.

5.2 Is further evolution of CSDP likely?

Many of these ideas are not new. The creation of an EU intervention force was a central tenet of the Helsinki Headline Goal in 1999, which never materialised, and resurfaced under the French Presidency of the EU in 2008.¹¹¹ The EU battlegroups, which became operational in 2008, have never been utilised in almost a decade. The creation of an independent operational planning capability has also been on the agenda since 2003, as have revisions to the way CSDP operations are financed.

However, as noted above, there is, at present, a political appetite for progress in European defence. If that is to be capitalised on, post-Brexit, the creation of a fully independent, permanent operational planning HQ for all EU military operations seems inevitable, along with the extension of PESCO into full spectrum capabilities, should it prove successful.

The strengthening of the European Commission's role in defence is also considered likely. While defence and security will likely remain an intergovernmental competence in the immediate term, the creation of the European Defence Fund from 2021 and the use of the EU budget for defence-related purposes, for the first time in the organisation's history, provides opportunities to the European Commission. Indeed, in October 2018 it was reported¹¹² that the Commission was looking to

"It will always – always – come down to a question of ambition and political will of the Member States".

EU Commission
President Jean-Claude
Juncker, June 2017

¹⁰⁹ Jean-Marc Ayrault and Frank-Walter Steinmeier, [A strong Europe in a world of uncertainties](#), 27 June 2016

¹¹⁰ ["Merkel joins Macron in calling for a real 'true' European Army"](#), The Guardian, 13 November 2018

¹¹¹ Commons Library Briefing, [Priorities for ESDP during the French Presidency of the EU](#), July 2008

¹¹² "European Commission preparing to create new DG Defence Policy department", *Jane's Defence Weekly*, 2 October 2018

create a new Directorate General (DG) for defence industrial policy, from 2020, in order to oversee the EDF.¹¹³

However, as many commentators have noted, European projects such as PESCO, like many defence projects before it, could fragment if the involvement of 25 nations leads to stagnation or arguments over industrial workshare, which has blighted pan-European defence procurement projects in the past.¹¹⁴ Indeed, many commentators have asserted that several countries who are sceptical of closer integration, notably Poland, are only involved in PESCO in order to curtail its ambitions.

The creation of a fully-fledged 'European Army' under the direct control of Brussels is also something that many observers remain sceptical about. Many EU Member States, including France and Germany, may wish to see the EU's capacity to act enhanced, and may even support changes to the decision-making processes surrounding CSDP.¹¹⁵ However, sovereignty and control over their respective armed forces is unlikely to be something that any EU Member State will cede.

And above all, windows of opportunity such as this often prove to be short-lived. National interests must remain in sync amid broader global challenges, and the EU at 27 must have a unified view on what it wants CSDP to be, and to achieve. Without the UK Brexit undoubtedly offers opportunities, but equally national interests will dictate progress and further integration in EU defence matters is not without its sceptics among the remaining EU Member States. It has taken decades of negotiation to get CSDP this far. Achieving a common European Defence Union is, arguably, likely to take years more with or without the involvement of the UK.

Indeed, many observers have argued that the EU's current focus on developing its military capabilities in a post-Brexit world is the wrong debate to be having and that creating a mutually beneficial relationship between the UK and the EU, in order to ensure lasting security and peace in Europe, is far more important.

¹¹³ At present defence industrial policy has been handled by the European Commission's [DG for the Internal Market, Industry, Entrepreneurship and SMEs](#). In November 2017 the European Parliament's Foreign Affairs Committee had already proposed the creation of a DG Defence in its [annual report on the implementation of CSDP](#) (para 37-39)

¹¹⁴ Sophia Besch of the Centre for European Reform, for example, argues that "PESCO will become another European defence paper tiger if governments fail to make use of it to boost investment in much needed capabilities" ([PESCO: paper tiger, paper tanks?](#), CER, November 2017)

¹¹⁵ It has been suggested that for CSDP to succeed decision making must move away from the basis of unanimity towards qualified majority voting. However, such a move could necessitate a treaty change. See for example: Fabrice Pothier, "[A European army: can the dream become a reality?](#)", *IISS Blog*, January 2019

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