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## Jean Monnet Network VISTA Teaching Case Study

### **Explaining Integration in European Defence: The Case of Permanent Structured Cooperation and the European Defence Fund**

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**Summary:** This teaching case, which has been developed in the framework of the VISTA Jean Monnet network on the EU Single Market (see: <https://fasos-research.nl/vista-jmn/>) focuses on the the creation of a **single EU defence market**. It examines the establishment of the **European Defence Fund (EDF)** and **Permanent Structured Cooperation (PESCO)**, two key initiatives that have been launched to support joint capability development projects among groups of EU member states. The assignment deals with both the empirical and theoretical puzzles raised by these recent developments in the field of European defence.

**Student level:** advanced undergraduate and postgraduate students

**Implementing the case study:** The case study consists of four sessions of two hours each, dealing respectively with (1) context and key concepts; (2) the driving forces that have triggered the EDF and PESCO; (3) the power of integration theories to explain these new developments; (4) a final session where students present their findings. In case of limited time, it is possible to only opt for one of the two key tasks.

**Keywords:** defence single market, European Union, defence capability development, intergovernmentalism, strategic autonomy, supranationalism

## 1. Introduction

Integration in the area of security and defence, including the creation of a single defence market, has always been a controversial and sensitive topic at the European level.

Because security and defence are deemed to be the ‘last bastions’ of sovereignty, member states have been reluctant to transfer authority beyond the nation state to the EU level. The Common Security and Defence Policy (CSDP), the EU’s policy covering issues relating to the deployment of military and civilian operations and the development on defence capabilities, has thus remained largely intergovernmental according to the Treaties. This means that the member states have retained their veto power in the decision-making process and unanimity continues to be the main procedural rule within this policy domain. However, recent developments, including the proposal to establish a **European Defence Fund (EDF) and Permanent Structured Cooperation (PESCO)** to support and fund joint capability development projects among groups of Member States challenges more intergovernmental accounts. Both these initiatives displayed an activist role by the European Commission in an area where traditionally Member States had been very reluctant to allow any supranational intervention. This raises very interesting questions: Which factors explain the launch of these two initiatives? How was the European Commission able to exercise agency in this area? Do these developments challenge the intergovernmental nature of CSDP? What does this tell us about traditional theories of European integration?

The **aims** of this case study are twofold:

- Firstly, it wants to increase your empirical understanding of these recent EU defence initiatives and the factors that have led to their adoption;
- Secondly, it aims to provide you with analytical lenses that can help you to make sense of these recent developments in the field of European defence.

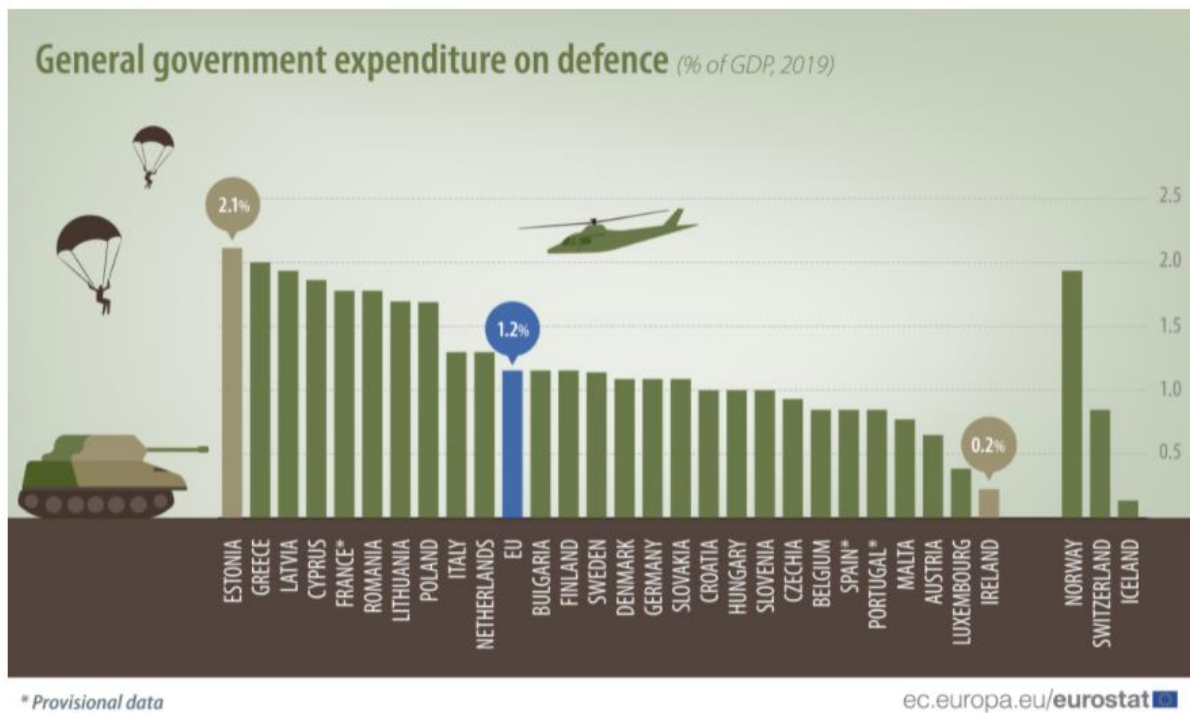
## 2. Context

Although discussions aiming at fostering integration in the defence domain go back to the end of the Second World War, the first steps in this direction were only taken at the end of the Cold War and after the dissolution of the Soviet Union in 1991. Faced with conflict in the Balkans in the early 1990s, European states sought to foster closer cooperation in foreign and security matters with the establishment of the Common Foreign and Security Policy (CFSP) in the

Maastricht Treaty (1993). Although the Treaty did not create a common defence policy, it stated that one of the EU's objectives was 'the progressive framing of a common defence policy, which might in time lead to a common defence' (Treaty on European Union, 1992, article J.4.1). The Kosovo war (1998-1999) would provide new impetus for cooperation as EU member states were once again unable to deal with the consequences of conflict in their neighbourhood. The Franco-British summit at St Malo (1998) kicked off the process of building an autonomous defence capacity with the establishment of the Common Security and Defence Policy in 1999. Over the next two decades, the EU would develop its role as a security actor with the deployment of more than 30 civilian missions (police, monitoring, rule of law) and military operations in Europe, Africa and Asia.

Yet, the 'problem' of capabilities has been a constant one affecting the implementation of those missions and operations and the consolidation of the EU's status as a credible and effective security actor. EU military capabilities, in particular, are still weak despite the fact that European states are some of the most technologically developed and capable actors at the international level. The financial crisis of 2008 and the austerity policies that followed reduced what were already small defence budgets. For instance, in 2016 only two EU member states, Estonia and Greece, met the NATO target of 2 per cent of defence expenditure as a percentage of GDP.

**Figure 1. General government expenditure on defence**



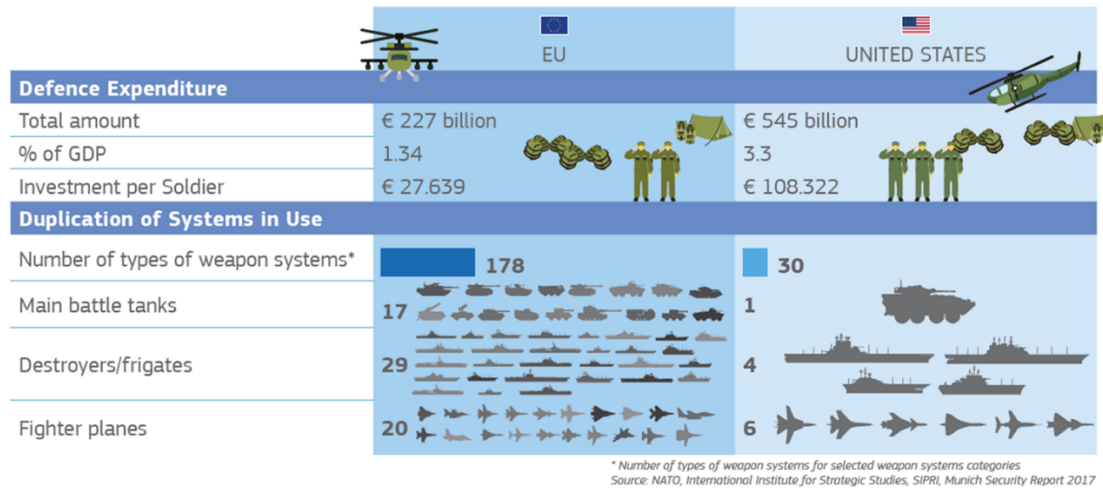
Source: Eurostat (2021)

Not only is the level of spending on defence problematic, but also the quality of European armed forces. Of a total of around 1.5 million troops, fewer than 20 per cent are deployable abroad. Other capability shortfalls relate to intelligence, surveillance, and reconnaissance (ISR) systems, strategic air-lift and air-refuelling capabilities, and remotely piloted aircraft systems. Even if the war in Ukraine has been an important wake-up call putting the capability question high on the European agenda, it will take time to address the EU’s underperformance in the area of capability development.

The capability shortfalls are particularly evident when comparing EU defence spending with that of the US (see Figure 2). The problem of capabilities has resulted not only in low levels of defence spending as a percentage of GDP but also in problems of duplication and lack of interoperability between the armed forces of the EU member states due to different equipment systems in use. The issue of duplication is a major obstacle to the optimisation of development, acquisition and maintenance costs, with EU countries operating more than 170 weapon systems compared to the US’ 30 in 2017 (see Figure 2). In addition, low levels of spending in R&D are problematic when it comes to sustaining the modernization of European armed forces. The UK decision to exit (with one of the biggest defence budgets) from the EU in 2016 has only

exacerbated some of these problems. As the “Strategic Compass for Security and Defence” put it succinctly: ‘it becomes urgent to spend more and better’ (EEAS, 2022, p. 43).

**Figure 2. European and US defence capabilities compared**



Source: European Commission (2017)

In recent years we have seen new impetus to the debate on the development of so-called ‘European strategic autonomy’, broadly understood as the ‘capacity to act autonomously when and where necessary and with partners wherever possible’ (Borrell, 2020). In the area of defence, strategic autonomy has been associated with the need to plug those ‘capability gaps’ and even the creation of a European Defence Union (Juncker, 2017). In that light, we have seen a range of new initiatives aimed at giving a new boost to the EU’s operational capability and the development of a so-called European Defense Technological and Industrial Base (EDTIB). Key initiatives include the development of a European Defence Fund (EDF), the start of permanent structured cooperation (PESCO) and Coordinated Annual Reviews of Defence (CARD). The main focus of this case study will be on the closely interlinked initiatives of PESCO and the EDF.

In December 2017, the Council finally activated the Lisbon Treaty’s provision permitting ‘willing and able’ member states to realise permanent structured cooperation (**PESCO**) in defence (Treaty on European Union, 1992, art. 42(6)). The aim of this initiative to foster the joint development of defence capabilities through increased investments, as well as increased interoperability and operational readiness through joint projects (Council of the European

Union, 2017). With the exception of Malta and Denmark, all EU member states have agreed to participate in PESCO. Following a first pilot period (2017-20), the dedicated budget for the period 2021-27 is €7,01 billion. Individual PESCO projects are adopted by the Council and are always led by 1 or more member states who serve as project coordinators. By November 2021, the Council had approved 60 projects covering the military domains of air, land, maritime, cyber and space as well as training facilities (see Box 1).

### **BOX 1 – PESCO examples: Military Mobility and Eurodrone projects**

The **Military Mobility** project seeks to enable cross-border military movement across the participating countries and is led by The Netherlands. The aim is to simplify and standardise cross-border military transport in Europe in order to enable the rapid deployment of military materiel and personnel. All PESCO members participate in this project, except for Ireland. The European Commission, responsible for the Trans-European Transport Network (TEN-T) of railway lines, roads, airports, and inland waterways also plays an important role; it not only contributes to the financing of the required infrastructure but monitors that the infrastructure is apt for both civilian and military use. An important asset of the project is that it is developed in close cooperation with NATO. In December 2021, NATO members Canada, the US and Norway were welcomed as members of the project (see Drent et al. (2019) and <https://www.eeas.europa.eu/eeas/military-mobility>).

A second PESCO example is the **Eurodrone project**, a government-industry project led by Germany and supported by Airbus, the Organisation of Joint Armament Cooperation (OCCAR), France, Spain, and Italy. The aim of this project is to develop an unmanned aircraft which is controlled from a remote pilot station. The first flight tests are scheduled for 2025 and it is hoped that the 60 drones that have been ordered will be on the market by 2028. The Eurodrone projects is co-financed by the European Defence Fund.

For more information and examples see: <https://pesco.europa.eu>

In parallel with PESCO, the EU member states also agreed to establish the **European Defence Fund (EDF)** initially proposed by the European Commission in 2016 to multinational projects addressing common shortfalls. Although the original proposal of €15 billion was reduced to €8 billion due to the need to accommodate the economic impacts of the Covid-19 pandemic, the EDF still constitutes the most ambitious effort to sustain defence cooperation at the EU level. The Fund has both a research window and a capability window. The former and smaller window supports collaborative research in innovative defence products and technologies; the other window (approximately €5,3 billion for the period 2021-27) is reserved for joint

development of defence equipment and technologies. Companies only receive funding if they work together with companies from other EU member states: there needs to be at least three different entities in three different member states. There is an extra bonus of 10% if the project also falls under PESCO, which is for instance the case with the Eurodrone project (see Box 1).

Interestingly, the oversight and the implementation of the EDF is not in the hands of the member states but by a newly created new **DG for Defence Industry and Space (DEFIS)**, which falls under the Commissioner responsible for the Internal market (IM), currently Thierry Breton. The shift from a merely intergovernmental mode of governance to one whereby also supranational players fulfil a formal role has by some observers been seen as a real game changer (Sabatino, 2022).

### **3. Explaining security and defence cooperation at the EU level: an empirical and theoretical puzzle**

#### **3.1. *An empirical puzzle:***

For many years, European states failed to make progress in the area of defence capabilities and problems remained unaddressed for various reasons including different national strategic cultures. For instance, member states disagree on the virtues of militarizing the EU (something that neutral and non-allied countries have traditionally opposed) or the implications of joint defence procurement on the transatlantic relation (given that the US is one of the biggest exporters of arms to EU member states). On the one hand, Atlanticist countries such as the UK or the Central and Eastern European states have long argued that intra-European cooperation risks undermining and duplicating similar initiatives under NATO. Furthermore, some are concerned that EU defence integration could favour larger defence markets such as France and Germany at the expense of the defence industries of the smaller ones. On the other hand, Europeanist countries, such as France, have argued that we need to reduce the EU's dependence on the US, including in the area of defence procurement, for the sake of increased strategic autonomy. These debates have also been complicated by the fact that the defence industry is generally considered a key strategic sector and that states often fear that multinational cooperation could negatively affect national defence companies, both in economic and R&D terms, resulting in a loss of capability and know-how, especially in the smaller countries.

However, as illustrated in the previous sections, and summarized by former High Representative Federica Mogherini (2014-19), more progress has taken place in the last few

years than in the previous two decades. Initiatives such as PESCO or the EDF represent “a step-change in the history of the European project” (EEAS, 2019, p. 12).

**Task 1:** Your first task as part of this case study is to explain why did EU member states agree to these initiatives (PESCO and EDF) in the area of defence capability development. Answer the following question:  
 What factors explain the adoption of these two initiatives? Please identify both intra-European and international factors.

The table below may help you to summarize systematically the different explanatory factors.

Intra-European factors (internal factors)	International factors (external factors)

In preparation for this meeting, you have to read the following texts:

Fiott, D. (2018). Strategic autonomy: towards ‘European sovereignty’ in defence. *European Union Institute for Security Studies (EUISS)*.

<https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%20Strategic%20Autonomy.pdf>

Tocci, N. (2018). Towards a European Security and Defence Union: Was 2017 a Watershed?. *Journal of Common Market Studies*, 56, 131-41.

### 3.2. A theoretical puzzle:

The second puzzle is of a theoretical nature. For a long time, the central question with regard to European defence integration was how to explain its absence, compared to the much more



successful economic integration. Especially realist and intergovernmentalist theories emphasising the particularly sensitive nature of security going to the core of state sovereignty have been often invoked to explain the slow progress in this area. They also make clear why supranational institutions such as the European Commission have been kept ‘at arms length’ from exercising any competences in this field. According to intergovernmentalism, decisions are taken by sovereign states, driven by material self-interest, in an international context characterized by anarchy. States enter cooperation because of egoistic interests – to deal more efficiently with problems at the international level – and they are keen to maintain a narrow control of the integration process, in particular, when vital interests are at stake.

The proposal and establishment of a European Defence Fund, however, challenges some of these explanations. As mentioned earlier, the newly established Commission DG DEFIS, will play a key role in managing this initiative. Other EU agencies and institutions, such as the European Defence Agency and the EEAS, also play a key role in the development of PESCO projects. Studies drawing on neofunctionalism have as well shown that supranational institutions have been able shape decisions, including in the CSDP (Bergmann, 2018; Rosén and Raube, 2018). For instance, Haroche (2019) has argued that the launching of the new European Defence Fund by the European Commission in 2016 demonstrates the increasingly political nature of the Commission and different forms of (cultivated, functional and bureaucratic) spillover at work.

**Task 2:** Drawing on the literature and different accounts of European integration (intergovernmentalism vs neofunctionalism), this second task in this case study requires you to answer the following question:

To what extent and how have EU institutions (e.g. European Commission, High Representative) managed to increase their role in the area of defence capability development?

In preparation for the meeting, you have to read the following texts:

Haroche, P. (2020). Supranationalism strikes back: a neofunctionalist account of the European Defence Fund. *Journal of European Public Policy*, 27(6), 853-872.

Chappell, L., Exadaktylos, T., and Petrov, P. (2020). A more capable EU? Assessing the role of the EU's institutions in defence capability development. *Journal of European integration*, 42(4), 583-600.

Calcara, A. (2020). The hybrid role of the High Representative in the security and defence field: more in 10 months than in the 10 years?. *European Security*, 29(3), 376-95.

## Implementing the teaching case study

The case 'Explaining Integration in European Defence: The Case of Permanent Structured Cooperation and the European Defence Fund' is organised in four sessions. Below you find an overview of what is expected in preparation of each of the sessions. In between the group meetings, it is possible to ask for written or oral feedback by the academic instructor guiding your group.

### Session 1

During the first session, key concepts and initiatives, such as European strategic autonomy, the defence single market, PESCO and the EDF will be discussed and further clarified.

In preparation of this meeting you have to read the following texts:

Tardy, T. (2018). Does European defence really matter? Fortunes and misfortunes of the Common Security and Defence Policy. *European Security*, 27(2), 119-137.

Keukeleire, S. & Delreux, T. (2022). *The Foreign Policy of the European Union*. Palgrave Macmillan, 185-213.

In addition, we ask you to watch the three introductory videos that have been prepared as general background material. Please see below for the two relevant links:

Video 1: <https://youtu.be/AcWKJlmIyag>

Video 2: <https://youtu.be/VMOckZWb-hI>

### Session 2

Please read and prepare Task 1 of the case study (see p.6). The key findings can be used as input for the first part of the ppt presentation that you will be presenting in the final session.

### Session 3

Please read and prepare Task 2 of the case study (see p.7). The key findings can be used as input for the second part of the presentation that you will deliver in the final session.

### Session 4

During the final session, your group will present the findings of the two tasks to the entire group. The presentation should be no longer than 20 minutes and it will be followed by a Q&A session.

## Further sources and recommended readings

- Bergmann, J. (2019). Neofunctionalism and EU external policy integration: the case of capacity building in support of security and development (CBSD). *Journal of European Public Policy*, 26(9), 1253-1272.
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- Riddervold, M. (2016). (Not) in the hands of the member states: How the European Commission influences EU security and defence policies. *Journal of Common Market Studies*, 54(2), 353-69.
- Rosén, G. and Raube, K. (2018). Influence beyond formal powers: The parliamentarisation of European Union security policy. *The British Journal of Politics and International Relations*, 20(1), 69-83.
- Strikwerda, J. (2019). *Integration in the European Union's field of defence and security*. Arena.
- Treaty on European Union. (July 27, 1992). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A11992M%2FTXT>
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