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Introduction

The 2023 'Future Shocks' report of the European Parliamentary Research Service points out the drastic changes to the European security landscape following the Russian invasion of Ukraine and the return of war on European soil (EPRS, 2023). Europe faces a multi-faceted conventional and non-conventional threat that requires short-, medium-, and long-term action from European policymakers (Anghel, 2023). The European defence architecture ought to be transformed deeply to face the new geostrategic urgency (Anghel, 2023). The key lies in greater and more collaborative investments. It is both economically and strategically untenable to operate in silos when it comes to defence. Billions are lost every year and defence capabilities remain insufficient, outdated, and lack interoperability. Should Europeans have any hope of holding a leading role in the geopolitical environment of today, it is imperative to increase collaborative efforts across the EU.

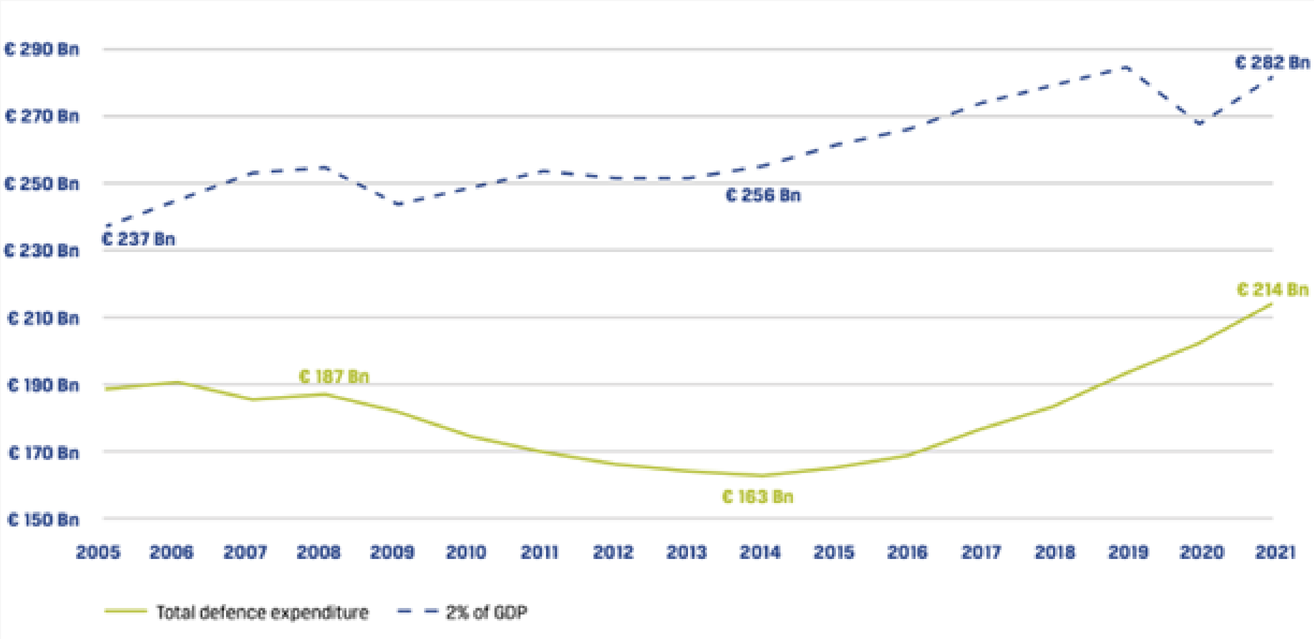
State of Affairs: Underinvestment and Lack of Collaboration

European states have historically operated in silos and under-invested in defence which has led to critical shortfalls of defence capabilities in Europe (European Commission [EC] & High Representative of the Union for Foreign Affairs and Security Policy [HR/VP], 2022). Lack of collaboration and perpetual under-spending has resulted in inefficiencies and duplication of systems, fragmenting our defence industry (EC & HR/VP, 2022). This has in turn increased dependencies on foreign systems and actors to subvene for our insufficiencies, rendering the EU heavily reliant on others for its security (EC & HR/VP 2022). Considering the recent geostrategic shift and urgency, it is imperative to address the issues of our defence industry and begin filling the gaps.

Underinvestment

The first bottleneck is underinvestment. While the new security threats resulting from the Russian invasion of Ukraine have surged Member States' investments since 2022, this marks a welcome shift from the prolonged period of cuts in defence spending starting from the financial crisis of 2007-2008 (EC & HR/VP, 2022). From 2008 to 2014, defence expenditures gradually fell to €159 billion (EDA, 2021). Since then, defence spending started picking up again, reaching pre-crisis levels in 2018-2019 (EDA, 2021). A positive token is the resilience of defence spending in 2020 which resisted the economic pressure from the Covid-19 pandemic (EDA, 2021). But despite this surge, defence spending remained insufficient with the aggregate of Member States' investment as a percentage of GDP stagnating around 1.5% in 2020, well below the 2% NATO standard (EDA, 2022).

Figure 1: Total European defence expenditure and 2% of GDP guideline (constant 2021 prices)



Source: European Defence Agency, 2022

This perpetual underinvestment has resulted in significant shortfalls in defence capabilities and their development (EC & HR/VP, 2022). Under-spending contrasted with the structural cost increase of defence systems across the board has led to critical insufficiencies in national equipment quantities and force volumes. Stockpiles are now depleted to an even greater level following the support given to Ukraine (EC & HR/VP, 2022). This has increased our dependency on others, notably the US, to cover for our shortfalls and missing capabilities (EC & HR/VP, 2022).

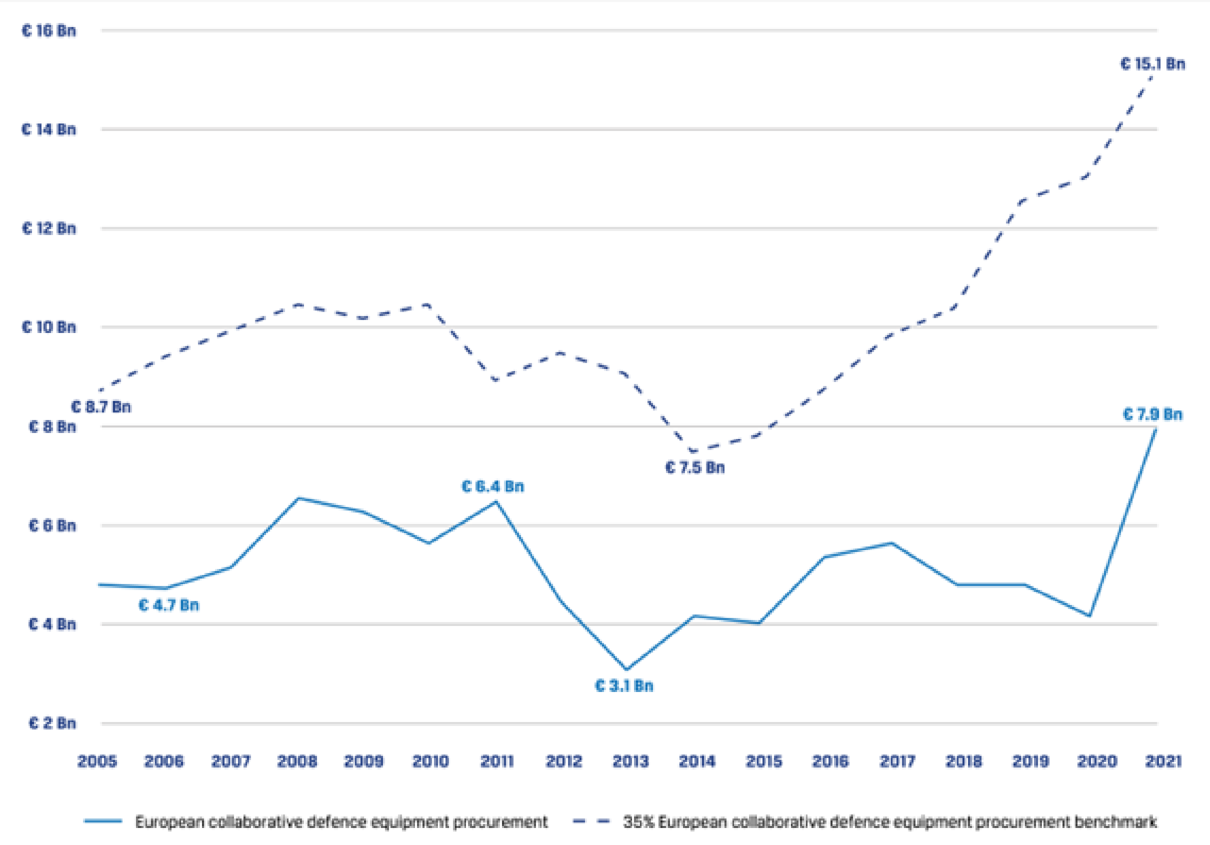
What is even more striking, Europe is dramatically underspending in comparison to other actors in the global defence landscape. From 1999 to 2021, the US increased its defence budget by 65.7%, Russia by 292% and China by 592% (SIPRI, 2023). In comparison, the combined defence spending of the EU has only increased by 19.7% over the same period (SIPRI, 2023).

Lack of Collaboration

The second bottleneck is the lack of collaboration. Defence expenditures have historically yielded lower output and efficiency in Europe due to the lack of collaboration (EC & HR/VP, 2022). Experts estimate the lack of collaborative investments to cost Member States between €25 billion and €100 billion every year (EC, 2021).

While defence spending has increased in 2020 and even more so following the Russian invasion of Ukraine, these investments are decreasingly made collaboratively (EDA, 2021). In 2020, only 11% of investments were collaborative, reaching one of the lowest points ever far below the 35% benchmark agreed upon by Member States in the Permanent Structured Cooperation (PESCO) (EC & HR/VP, 2022). In fact, joint procurement has continuously decreased since 2016 (EDA, 2021). By 2020, collaboration in equipment procurement decreased by 13% compared to 2019 and constitutes the third lowest point since 2005 (EDA, 2021).

Figure 2: European collaborative defence equipment procurement expenditure and 35% European collaborative defence equipment procurement benchmark (constant 2021 prices)



Souce: European Defence Agency, 2022.

This failure to collaborate has led to the fragmented defence industry of today where duplications and redundancies of defence systems are the norm rather than the exception (EC & HR/VP, 2022). This continues to hamper Member States economically as they operate in relatively small markets and cannot take full advantage of economies of scale. It also hinders them strategically, impeding the interoperability of European armed forces and thereby compromising tactical and operational collaboration. While defence expenditures have to continue to grow, this has to occur in parallel with an increase in collaboration (EDA, 2021). Member States should spend more but avoid at all costs doing so in silos. The defragmentation of the European defence industry and the subsequent strengthening of European defence capabilities can only be achieved through collaborative investments (EDA, 2021).

European Measures: Towards a Framework for Joint Procurement

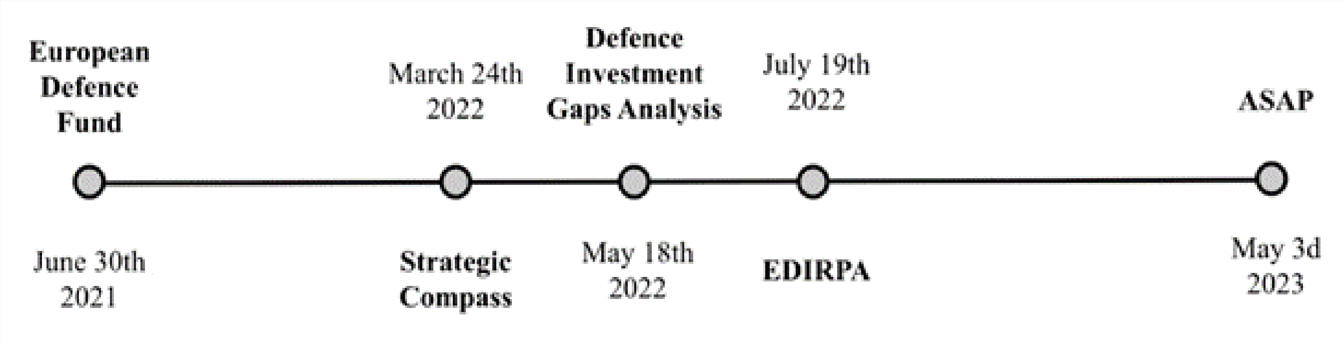
On 30 June 2021, the European Commission launched the European Defence Fund (EDF). This tool was the first step towards addressing the bottlenecks of the European defence industry, namely investment and collaboration. The EDF provides financial support to incentivise cross-border collaboration in defence, requiring at least 3 Member States to work jointly on collaborative projects (EC, 2021). It aims to be a key enabler for the development of European defence, supporting joint projects to gradually defragment the industry and increase our competitiveness and efficiency (EC, 2021). The fund has a budget of €8 billion for the period 2021-2027, of which €5.3 billion is dedicated to collaborative capability development projects and €2.7 billion to collaborative defence research (EC, 2021).

On 24 March 2022, the publication of the Strategic Compass propelled this momentum further by presenting an updated strategy for a European security and defence that addresses the geostrategic urgency of today. Among the four pillars of the strategy, the third one 'invest' emphasises the need for greater and better investments to increase European defence capabilities and readiness (EEAS, 2022). It stresses the urgent need to fill critical capability gaps, overcome the issue of fragmentation, and reach full interoperability of European forces to ensure a more competitive, innovative, and resilient European defence (EEAS, 2022). In line with the EDF and PESCO standards, the Compass, agreed upon by all Member States, pledges to ensure a coordinated and collaborative approach to defence expenditures, further cementing a culture of collaboration in Europe as a strategic imperative (EEAS, 2022).

On 18 May 2022, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy presented an analysis of the defence investment gaps and ways forward (EC, HR/VP, 2022). They presented an enhanced collaborative framework to support defence cooperation, proposing measures such as creating a task force for coordination or setting a short-term instrument to reinforce European defence industrial capabilities through joint procurement (EC, HR/VP, 2022). Building on a comprehensive analysis of the state of the European defence industry, the report committed to the establishment of an EU framework for joint procurement. (EC, HR/VP, 2022).

On 19 July 2022, the Commission delivered on its pledges set in the defence investment gaps analysis with a ground-breaking proposal for a regulation establishing the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA). This proposal aims to set up a short-term instrument of €500 million to reinforce Europe's defence industrial capacities through joint procurement for the period 2022-2024 (EC, 2022). The instrument aims to facilitate and incentivise Member States to commonly procure defence products, addressing the urgent need to replenish defence stockpiles depleted by the support to counter Russia's aggression against Ukraine (EC, 2022).

On 3 May 2023, the Commission delivered another regulation following the Council's call to urgently deliver ammunition to Ukraine and help Member States replenish their stockpiles by presenting the Act in Support of Ammunition Production (ASAP). The Act aims to ramp up production capacity across the EU to strengthen the responsiveness of the defence industry (EC, 2023). The ASAP framework includes mechanisms to monitor bottlenecks in supply chains, instruments to reinforce industrial production capacities, and a temporary regulatory framework to tackle the ammunition supply crisis (EC, 2023).



Challenges to Joint Procurement

An important challenge to the future of collaborative defence acquisitions is political will to invest. While there has been a stark increase in defence spending following the Russian invasion of Ukraine, it is crucial for investments to continue to grow and last in the long term (Zandee, 2022). Member States' investments remain well below the 2% NATO standards and the 35% PESCO benchmark (EDA, 2022). In the coming years, this gap will have to be filled should the Commission's initiatives for joint procurement have any chance of success (Zandee, 2022).

Defence planning also tends to follow longstanding national priorities and only consider cooperation when it benefits national defence industries or strategic partnerships (EDA, 2022). The tools developed by the EDA to bolster collaborative efforts (like CDP, OSRA, KSA) are in fact rarely integrated into the national defence planning of Member States (EDA, 2022). Synchronised defence planning processes that set a common long-term strategy for European Member States will be key to successful joint procurement efforts (Giegerich & Sabatino, 2022).

Other important challenges include differing strategic cultures among Member States and desire to prioritise and protect their own industries and defence companies (Giegerich & Sabatino, 2022). Off-the-shelf products also remain a temptation for many, especially when purchasing accordingly can help bolster existing strategic partnerships beyond EU Member States (Giegerich & Sabatino, 2022). Defence and collaboration are two notions that are not so accustomed to being put next to each other. The main challenge is to break this old-fashioned idea and create a new culture in European defence, one of collaboration for the benefit of all.

Way Forward and Recommendations

Which capabilities to focus on?

While joint procurement is key for efficient spending, it is essential to know what to spend this money on. Experts suggest that the top priority should be first set on making existing capabilities fit for purpose (Gressel & Witney, 2022). That is, we should focus on enhancing the deployability, readiness, and sustainability of our current land and air forces (Gressel & Witney, 2022). This is crucial to ensure that European and NATO forces are ready to keep on supporting Ukraine but also to be ready for an eventual expansion of the Russian threat.

The second priority should be to fill the capability gaps (Gressel & Witney, 2022). Joint procurement can be instrumental in the purchase of strategic enablers and higher-end technologies that are depleted today such as drones and space-based intelligence systems, airlifts, surveillance and reconnaissance systems, and air-to-air refuelling tankers (Taylor, 2023). Experts also suggest focusing on digitalised command and control equipment, essential to ensure effective coordination on the ground (Gressel & Witney, 2022). Electronic surveillance capabilities on the strategic, operational, and tactical levels should be improved to ensure adequate support to forces in the field with situational awareness (Gressel & Witney, 2022). Intelligence analysis should also be prioritised, enhanced by the use of artificial intelligence to support more accurate and rapid identification of signals, which would help greatly improve the speed of establishing situational awareness (Gressel & Witney, 2022). Investing in uninhabited systems is also key (Gressel & Witney, 2022). Such systems are important for reconnaissance but also striking, and are crucial to allow rapid firepower projection (Gressel & Witney, 2022). Experts suggest investing in rocket artillery with smart munitions that can engage armoured vehicles automatically (Gressel & Witney, 2022).

The third area to prioritise, experts suggest, is to take the nuclear escalation threat of Russia seriously and start resurrecting common air defence structures for deterrence (Gressel & Witney, 2022). Nuclear sharing should be modernised with the help of dual-capable stand-off munitions (Gressel & Witney, 2022). Deep strike capabilities and missile defence should also be improved to make retaliation threats more credible (Gressel & Witney, 2022).

Exploring new governing structures

Beyond efficient investments, joint procurement efforts will require more money to be successful in the long run (Stoetman, 2023). EDIRPA and ASAP are short-term instruments, but their success or lack thereof will be decisive for the future of collective procurement in Europe. Experts suggest that European officials and Member States should capitalise on these initiatives and expand their span (Taylor, 2023).

To finance these initiatives, the EU should consider issuing common debt, similar to what was done for NextGenerationEU (Taylor, 2023). Solely repurposing leftover money from other budgets will not be enough (Taylor, 2023). The EU should finance a European defence investment programme with a new budget, which could be done by expanding existing funds like the European Peace Facility, for instance (Taylor, 2023).

For Member States, spending at least 2% of GDP on defence should become the norm (Stoetman, 2023). Defence investments, beyond collaboration, should also follow the logic of specialisation, with countries or groups thereof investing in the areas in which they excel or strive to excel (Stoetman, 2023). This is crucial to make the EU a reliable and credible security actor.

In the long term, exploring new governing structures will be necessary to ensure more continuity and synchronisation in planning and allow for a real long-term vision (Antinozzi, 2023). Member States need to commit to following the guidance of shared considerations instead of prioritising short-term national interests (Giegerich & Sabatino, 2022). The savings and stark increase in capabilities that this would produce is unprecedented and would greatly advance the strategic autonomy of the European Union.

While defence decisions remain national decisions, it is important to start thinking about complementary structures that can help the coordination of defence spending to ensure that each country gets the most out of its investments while reducing and preventing duplications and fostering interoperability.

First, the European security architecture could be improved by making the most out of existing instruments like the European Peace Facility, PESCO, the European Defence Fund, or the Strategic Compass (Anghel, 2023). These initiatives offer great bases upon which to build cooperative efforts further and strengthen European defence capabilities in the short to medium term.

Second, tools like EDIRPA and ASAP should be expanded in scope and scale (Anghel, 2023). These initiatives are ground-breaking and should be given increasing funding to reach their full potential.

Third, new instruments should be created to reinforce the European defence industry in the long run (Anghel, 2023). In terms of primary action by Member States, doctrine rapprochement and interoperability with NATO allies need to become a priority (Anghel, 2023). In terms of primary action by the EU, setting up a European defence investment programme will be essential to support the defence industry with a substantial fund that would be part of the EU budget (Anghel, 2023). Lastly, as a complementary executive capacity to national ministries of defence, a European Defence Union should be created in the long term to cement a strong European defence industry and allow the EU and its Member States to become credible and reliable security actors (Anghel, 2023).

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Conclusion

Joint procurement has the potential to be a pivotal moment for the European defence industry. It can help overcome bottlenecks of underinvestment and inefficient spending, reduce duplications, defragment the European defence sector, and increase the interoperability of armed forces. However, collaborative efforts have historically been difficult when it comes to defence in Europe. Differing strategic cultures, synchronised defence planning, and committed political will to increased investments are important hurdles to be overcome. Following initiatives like EDIRPA and ASAP, now is the time to capitalise on the geostrategic urgency and ensure that the EU and its Member States take security seriously. Investing in the right capabilities, establishing a European defence investment programme, and exploring new governing structures are key factors to ensure that joint procurement becomes the norm in the long term, strengthening European defence capabilities once and for all.

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