



## BRIEFING PAPER

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# EU defence: the realisation of Permanent Structured Cooperation (PESCO)

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In 2013 EU Leaders agreed that greater effort was required in the area of European defence. To that end, they committed to “the further development of a credible and effective CSDP [Common Security and Defence Policy]”, with a focus on increasing the visibility, impact and effectiveness of CSDP, enhancing military capabilities and strengthening the European defence industry. At a more strategic level the EU High Representative was also tasked with assessing future challenges and opportunities for the EU.

In the last four 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 that 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.<sup>1</sup> 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 focuses [on increased cooperation between the EU and NATO](#) and the implementation of the European Commission’s [European Defence Action Plan](#).<sup>2</sup>

The Implementation Plan has been described as raising “the level of ambition of the European Union’s security and defence policy”. In order to achieve that aim it has five specific work strands, one of which is the utilisation of the Permanent Structured Cooperation (PESCO) mechanism, that was first set out in the 2009 Lisbon Treaty.

## 1.1 Lisbon Treaty - the basis of PESCO

While the EU’s Common Security and Defence Policy (CSDP) remains an intergovernmental area of EU competence, [Article 42](#) of the Lisbon Treaty did however open up the potential for greater military cooperation, specifically in capabilities development and planning, through the mechanism of Permanent Structured Cooperation

<sup>1</sup> The first time the EU has published an updated security strategy since 2003 when the EU’s first ever *European Security Strategy* was published.

<sup>2</sup> Also published in November 2016

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(PESCO). Under that concept a smaller group of eligible, 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.

Article 46 TEU set 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 on Permanent Structured Cooperation](#) (No. 10). Article 1(b) of that Protocol states that participating Member States should have the capacity to supply, either at national level or as a component of multinational force groups, combat units and supporting elements, including transport and logistics. These would be capable of deployment within 5 to 30 days, in particular in response to requests from the UN. They would be sustained for an initial period of 30 days and extended up to a period of 120 days.<sup>3</sup>

The Council of Ministers could decide by QMV, after consulting the High Representative, to establish permanent structured cooperation and determine the list of participants. Once established, only participating Member States would be able to take part in adopting decisions relating to the development of PESCO, including the future participation of other Member States. Decisions and recommendations would be taken by unanimity by those participating Member States, except with regard to the list of participating Member States, which would be decided by QMV. If a participating Member State no longer fulfils the criteria set out in the Protocol or is no longer able to meet its commitments, the Council of Ministers, acting by QMV, may suspend the Member State concerned.

### 1.2 The 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.

However, the 2016 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 participating Member States, thereby addressing any remaining capability shortfalls and enhancing the EU's ability to act.

Any capabilities developed through PESCO will, however, remain owned and operated by Member States. They will not be 'EU' assets, or form the basis of an 'EU Army', but will remain under national control and be capable of being deployed in other frameworks such as the UN and NATO.

At the European Council summit in June 2017 leaders agreed "on the need to launch an inclusive and ambitious Permanent Structured Cooperation". A common list of criteria and commitments was to be drawn up by Member States within three months, including a precise timetable and list of specific projects, in order for Member States to indicate their intention to participate, which would not be compulsory.

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<sup>3</sup> This provision is a conclusion of the Franco-British initiative on rapid reaction capabilities that was first announced in November 2003. Library Research Paper RP06/32, [European Security and Defence Policy: Developments since 2003](#), June 2006 has further background information.

In September 2017 EU Defence Ministers met to discuss PESCO, with a view to a legal decision on launching it by the end of the year. Governance and a detailed list of binding common commitments, including investment levels, capability development and operational readiness were specifically discussed. Proposals for over 30 projects that could be developed under the PESCO mechanism were reportedly received.

A notification of interest to establish PESCO was subsequently presented to the European Council in October 2017.

## Joint Notification on PESCO

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 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)

- Participation in PESCO will be 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.
- 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.<sup>4</sup>
- 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 contribute to the EU's 'Level of Ambition' and are best suited to furthering Europe's 'strategic autonomy'. The Council (only participating PESCO states) 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". Those 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.

<sup>4</sup> This point is set out [paper on PESCO](#) published by the Council of Ministers in December 2017.

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Annex II of the Joint Notification set out the specific 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 consider the joint use of existing capabilities in order to increase effectiveness and to make “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.

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.

### Formal Decision establishing PESCO

On 11 December the Council of Ministers formally adopted a [Decision](#) establishing Permanent Structured Cooperation.<sup>5</sup>

That Decision lists participating EU Member States and largely reiterates the contents of the Joint Notification on common commitments, governance and administrative arrangements, including financing.

#### Box 2: 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 |                 |

<sup>5</sup> Council of the European Union, *Council Decision establishing Permanent Structured Cooperation*, CSDP/PSDC 667

Denmark, Malta and UK remain outside of PESCO. 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 Lisbon Treaty, it is for the participating PESCO States to decide, by QMV, on the future participation of others.

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

## PESCO Projects

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. Among them were:

- European Medical Command
- Network of logistic hubs in Europe and support to operations
- Military mobility<sup>6</sup>
- Maritime (semi) autonomous systems for mine countermeasures
- Upgrade of maritime surveillance
- Strategic command and control system for CSDP missions and operations
- Armoured infantry fighting vehicle/amphibious assault vehicle/light armoured vehicle
- 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 EU financing (30%) than that available to other collaborative projects set up with EDF funding (20%).<sup>7</sup>

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

At that Council of Ministers meeting, PESCO states also [adopted a recommendation](#) setting out strategic guidance for the implementation of PESCO in the longer term, including fulfilment of the broader commitments, such as spending targets, originally agreed in the 2017 Joint Notification. Ministers are expected to agree a more specific timetable, in particular with respect to those commitments expected to be fulfilled by 2020, in June 2018.

## Next steps

Work is now underway by the participating nations of each individual PESCO project to define objectives and timelines for each project.

In May 2018 a call for new project proposals is expected to be issued by the PESCO Secretariat, followed by a 6-month period of assessment. The next set of PESCO projects is then expected to be formally adopted in November 2018.

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<sup>6</sup> 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.

<sup>7</sup> "EC welcomes first operational step towards a European Defence Union", *EU News*, 12 December 2017. Further discussion of the European Defence Fund is available in Library Briefing Paper CBP8216, [European Defence: where is it heading?](#)

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The conditions under which third party states may be invited to participate in individual PESCO projects are due to be considered in the latter half of this year, with a Decision, in principle, to be adopted in December 2018.<sup>8</sup>

### 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.<sup>9</sup>

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.<sup>10</sup>

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.<sup>11</sup>

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.<sup>12</sup>

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".<sup>13</sup> As such, he concludes that "there is no value-added in any of this".<sup>14</sup>

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 unmanned aerial vehicles, satellites or combat aircraft, are included in the next round of project planning.<sup>15</sup>

## 1.3 Position of the UK

Once established, PESCO will not give the EU control over the UK's armed forces. It is intended as a mechanism through which to deepen defence cooperation amongst capable and **willing** EU Member States, specifically in capabilities development. As noted above,

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<sup>8</sup> Council of the European Union, Council Recommendation, 6588/1/18, 6 March 2018

<sup>9</sup> European Union, [Permanent Structured Cooperation – PESCO Fact Sheet](#), October 2017

<sup>10</sup> [Notification on Permanent Structured Cooperation](#), November 2017

<sup>11</sup> NATO press release, 14 November 2017

<sup>12</sup> Eligibility was to be based on the ability of states to meet the capability requirements set out in the Protocol on Permanent Structured Cooperation.

<sup>13</sup> 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)

<sup>14</sup> ["Pesco, the impotent gorilla"](#), European Council on Foreign Relations, 17 November 2017

<sup>15</sup> See "PESCO will fail to impact defence technological, industrial base without big projects, say officials and experts", *Jane's Defence Weekly*, 22 March 2018

any capabilities and assets developed under PESCO will remain under the ownership and control of the participating EU Member States, and will be made available to NATO and UN operations.

As a voluntary mechanism the UK does not have to participate in PESCO. Indeed, it did not sign the Joint Notification on 13 November 2017. The Government has stated:

The aim of Permanent Structured Cooperation (PESCO) is to strengthen EU Member States' cooperation in military matters. PESO is voluntary and works on an opt-in basis.

The UK Government has not committed to PESCO but supports its ambition to develop military capabilities that address shortfalls in EU and NATO contexts. We welcome PESCO as a tool to support the development of capabilities that Europe needs for its security, provided it remains complementary to NATO and encourages EU-NATO cooperation; and that projects carried out under PESCO remain Member State-owned and the capabilities delivered are available not only to the EU but can also be used in support of NATO and UN operations.<sup>16</sup>

Outside of the PESCO mechanism, however, the UK will have no decision making rights or any veto over its future strategic direction, which has been openly acknowledged as greater EU integration in the field of defence.

Post-Brexit the Government has stated that it wishes to retain some sort of defence and security relationship with the EU, and specifically capabilities development. In its Position Paper on [Foreign Policy, Defence and Development](#), which was published in September 2017, the Government stated:

As part of the deep and special partnership, the UK wants to explore how best to ensure that the **UK and European defence and security industries can continue to work together to deliver the capabilities that we need** to counter the shared threats we face, and promote our mutual prosperity. This could include future **UK collaboration in European Defence Agency projects and initiatives. We could also consider options and models for participation in the Commission's European Defence Fund including both the European Defence Research Programme and the European Defence Industrial Development Programme.** Our future partnership would mean European capabilities could be developed in support of our joint security and shared values, with the UK's research and development expertise, and its world-leading facilities, such as the UK Defence Science and Technology Laboratory, used to support shared objectives.

Whether that relationship would go so far as to involve the UK in PESCO projects remains to be seen. The Government has made clear its preference to keep the option of third party participation, on a project basis, on the table:

We are making our view known that an option should remain within Permanent Structured Cooperation in those areas of defence and security for third countries to join at an appropriate time for whatever projects are perceived to be of mutual importance to both – be it NATO and, say, this new organisation in whatever shape of form it takes. This would allow the UK to continue to cooperate with European partners after we leave the EU.<sup>17</sup>

However, the terms of third party participation are for the participating PESCO states to determine, which the UK will have to find acceptable.

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<sup>16</sup> PQ115687, EU Defence Policy, 4 December 2017

<sup>17</sup> HL Deb 16 November 2017, Vol 785

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