



ARTICLES

NEW OPTIONS FOR DIFFERENTIATED INTEGRATION IN THE EUROPEAN UNION

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PESCO AS A GAME-CHANGER FOR DIFFERENTIATED INTEGRATION IN CSDP AFTER BREXIT

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ABSTRACT: After decades of bi-national and multinational military programmes that arrived in dribs and drabs, and once the United Kingdom decided to withdraw from the EU, the launch and implementation of the Permanent Structured Cooperation (PESCO) in 2017 has emerged as a real game-changer. Thus, favouring differentiated integration in defence matters within the European Union after Brexit. This *Article* focuses on the analysis of both horizontal and vertical differentiated integration from an eminently practical point of view. All of this, aimed at illustrating the distinction between the pre-PESCO scenario and the current one with 60 projects underway within its framework. In this sense, the analysis makes it possible to distinguish a real group of frontrunners in the implementation of PESCO and the window of opportunity that opens up by allowing third states to participate in individual projects, with particular attention to the case of the United Kingdom.

KEYWORDS: PESCO – differentiated integration – game-changer – CSDP – Brexit – third States.

I. INTRODUCTION

Five years after the launch of the EU Global Strategy¹ and the United Kingdom's decision to withdraw from the European Union, the impetus given to European Security and Defence for closer cooperation is still palpable. This momentum will continue thanks to

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¹ European External Action Service (EEAS), *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign And Security Policy* eeas.europa.eu.



the new Strategic Compass² published on 21 March 2022 as planned, but in the midst of a war in Ukraine after Russia's aggression. The clearest example can be seen in the development and implementation of Permanent Structured Cooperation (PESCO), which undoubtedly offers endless opportunities to consolidate the Common Security and Defence Policy (CSDP).

In this regard, it cannot be overlooked that PESCO is now fully regulated at the legislative level, and this also represents a change in the game board in the European Union. On 5 November 2020, Decision 2020/1639/CFSP³ was adopted, establishing the conditions under which third states could be exceptionally invited to participate in individual PESCO projects. Therefore, there is a clear opportunity for the United Kingdom, although the United States, Canada and Norway have already beaten it to the punch by being invited to participate in the *Military Mobility* project.

Furthermore, given that 60 projects are underway, it is to be expected that these or other third States will eventually show interest in more initiatives. In this light, and with the last wave of projects in mind, this *Article* will not only analyse PESCO, but also the Coordinated Annual Review on Defence (CARD) or the recently implemented European Defence Fund (EDF). It will thus comply with the basic premise that shall be kept in mind when addressing new CSDP initiatives: all these instruments should be understood as integral parts of a "*comprehensive defence package*" insofar as they are complementary and mutually reinforcing tools.

The conjunction of all these factors makes it mandatory to approach PESCO from the point of view of differentiated integration. Accordingly, the following *Article* question is formulated as a starting point and set as a central element of the *Article*: *Is PESCO a game-changer for differentiated integration in the Common Security and Defence Policy after Brexit?*

Moreover, the analysis will aim to address the main objective: to determine the articulation of the different types of differentiated integration within the PESCO framework. To this end, in addition to analysing horizontal and vertical differentiated integration, it will be necessary to examine the involvement of the participating Member States (pMS) in the mechanism. In addition, this will be done from an eminently practical point of view, differentiating between the *pre-PESCO* period and the current one, with the focus on the so-called "group of four" or *frontrunners*, made up of France, Germany, Italy and Spain.

The *Article* will be divided into three main sections. Section II will be devoted to addressing PESCO's role in differentiated integration. For this purpose, a comprehensive analysis of the articulation of differentiated integration in PESCO and its impact on CSDP will be provided. In section III, the possibility for third states to participate in individual

² European Council, Strategic Compass 7371/22 of the Council of 21 March 2022, *A Strategic Compass for Security and Defence – For a European Union that protects its citizens, values and interests and contributes to international peace and security* data.consilium.europa.eu

³ Decision 2020/1639/CFSP of the Council of 5 November 2020 establishing the general conditions under which third States could exceptionally be invited to participate in individual PESCO projects.

PESCO projects will be explored further, with particular emphasis on the UK's position and its ties with EU Member States. Section IV will be dedicated to the main findings of the first Strategic Review of PESCO, which will lay the foundations for the future of the mechanism in its 2021-2025 phase.

Notwithstanding the above, along these lines some considerations should be made regarding the reactions of the EU and some Member States to the war in Ukraine, as well as the forecasts on PESCO in the Strategic Compass.

Finally, conclusions on the subject will be drawn which, due to the current state of affairs, can only be considered as tentative. The question of to what extent PESCO affects the common nature of CSDP is largely felt out, as this is dealt with in another contribution to this Special Section.⁴

II. PESCO AND DIFFERENTIATED INTEGRATION IN EU DEFENCE

This section will attempt to address all those questions that allow us to affirm that Permanent Structured Cooperation is a game-changer in differentiated integration, both in its conception and in its implementation in the context of Brexit. In other words, how PESCO has changed the rules of the CSDP game by enabling an unprecedented development.

To this end, one must start from the foundations. This ranges from the very concept of “differentiated integration” to the legal basis and *raison d'être* of PESCO.

II.1. APPROACHING THE DEFINITION OF DIFFERENTIATED INTEGRATION

The concept of “differentiated integration” (DI) is not unfamiliar to scholars of European law. One starting point is the definition of Schimmelfennig and Winzen⁵ about European integration: “The body of binding formal rules of the EU to which states agree to adhere. These rules can be uniform or differentiated. Uniform rules are equally valid in all Member States, whereas differentiated rules are not uniformly legally valid across the EU's Member States”.

A definition that can be complemented by that of “differentiation” offered by Thierry Chopin and Christian Lequesne⁶: “the process that allows some EU member states to go further in the integration process, while allowing others to opt not to do so”. Consequently, it can be clearly stated that *differentiation* and *integration* go hand in hand.

⁴ AS Houdé and RA Wessel, ‘A Common Security and Defence Policy: Limits to Differentiated Integration in PESCO?’ (2022) European Papers www.europeanpapers.eu 1325.

⁵ F Schimmelfennig and T Winzen, ‘Differentiated EU Integration: Maps and Modes’ (EUI Working Papers 24-2020) 2.

⁶ T Chopin and C Lequesne, ‘Differentiation as a Double-Edged Sword: Member States’ Practices and Brexit’ (2016) *International Affairs* 531.

This is also the understanding of the European Parliament in its 2019 Resolution on differentiated integration, stressing that “differentiated integration should reflect the idea that Europe does not work to a one-size-fits-all approach and should adapt to the needs and wishes of its citizens”.⁷ Furthermore, it offers a clarification of the concept of differentiated integration by assuming from the outset that it has different technical and political meanings. From a technical point of view, the Resolution distinguishes between several types of “differentiation” which can have a very different impact on the EU⁸: *i*) time differentiation: this corresponds to a “*multi-speed Europe*”. The same objectives are set, but different speeds to achieve them; *ii*) formal differentiation: this is known as “*Europe à la carte*” and implies participation in policies of interest without the goal of ultimately achieving a single objective for all Member States; *iii*) space differentiation: identified with a “*Europe of variable geometry*”, as the duration can be extended and is more geographical in nature.

By the same token, it also states in its Resolution that DI can take many different forms within the EU framework, including opt-outs, enhanced cooperation initiatives, permanent structured cooperation and intergovernmental formations outside the framework of the Treaty.⁹

In focusing on one of these differentiated forms of integration, Permanent Structured Cooperation, it should first be noted that it is a complex and complicated flexibility mechanism. Consequently, to shed light on DI in its framework, one has to go back to the essentials. That is, the definition as set out in art. 42(6) of the TEU, always understood in line with art. 46 TEU, as well as Protocol No. 10: “Those Member States whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions shall establish permanent structured cooperation within the Union framework. Such cooperation shall be governed by Article 46. It shall not affect the provisions of Article 43”.

As can be derived from the above, perhaps the most important and characteristic feature of PESCO is that it establishes legally binding commitments. At the same time, the mechanism is provided with the greatest possible flexibility while attempting not to affect national sovereignty.¹⁰ In addition, as Wessel rightly points out, it is interesting to note that “the Treaty does not merely allow for this form of differentiated integration, but actually seems to *encourage* states to engage in it”.¹¹ As demonstrated in the next section,

⁷ Resolution 2018/2093(INI) of the European Parliament on differentiated integration of 17 January 2019.

⁸ *Ibid.* para. D.

⁹ *Ibid.*

¹⁰ N Meershoek, ‘The Constraints of Power Structures on EU Integration and Regulation of Military Procurement’ (2021) European Papers www.europeanpapers.eu 831.

¹¹ RA Wessel, ‘The Participation of Members and Non-Members in EU Foreign, Security and Defence Policy’, in WT Douma and others (eds.), *The Evolving Nature of EU External Relations Law* (Springer 2021) 177.

this does not preclude that “practice has revealed the possibility of closer cooperation between EU member States, but *outside* the EU framework”.¹²

Similarly, if all its features are put on the table together, the potential of the mechanism can be seen in comparison also with the facilities and differences with respect to the Enhanced Cooperation.¹³

It may seem irrelevant to bring up the definition today when the instrument is implemented, but it is precisely along these lines that the basis for talking about differentiated inclusion in the framework of PESCO can be found. Needless to say, despite having been the subject of study by countless academics and other experts in the field since the 1990s, it was only in 2017 that differentiated integration was explicitly recognised as a viable option for the EU's future development.¹⁴ This recognition was embodied in Juncker's 2017 future scenarios both in general terms in the “White paper on the future of Europe. Reflections and scenarios for the EU27 by 2025”,¹⁵ and in specific terms for the defence field in the “Reflection paper on the future of European defence”.¹⁶ A year that ended with the entry into force of PESCO on 11 December 2017,¹⁷ thereby marking a new paradigm shift in terms of being able to differentiate between a *pre-PESCO* landscape and the current one in European defence.

II.2. PRE-PESCO LANDSCAPE

In light of the foregoing definitions of differentiated integration and returning to the central question of this article – the role of PESCO as a game-changer in the defence integration process – it is worth looking back. To understand the significance of what has been happening outside the legal framework provided by the Treaties until the entry into force of PESCO on 11 December 2017, it is necessary to go back to the Cold War. Shortly after the entry into force of the Treaty of Rome, some of the first attempts were made to carry out multinational programmes between Member States. These were highly complex programmes involving companies from two or more countries and supported by their respective defence ministries, seeking to advance the development of new

¹² *Ibid.*

¹³ LM Wolfstädter and V Kreiling, ‘European Integration Via Flexibility Tools: The Cases of EPPO and PESCO’ (Jacques Delors Institute Policy Paper 209/2017) 13 ff.

¹⁴ N Groenendijk, ‘Flexibility and Differentiated Integration in European Defence Policy’ (2019) *L’Europe en formation* 105, 106.

¹⁵ White paper COM(2017) 2025 final from the Commission of 1 March 2017 on the future of Europe. Reflections and scenarios for the EU27 by 2025.

¹⁶ Reflection paper COM(2017) 315 final from the Commission of 7 June 2017 on the future of European Defence.

¹⁷ Decision 2017/2315/CFSP of the Council of 11 December 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States.

technologies, weapons, and weapons systems beyond what each company and country could have done on its own.

That same year, 1958, at NATO's request, a programme was launched that years later would give rise to the Bréguet 1150 Atlantique maritime patrol aircraft.¹⁸ Led by the French company Dassault, but with German, Italian and Dutch participation through the Société d'Étude et de Construction de Breguet Atlantic (SECBAT). These aircraft entered service in 1965 and, in their various evolutions – such as the Atlantique 2 –, are still in service with the French Naval Aviation.

Not long afterwards, in the late 1960s, France and Germany through Dassault and Dornier companies launched the Alpha Jet programme.¹⁹ It sought to provide their respective air forces with an advanced light attack and training aircraft, minimising technological risk and sharing development costs. In only a few years, the programme accumulated milestones, achieving its first flight in 1973 and entering service in 1977.

Also in the 1970s, the French, Dutch and Belgians agreed to launch the Tripartite Programme²⁰ to design and build several dozen mine warfare vessels for their respective navies. The highly successful project would not only produce a capable ship, but would also serve to standardise the Tactics, Techniques and Procedures (TTPs) of the three navies.

In 1982, the Austrian Steyr-Daimler-Puch Spezialfahrzeug began designing a new infantry fighting vehicle. An effort that, after much to-ing and fro-ing, was joined in 1988 by Spain's Empresa Nacional Santa Bárbara. The joint programme was called Austrian Spanish Cooperative Development (ASCOD)²¹ and resulted in the Ulan and Pizarro vehicles which are still in service, as well as several variants currently under development or even in production. For instance, the Scout SV or the ASCOD 2.

Yet another example of great significance can be found in the Typhoon fighter aircraft. Its origins date back to 1979 when the German company Messerschmitt-Bölkow-Blohm and the British company British Aerospace presented a project called the European Combat Fighter (ECF)²² to their respective governments. France's Dassault would later join them. The project failed in 1981, both because of the different requirements of each partner, and because of Dassault's insistence (nothing new under the sun) to act as design leader in the programme. However, it would be taken up again a few years later and finally blossom in 1994 into the programme we all know: the EF-2000 Typhoon multirole fighter-bomber.²³ It is the result of a programme that involved the participation of hundreds of companies from all over the continent, with a total budget of more than 40 billion euro. Moreover, this

¹⁸ Dassault Aviation, *Atlantic* www.dassault-aviation.com.

¹⁹ X Capy and J Defecques, *Alpha Jet 40 ans, 1973-2013* (Lela Presse 2014)

²⁰ LM Surhone, MT Timpledon and SF Marseken (eds), *Tripartite Class Minehunter* (Betascript 2010).

²¹ Ikonos Press (ed.), *Vehículo de Combate de Infantería PIZARRO* (2019) www.scalemates.com.

²² A van Noye, 'The Eurofighter EF2000 Typhoon, Part I' (30 June 2011) Runway28 www.runway28.nl.

²³ Eurofighter Typhoon, *Technical Guide* (2013) www.eurofighter.com.

programme is the direct precedent for the Future Combat Air System (FCAS)/Next-Generation Weapon System (NGWS), now without British participation.

Furthermore, the Future International Military Airlifter (FIMA)²⁴ group was created in 1982. This was the seed of the current A-400M transport aircraft, which initially included the US company Lockheed Martin among its promoters. With the departure of the Americans and the arrival of Italy's Alenia and Spain's CASA, the foundations were laid for a project that was to put its first aircraft in the air in 2009 and is still in progress.

Almost at the same time, in 1984, another important programme took its first steps; the one that would lead to the future Eurocopter Tiger attack helicopter.²⁵ With major ups and downs, cancelled due to enormous transaction costs in 1986, reorganised and restarted a year later, the programme finally achieved its first flight in 1991. It was not until later, in 2003, that Spain joined the programme endowed with important industrial considerations.

In 1992, after the failure of the NFR-90 programme, France, the United Kingdom and Italy launched a joint project to design a new class of frigates. Due to differences between the partners, this project would eventually give rise to the Horizon/Orizzonte classes. In the British case, it would be the germ of the Type 45 destroyers.²⁶

As it happens, there were many more binational and multinational projects affecting the whole range of military equipment. Although the leading role of the aeronautical industry, perhaps the most technically demanding, is evident. Of course, many of them failed before they came to anything, generally because of differences in the role and weight of each company and the difficulty of establishing unified requirements to meet the needs of such different players. In any case, each and every one of these projects and those that had not been mentioned (Transall transport aircraft, Panavia Tornado and SEPECAT Jaguar attack aircraft, the Patiño/Amsterdam supply ships, the Galicia/Rotterdam amphibious assault ships, etc.) represented a step forward in terms of integration, even though the Europe of Defence was still a chimera. Precisely one of the keys to all these projects, which brings them closer to what is happening with those that currently form part of PESCO and clearly speaks to us of integration in its broadest sense, has to do with the need to standardise components and processes. Even the doctrines within the armed forces that are the target of all these systems. In many cases, advantage was taken of the existence of NATO STANAGs,²⁷ given the need to comply with them and maximise interoperability with the rest of the partners. Nor can it be overlooked that all these programmes had a significant *pull capacity*, albeit reference is usually made to a handful of companies. In other words, all of them involved dozens or hundreds of

²⁴ Royal Air Force, *ATLAS C.1 (A400M)* www.raf.mod.uk.

²⁵ U Krotz, *Flying Tiger: International Relations Theory and the Politics of Advanced Weapons* (Oxford University Press 2011).

²⁶ R Mariette, 'Clase Horizonte: El Último Vástago del Programa NFR-90' (2010) Ejércitos issuu.com.

²⁷ NATO, *NATO Standardization Office* www.nato.int.

ancillary companies which, in many cases, had to establish relations with the rest, share information, end up sealing alliances, open up new markets, and so on. In the end, all of this was in fact differentiated defence integration *avant la lettre*.

As shown above, long before the most important CSDP milestones were reached, numerous business-government collaboration programmes were launched. Indeed, in terms of the number of public and private actors involved or their economic and technological depth, they differed little from those which currently fall under the umbrella of PESCO. Compared to the number of them currently underway (60), and given the almost seven decades covered, they should be considered as what they are: projects which have emerged in dribs and drabs.

In fact, only a handful of projects were developed between the late 1950s and 2017, which is surprising considering that the incentives for European defence collaboration were as great or greater than today: *i)* the Soviet threat far outweighed any other today; *ii)* the arms race resulting from inter-bloc competition served as a spur to innovation and collaboration and; *iii)* the number of defence companies was much greater and they were smaller than they are today. The latter, at least on paper, should favour the establishment of alliances between them in search of synergies.

Therefore, it can be concluded that the real differentiating factor was the lack of a legislative framework at the European level that would make it possible to systematise these efforts, establishing rules of governance, albeit minimal that would favour differentiated integration in defence. This is what PESCO has made possible. At least from a quantitative point of view, it is evident that it has been a resounding success, thus becoming a real *game-changer*.

II.3. DIFFERENTIATED INTEGRATION VIA PESCO

After the presentation of some key ideas on differentiated integration, as well as the situation prior to PESCO, it is possible to assess how this differentiation is articulated in the implementation of PESCO. Nevertheless, the aim of this section is not to evaluate or discuss at a theoretical level the possible notions of *horizontal* and *vertical*, or *internal* and *external*²⁸ differentiated integration, but rather their practical translation.

a) Horizontal differentiated integration

Horizontal DI is directly associated with the provision in the Lisbon Treaty enabling the establishment of PESCO.²⁹ Accordingly, it is intrinsically linked to primary law, while its

²⁸ F Schimmelfennig, D Leuffen and B Rittberger, 'The European Union as a System of Differentiated Integration: Interdependence, Politicization and Differentiation' (Political Science Series Working Paper 137-2014); C Hoeffler, 'Differentiated Integration in CSDP Through Defence Market Integration' (2019) European Review of International Studies 43.

²⁹ L Lonardo, 'Integration in European Defence: Some Legal Considerations' (2017) European Papers www.europeanpapers.eu 887.

practical translation is reflected through the list of Member States that have opted to become participants in the mechanism. In total, 25 Member States form the basis for horizontal differentiated integration.³⁰

The latter does this mean that we are dealing with a true case of horizontal differentiated integration as the opportunity for true differentiated integration was lost when the German vision of making the mechanism inclusive was pursued.³¹ At this time, all Member States that are currently eligible for PESCO are already participating Member States. Only two states have been left out of the mechanism: Denmark and Malta. The United Kingdom also stayed out, as the referendum had already taken place by the date of entry into force of the Permanent Structured Cooperation.

On the one hand, Denmark could not join PESCO because of its defence *opt-out* clause.³² Nevertheless, in response to the Russian aggression in Ukraine, the Danish government has called a referendum on 1 June 2022 for its population to decide whether the country should integrate into the CSDP.³³ In addition, along with other issues, their Prime Minister also announced that they will increase their defence spending until they reach 2 per cent of GDP.

On the other hand, Malta argued its refusal to join as a pMS by invoking a constitutional clause by virtue of which it is committed to neutrality and non-alignment. Nonetheless, the Prime Minister left the door open to future participation at the expense of PESCO's own course of implementation.³⁴

b) Vertical differentiated integration

Whereas horizontal DI essentially refers to the number of pMS in PESCO through primary law, vertical DI is limited to the level of projects that can be developed on the basis of the adoption of secondary legislation. These are Decision 2017/2315/CFSP of the Council of 11 December 2017 establishing PESCO and determining the list of participating Member States, and Decision 2020/1639/CFSP of the Council of 5 November 2020 establishing the general conditions under which third States could exceptionally be invited to participate in individual PESCO projects. In addition to these, Decision 2018/909/CFSP of the Council of 25 June 2018 establishing a common set of governance rules for PESCO projects should be added.

All those variables that enable the development of the projects and thus deepen integration would be included under the umbrella of vertical DI. For instance, the creation

³⁰ S Blockmans and D Macchiarini Crosson 'PESCO: A Force for Positive Integration in EU Defence' (2021) *European Foreign Affairs Review* 87, 88.

³¹ See on the Franco-German debate E Lazarou and AM Friede, 'Permanent Structured Cooperation (PESCO): Beyond Establishment' (9 March 2018) *European Parliament Briefing* www.europarl.europa.eu 7.

³² Denmark and the Treaty on European Union [1992].

³³ J Gronholt-Pedersen, 'Denmark to Boost Defence Spending and Phase out Russian Gas' (6 March 2022) *Reuters* www.reuters.com.

³⁴ E Lazarou and AM Friede, 'Permanent Structured Cooperation (PESCO): Beyond establishment' *cit.*, 6.

of European clusters, the level of ambition and involvement of states, financing, etc. Equally, this integration is also connected to the numerous actors involved in the actual project design and decision-making at both national and European level, creating “a microcosm in which vertical differentiation is taking shape with the active participation of EU bodies and institutions”.³⁵

Hence, different types of DI are intertwined in the framework of PESCO, as well as different alternatives in project participation due to the inclusive character of the instrument. In spite of the implementation phase of 60 on-going projects, the debate between German inclusivity and French exclusivity does not seem to have been overcome today. It may have been overcome, but it has not been forgotten. The truth is that despite being inclusive in terms of the number of pMS, PESCO ends up being an exclusive mechanism if one looks at the individual contributions to projects and the ambition shown by each of these countries combined with their own strategic culture.³⁶

This debate cannot be forgotten, since as outlined above, a commitment to inclusivity inevitably leads to differences in the level of differentiated integration in practice. Even though most of the projects involve between four and seven participating Member States.³⁷ Moreover, it is not only a question of the number itself, inasmuch as in many cases the same pMS are grouped together in a bi- or trilateral manner. In fact, they tend to follow the dynamics prior to PESCO which, as will be seen, are mostly carried out by the same actors.

Depending on the level of involvement and participation in the projects, different trends can be observed that allow pMS to be divided into different groups. Nevertheless, the classification established by Blockmans and Macchiarini is not entirely shared in this article, mainly due to the second category they offer.³⁸ A division of pMS is established around three categories: *frontrunners*, *laggards* and *disruptors*.

Within this vertical DI, it is clear there is a group of pioneering (*frontrunners*) countries that would be the *group of four* – France, Italy, Germany and Spain – as the authors referred to above point out. Nonetheless, it could be claimed that the only leader is France and that in reality we are also dealing with a group of “3+1” pioneers, being Spain the added state.

In practice, participation in projects and deepening of vertical DI depends on various factors such as industrial capacity, the defence budget, the level of ambition and commitment of each state, and so on. For these same reasons, the group of pioneers

³⁵ S Blockmans and D Macchiarini Crosson, ‘PESCO: A Force for Positive Integration in EU Defence’ cit. 91.

³⁶ J Howorth, *Security and Defence Policy in the European Union* (Palgrave Macmillan 2007) 178 ff; HP Bartels, AM Kellner and U Optenhögel, *Strategic Autonomy and the Defence of Europe: On the Road to a European Army?* (Dietz 2017).

³⁷ N Groenendijk, ‘Flexibility and Differentiated Integration in European Defence Policy’ cit. 114 ff.

³⁸ S Blockmans and D Macchiarini Crosson, ‘PESCO: A Force for Positive Integration in EU Defence’ cit. 96 ff.

coincides with those states with a more developed defence industry, higher budgets, and greater export vocation, among others.

Besides, if it assumed that after Brexit the balance of power within the EU must be adjusted in accordance with the assets of the countries that remain part of it, a window of opportunity arises. Especially, for countries such as Spain or Poland to make a leap in quality, becoming part of the group of four to replace the United Kingdom. If the latter is not entirely possible, at least there does seem to be a chance for partners such as Spain, Poland and the Netherlands to improve their relative position.

Furthermore, due to the Russian invasion of Ukraine, this rebalancing of power within the Union will be further heightened if the announcements made by various member states materialise. It is therefore important to take into account the announcements made by Germany, Italy, Spain, Poland, Estonia and Sweden, among others, regarding the increase in their defence budgets. In this vein, these announcements are in line with the commitments undertaken within the framework of PESCO, the Versailles Declaration of 10 and 11 March 2022³⁹, the Strategic Compass and last NATO summits.

With all this in mind, the peculiar situation of Spain⁴⁰ can be observed when looking at the data shown in the following table referring to the involvement of various Member States in the 60 approved PESCO projects.⁴¹

	GDP (2019)*	Defence Budget (2019)*	% of GDP	Population	Leader	Participant	Total
Germany	3.592.000	48.802	1,36	83.166.711	8	14	22
France	2.608.000	47.707	1,83	67.320.216	14	30	44
Italy	1.950.000	22.525	1,18	59.641.488	11	19	31
Spain	1.325.000	12.005	0,91	47.332.614	4	21	25
Netherlands	838.000	11.302	1,35	17.407.585	1	12	13
Poland	569.000	11.294	1,98	37.958.138	1	12	13

TABLE * At 2015 constant prices.

Firstly, it can be highlighted that Spain occupies an uncomfortable no-one's land in terms of both GDP and population (but not budget). Hence, it is halfway between the

³⁹ European Council, *The Versailles Declaration of 10 and 11 March 2022* www.consilium.europa.eu.

⁴⁰ See www.ipsa.org for 26th IPSA World Congress of Political Science full conference programme: B Cózar-Murillo and G Colom-Piella, 'The Permanent Structured Cooperation and Its Implications for Spain' (15 July 2021) IPSA World Congress of Political Science.

⁴¹ Author's formulation based on data from NATO, *Defence Expenditure of NATO Countries (2013-2020)* www.nato.int; Decision 2021/2008/CFSP of the Council of 16 November 2021 amending and updating Decision 2018/340/CFSP establishing the list of projects to be developed under PESCO; and European Union, *Facts and Figures on Life in the European Union* europa.eu.

three most populous and richest countries (Germany, France and Italy) and the next two in the running (the Netherlands and Poland).

Secondly, Spain is therefore the most obvious candidate to replace the United Kingdom, taking over a large part of the former partner's share of power. Nevertheless, one should accept that neither its defence industry, in terms of turnover or technological capabilities, nor its investment capacity, is sufficient to fill the vacuum left by London. In this respect, it is possible that Poland could fill part of the gap. However, there are authors who describe Poland as a *disruptor*.⁴² Due to its specific strategic concerns, very different from those of France, Germany or Spain and marked by the Russian threat, as well as its close alliance with the United States and doubts about its Europeanism, make it necessary to be cautious.

Thirdly, it should be assumed that this redistribution of power would affect the very composition of the group of four. If up to now one even spoke of a "three + one" formation in which Spain was this "additional" country, in the short and medium term the dynamic could even change to a "Germany and France + Italy + Spain" scenario.⁴³

However, if Germany materialises its announcement to allocate two per cent of GDP to defence along with an additional 100 billion euros to restore capabilities and improve the operability of the German armed forces, it is equally likely that France and Italy will try to join forces to counterbalance German power. For the time being, Italy has also announced its willingness to move away from its stagnant 1.3 per cent of GDP spent on defence and reach the two per cent.⁴⁴ Similarly, Spain has announced its intention to exceed 1.22 per cent by 2024.⁴⁵

It could also be the case that Poland and the Netherlands together with Spain join a second-tier group that could, under the circumstances, act as a hinge when important decisions are taken. Besides, it is worth noting that, on the one hand, Poland has indicated its intention to increase its defence budget from next year to three per cent of GDP.⁴⁶ On the other hand, the Netherlands has announced that it will allocate an additional five billion euros to its defence budget, which will represent an increase of

⁴² S Blockmans and D Macchiarini Crosson, 'PESCO: A Force for Positive Integration in EU Defence' cit. 96 ff; and M Terlikowski, 'PeSCo The Polish Perspective' (IRIS Ares Group Policy Paper 32-2018).

⁴³ B Cózar-Murillo, '¿Requiem por la Industria Española de Defensa? La Guerra de Ucrania y la Industria Española de Defensa' (2022) *Ejércitos* www.revistaejercitos.com.

⁴⁴ O Lanzavecchia, 'Italian Parliament Votes to Raise Defence Budget to 2% of GDP' (17 March 2022) Decode 39 decode39.com.

⁴⁵ See national briefing by Pedro Sánchez, Prime Minister of Spain, following the Informal meeting of Heads of State or Government, on 11 March 2022, in Versailles: European Council, *National briefing: Spain - Part 1* newsroom.consilium.europa.eu.

⁴⁶ Army Technology, 'Poland Plans to Boost Defence Spending as Ukraine Conflict Worsens' (4 March 2022) Army Technology www.army-technology.com.

approximately 40 per cent.⁴⁷ This would enable the Dutch government to meet the NATO and EU target of two per cent of GDP by 2024 and 2025.

Following Antonio Calcara and Luis Simón's postulates, the separation between system integrating countries such as Germany and France, and the rest is likely to be accentuated.⁴⁸ That said, it cannot be overlooked that Italy also has two vital assets: Fincantieri and Leonardo.

Finally, notwithstanding the above, the possibility that this group of four could continue to function at the institutional level with a strong Spanish presence cannot be excluded either, due to the relevance of its defence industry, as well as its staunch defence of the European project.

At another level, it is argued that the *lagging* States would be Denmark and Malta, which can be contradicted on the grounds of two main reasons: *i)* It would only obey postulates derived from horizontal DI as explained above, so that a large group of states that have not yet joined the mechanism is not discernible. *ii)* In this context of verticality derived from participation in projects, a lagging State could be understood as one whose national characteristics or particularities – for example, industry – do not allow it to keep pace with the frontrunners.

A clear example is the case of Portugal. This small country is involved in a total of fourteen projects, leading three of them. However, it has neither large defence companies nor the capacity to provide the necessary financial resources to develop large-scale programmes. In fact, the country has significant problems maintaining its own armed forces, resorting to second-hand purchases or early decommissioning of equipment. Besides, this is a case that is repeated in other parts of the world, as not all partners, however pro-European and willing they may be, have the means to make it effective by assuming greater responsibilities in PESCO matters.

Nevertheless, a scenario in which an exclusive position was adopted could have led to the same result. This is because what makes the real difference is "*who can*" be a participating Member State in practice in its broadest sense. Thus, it could be argued that a trick has been played and that there could indeed be horizontal DI at the project level. Indeed, this is because not all members participate in all projects, and as soon as there are frontrunners, this hypothesis could be validated.

In conclusion, as far as the accession of Member States to PESCO is concerned, this would not be a true case of horizontal differentiated integration, but it would be the case in the implementation of the mechanism. Similarly, due to the evident vertical differentiated integration at the project level, the assumption that PESCO acts as a true *game-changer* in the CSDP can be consolidated.

⁴⁷ See, in Dutch, Ministerie van Defensie, *Structureel € 5 miljard extra voor Defensie* (20 May 2022) www.defensie.nl.

⁴⁸ A Calcara and L Simón, 'Market Size and the Political Economy of European Defence' (2022) *Security Studies* 860.

III. THE PARTICIPATION OF THIRD STATES

Since 5 November 2020, it has been possible for non-EU Member States to exceptionally participate in individual PESCO projects thanks to the aforementioned Decision 2020/1639/CFSP.

Four reasons can be mentioned why the Decision has been adopted in November 2020 and not earlier, when it was the remaining piece to complete the architecture of PESCO. Notwithstanding the foregoing, a basic premise must be kept in mind: the ultimate reason for taking so long to publish the Decision lay in Member States' national positions and their differing interests in allowing third states to participate in projects.⁴⁹ As can be deduced from previous sections, this may be reminiscent of the classic debate on the inclusive or exclusive nature of PESCO.

The first and most obvious of these reasons is the United Kingdom's withdrawal from the European Union. The result of the British referendum together with the very impetus given to the CSDP by the EU Global Strategy (EUGS) and the 2016 "winter package" on defence, suggest that not only has this Decision 2020/1639/CFSP been negotiated in parallel to the exit negotiations, but all the new initiatives and instruments have been addressed in the last five years.

When dealing with the relationship between PESCO and Brexit, it cannot remain untouched that, being a defence issue, this matter was left out of the table at the beginning of the negotiations. Moreover, no agreement has yet been reached beyond the revised Political Declaration on future relations 2019.⁵⁰ Thus, to a certain extent, it could be argued that this declaration seeks to cover the UK's possible involvement in the CSDP through a specific mechanism for collaboration: PESCO.

The second reason is related to the conclusion of the binding agreement between France and Germany signed on 23 October 2019.⁵¹ The main objective of this agreement was to remove major obstacles to the development and export of Franco-German weapon systems. Thus, it lays the groundwork for the development of new projects such as the Main Ground Combat System (MGCS) or FCAS/NGWS.

On the other hand, the third of these reasons would be closely related to the "group of four" or *pioneers* in the framework of PESCO. It can be identified with the impetus given by the letter of the Defence Ministers of France, Germany, Spain and Italy, signed on 29 May 2020⁵² and sent to their counterparts and to the High Representative and Vice-President of the Commission, Josep Borrell. In the letter, the ministers refer to PESCO as

⁴⁹ S Biscop, 'European Defence and PESCO: Don't Waste the Chance' (EUIDEA Policy Paper 1-2020) 7.

⁵⁰ Political Declaration setting out framework for the future relationship between the European Union and the United Kingdom of 17 October 2019.

⁵¹ Decree No. 2019-1168 of 13 November 2019 on the publication of the agreement in the form of an exchange of letters between the Government of the French Republic and the Government of the Federal Republic of Germany on defence export controls (together with an annex), signed in Paris on 23 October 2019 (1) www.legifrance.gouv.fr.

⁵² Defence Ministers letter of 29 May 2020 on At the heart of our European Union, www.difesa.it.

the key framework for EU defence cooperation, underlining the need for projects to deliver visible and short-term operational results in support of the CSDP Level of Ambition. Furthermore, they expressly requested that the adoption of the Decision on the participation of third States in PESCO be resolved as soon as possible. The positioning of *the four* in the letter was undoubtedly reinforced by the special position of Germany, which held the rotating presidency of the Council from July until December 2020 and had an agenda strongly marked by security and defence priorities.

The fourth and last of these reasons may lie in the fact that the first phase of PESCO – established for the period 2018-2020 – was coming to an end. This led to the elaboration of the first Strategic Review, which aimed to set the orientations for the next phase of the mechanism for the period 2021-2025 and which will be discussed in section IV of this *Article*.

Furthermore, these reasons must be combined with the work that has been carried out within the European Parliament which is often a rather invisible Institution in these matters. Days before the publication of the Decision on third States, it issued a Recommendation to the Council and the High Representative on the implementation and governance of PESCO.⁵³ This Recommendation made express reference to the participation of third States, which could be taken as a kind of guide to the content that was later taken up in the Decision. In other words, both the Recommendation and the Decision are aligned.

As a result, the Decision on third States closes the legislative framework underpinning the architecture of PESCO built on the two previous key Decisions that have been discussed in the context of the analysis of vertical differentiated integration (Council Decisions 2017/2315 and 2018/909).

However, although Decision 2020/1639/CFSP is a step forward, it cannot be ignored that far from being a clarifying text it is extremely dense and difficult to understand despite its only nine articles. The analysis of the issue becomes complex as a result, in part, of the excessive references to Decision 2018/909/CFSP on the set of common governance rules for PESCO projects. These references, combined with the extreme laxity or ambiguity detected in certain points of the articles, make the task of clarifying the terms under which third parties may participate in PESCO a veritable gibberish.⁵⁴ In addition, it should be highlighted that this Decision is subject to and/or conditional upon the provisions of the decision on the set of governance rules. This text was due to be updated by 31 December 2020⁵⁵ but this task has not yet been done.

⁵³ Recommendation 2020/2080(INI) of the European Parliament to the Council and the Vice-President of the Commission/High Representative of the Union for Foreign Affairs and Security Policy on the implementation and governance of Permanent Structured Cooperation (PESCO) of 20 October 2020.

⁵⁴ B Cózar-Murillo, 'La Cooperación Estructurada Permanente y la Participación de Terceros Estados' (2021) *Revista General de Derecho Europeo* 289.

⁵⁵ Decision 2018/909/CFSP of the Council of 25 June 2018 establishing a common set of governance rules for PESCO projects, art. 9.

In this sense, the Decision leaves numerous *open doors* or legal loopholes that could block the effective participation of third States. Moreover, numerous terms are still pending definition and clarification by the European Institutions.

Considering the wording of the Decision and given the fact that the governance considerations have not been fully defined, there is a high risk of problems in practice when it comes to its effective implementation. For instance, issues related to intellectual property. This would apply both to the negotiation of the entry of third States and to the regular functioning and the annual review of the mechanism. Not to mention the possible obstacles to suspending or terminating the participation of these third countries.

The fact of having Decision 2020/1639/CFSP on the participation of third States in PESCO also implies a form of horizontal DI precisely because of the possible alternatives that arise around individual project members. In other words, third countries invited to participate will help in the deepening of horizontal DI, not at the level of the mechanism, but at the level of the projects. Logically, it will also have an impact on vertical DI as there will be a greater number of actors involved and the number of projects in which these third states are involved. Despite the exceptional nature of the participation of non-Member States, it is therefore to be expected that another group of *trendsetters* will also emerge.

The integration of third parties into individual PESCO projects is now a reality thanks to the *Military Mobility* project. This is one of the projects that has been in the spotlight since its launch due to its association with the so-called “Schengen of Defence”,⁵⁶ but in recent months its prominence has increased. In addition to being coordinated by the Netherlands and being the largest project with the participation of all pMS except Ireland, the United States, Canada and Norway⁵⁷ will join the project after submitting their respective applications. On 6 May 2021, the Council adopted three Decisions authorising the project coordinator to invite the three countries mentioned above, which will be the first countries to be invited to participate in an individual PESCO project.⁵⁸

Along with these countries that have already been formally invited to participate, there were rumours that Turkey had also shown interest.⁵⁹ However, it would be very difficult for Turkey to participate in individual projects, not only because of the more than

⁵⁶ A Rettman, ‘France and Germany Propose EU “Defence Union” (12 September 2016) EU Observer euobserver.com.

⁵⁷ In addition to participating as a third State in the Military Mobility project, it is the only non-Member State participating in the EDF research window due to its special status in its relations with the EU (e.g. member of the Schengen Area and the European Economic Area). See extensively on European Commission, Directorate-General for Defence Industry and Space (DEFIS), *The European Defence Fund (EDF)* ec.europa.eu.

⁵⁸ Council of the European Union, *PESCO: Canada, Norway and the United States will be Invited to Participate in the Project Military Mobility* www.consilium.europa.eu.

⁵⁹ See Parliamentary Question E-002795/2021 of the European Parliament of 26 May 2021 on Turkey’s request to take part in a PESCO military mobility project; and V Bacco, ‘How Could Non-EU Countries Participation in PESCO Projects Strengthen EU Strategic Autonomy?’ (16 January 2021) Vocal Europe www.vocaleurope.eu.

likely Greek veto, but also because it does not meet other requirements. Among others, it does not share the values on which the EU is based.

Moreover, if this was one of the projects under the spotlight before the Russian invasion of Ukraine began on 24 February 2022, it is even more so today. In fact, the Strategic Compass intends to give it greater impetus because it was the war in Ukraine that confirmed the “urgent need” to considerably improve the military mobility of European armed forces, both inside and outside the Union.⁶⁰

Nevertheless, it cannot be overridden that it would also have been expected – and reasonable – for the UK to be the first third country or one of the first to step forward to show its interest in participating in individual projects. On the one hand, because it had already expressed interest in PESCO. On the other, because of the strong ties it still maintains with both the EU and its Member States, although it is true that the tension in relations has also been maintained after the effective exit. Also, it has even increased with chapters such as the recent creation of AUKUS alliance. Similarly, the government has stated that the UK would only decide to participate in PESCO projects where there is clear value for the UK, including the area of defence industry, and that they will make autonomous decisions on whether or not to participate.⁶¹ So this should be combined with the Political Declaration setting out the framework for future relations between the EU and the UK⁶², which foresees participation in PESCO projects as a measure to support the European Defence Policy.⁶³

Nonetheless, following the debate in the House of Commons on 7 December 2020, the UK's participation no longer seems so likely, although future administrations may decide otherwise.⁶⁴ This is because the Secretary of State for Defence, Ben Wallace, stated the following:⁶⁵

“[...] we have no plans to participate in it [PESCO] because we have serious concerns about the intellectual property rights and export controls that it would seek to impose. However, we will always be open to working with European industries—on the future combat air system, for example. We have engaged with the Swedish and the Italians, for instance,

⁶⁰ Strategic Compass 7371/22 cit. 18 ff.

⁶¹ C Mills, ‘EU defence: the Realisation of Permanent Structured Cooperation (PESCO)’ (23 September 2019) UK Parliament, House of Commons Library Briefing Paper commonslibrary.parliament.uk 17 ff.

⁶² See extensively RA Wessel ‘Friends with Benefits? Possibilities for the UK's Continued Participation in the EU's Foreign and Security Policy’ (2019) www.europeanpapers.eu 435.

⁶³ Political Declaration of 17 October 2019 cit. para. 102.

⁶⁴ C Mills, ‘EU Permanent Structured Cooperation (PESCO): A Future Role for UK Defence?’ (21 November 2022) UK Parliament, House of Commons Library Briefing Paper commonslibrary.parliament.uk; and C Mills and B Smith, ‘End of Brexit Transition: Implications for Defence and Foreign Policy Cooperation’ (19 January 2021) UK Parliament, House of Commons Library Research Briefing commonslibrary.parliament.uk.

⁶⁵ Intervention of the Secretary of State for Defence Ben Wallace in House of Commons Debate of 7 December 2020: UK Parliament Hansard, *Military and Security Co-operation: European Union* hansard.parliament.uk.

because the collective security of Europe is often based on a good sovereign capability in our industrial base. We will continue to do that on a case-by-case basis, and to do that with our other allies such as the United States. Britain is also the keystone of European security”.

The importance of intellectual property rights and technological sovereignty, as mentioned above, can be drawn from this intervention. In addition, the Secretary made explicit reference to the Tempest project in which he participates with Sweden and Italy. This is in clear competition with the FCAS/NWGS involving Germany, France and Spain. However, it should be noted that PESCO is not the only form of collaboration with its former bloc partners. For example, in relation to France, it participates in the European Intervention Initiative (EI2) and the Lancaster House Treaties are still in force, having reached their tenth anniversary last year.⁶⁶ Another example would be the UK-led Expeditionary Force,⁶⁷ whose members have also decided to reinforce amidst the current situation with the ongoing war in Ukraine.⁶⁸

Furthermore, given the successive reforms of the British defence strategy⁶⁹, it is clear that it is in the UK's interest to maintain the national and industrial alliances forged over decades prior to its exit from the club and the entry into force of PESCO. Nevertheless, as stressed by Benjamin Martill and Monika Sus, “the failure of the UK and the EU to reach an agreement on security and defence is therefore puzzling” bearing in mind that a partnership made strategic sense for both sides.⁷⁰

In spite of the UK's current position, it is to be expected that in the medium and long term the special and also long-standing relationship between the continental and British defence industries – as well as shared interests –, will eventually prevail. This would make the UK a key partner and even a regular participant in future PESCO projects. Although in the short term the Johnson government's attitude, embodied in agreements such as AUKUS, will be a source of disagreement that will weigh down collaboration within the CSDP framework. Indeed, as Shea⁷¹ points out, the best antidote to Brexit is for the EU to continue to move forward with initiatives in the direction that the UK has opposed. Then, once it has seen that they work in practice, it can be brought back into the fold by adopting a more pragmatic approach.

⁶⁶ C Mills and B Smith, ‘End of Brexit transition: Implications for Defence and Foreign Policy Cooperation’ cit. 3 ff.

⁶⁷ Ministry of Defence, *Iceland Becomes 10th Nation to Join UK-led Joint Expeditionary Force* www.gov.uk.

⁶⁸ Prime Minister's Office, *Joint Expeditionary Force Leaders' Statement: 15 March 2022* www.gov.uk.

⁶⁹ CD Villanueva-López, ‘La Estrategia de Defensa Británica (1945-2021). Cómo ha cambiado la Estrategia de Defensa Británica en los últimos 75 Años’ (2021) *Ejércitos* www.revistaejercitos.com.

⁷⁰ B Martill and M Sus, ‘With or Without EU: Differentiated Integration and the Politics of Post-Brexit EU-UK Security Collaboration’ (2022) *European Papers* www.europeanpapers.eu 1287.

⁷¹ J Shea, ‘European Defence After Brexit: A Plus or a Minus?’ (2020) *European View* 88.

IV. STRATEGIC REVIEW 2020

Days after the adoption of the Decision on the participation of third States, the Council Conclusions on the Strategic Review of PESCO⁷² were published as a prelude to the launch of the second phase of the mechanism foreseen for the period 2021-2025. In other words, the main objective, as stated in the document itself, is for the Council to finalise the strategic review process undertaken by the participating Member States and to provide guidance for the next phase of PESCO.

These orientations address several aspects: overall purpose, key strategic objectives and processes associated with PESCO, and incentives to improve the implementation of the most binding commitments.

In relation to the latter, it is highlighted that pMS have decided that these should not be modified in the framework of the first Review. However, with the agreed guidelines for translating these more binding commitments into practice, the apparent *circular fallacy* of this document stands out. All to say nothing of the fact that the document in general comes across as an empty text, and the proof is in the pudding: "To better use PESCO projects to enhance pMS operational capacities and to support work towards the coherent FSFP [full spectrum force package], in line with the EU LoA and the PESCO notification".⁷³

In the same vein, it is stressed that "areas where improvement is needed and by working towards delivering tangible results" should be addressed based on the progress already achieved. It is also underlined that the Review "provided an opportunity for pMS to assess what has been achieved with regard to the fulfilment of the more binding commitments as well as projects at the end of the first initial phase (2018-2020)".⁷⁴

However, although the whole document revolves around these considerations, no concrete facts or figures are publicly provided. It could be understood that this opportunity has been provided to pMS by exchanging information and updating the degree of implementation of commitments through the common workspace -based on the European Defence Agency's Collaborative Database (CODABA)- and the PESCO Secretariat.

Accordingly, it is not enough to say that the EU must move forward and improve, but without setting out concrete guidelines because this is detrimental to accountability, the search for coherence and remains in a state of constant indeterminacy.

One of the most interesting aspects of the Review is undoubtedly the one devoted to "Incentives to improve follow-up and fulfilment of the more binding commitments",⁷⁵ as it is not specified how this could be articulated. One might wonder, for example, whether the pMS are thinking of a bonus system comparable to the one followed by many companies when they are awarded a contract with the administration at least in some Member States. In this way, if such companies are capable of delivering on time or even

⁷² Conclusions 13188/20 of the Council of 20 November 2020 on the PESCO Strategic Review 2020.

⁷³ *Ibid.* 6.

⁷⁴ *Ibid.* 4.

⁷⁵ *Ibid.* 9.

at a better cost, they receive a bonus stipulated in advance, which is a good incentive. Unfortunately, the text leaves a matter of the utmost importance up in the air.

Looking at the situation from the other side of the coin, it is also necessary to consider what happens if Member States repeatedly fail to comply with the most binding commitments and thus with the collective benchmarks. It is clear that, in cases such as Spain's, which is incapable of fulfilling its commitment to allocate two per cent of its GDP to defence, there is no punitive tool in the hands of the European institutions that could reverse a situation that could last forever. Despite the importance attached to the most binding commitments in official documents, the fact is that they are still dependent on the will of the Member States. In essence, the major handicap for the construction of a Europe of Defence.

In this sense, it is now possible to affirm that we are witnessing a new momentum for the CSDP and its different initiatives, although the important thing is what happens once the conflict ends. In other words, the question will be whether this political momentum will be maintained and whether it will comply with both the Versailles Declaration and the Strategic Compass to strengthen the EU's defence capabilities.⁷⁶

On the other hand, the link with CARD would be well covered in the Strategic Review and, moreover, directly in the agreed orientations for the next PESCO stage. More specifically, it is stated that capacity development initiatives will aim to address the gaps already identified in the first CARD results,⁷⁷ but also considering the need to comply with the EU's Capability Development Plan (CDP) and the related EU Capacity Development Priorities and High Impact Capability Goals.⁷⁸

Likewise, it should not be forgotten that the recently launched European Defence Fund must also be addressed in conjunction with PESCO and CARD as they should be understood as integral parts of a "*comprehensive defence package*" insofar as they are complementary and mutually reinforcing tools.⁷⁹ Hence, there must be a clear connection between CARD results, PESCO projects – both ongoing⁸⁰ and the fourth round to be adopted before the end of 2021 – and projects funded through the EDF.⁸¹ It is worth noting that on 30 June 2021, the first 26 projects to be funded under the European Defence Industrial Development Programme (EDIDP) – one of the two precursor programmes of the EDF – were announced. While the EDF is a success story for integration in European Defence,⁸² the EDF's potential as a factor that alters the game

⁷⁶ Strategic Compass 7371/22 cit. 30 ff.

⁷⁷ European Defence Agency, *2020 CARD Report* eda.europa.eu.

⁷⁸ Conclusions 13188/20 cit. 7.

⁷⁹ European External Action Service (EEAS), *Permanent Structured Cooperation (PESCO)* eeas.europa.eu.

⁸⁰ See Decision 2020/1746/CFSP of the Council of 20 November 2020 amending and updating Decision 2018/340/CFSP establishing the list of projects to be developed under PESCO; and European Defence Agency (EDA), *Pesco* pesco.europa.eu

⁸¹ The complete list of awarded projects is available at European Commission, Defence Industry and Space (DEFIS), *European Defence Industrial Development Programme (EDIDP)* ec.europa.eu.

⁸² L. Lonardo, 'Integration in European Defence: Some Legal Considerations' cit.

board shall be balanced against its financial constraints.⁸³ It might also be noted that within the European response, and in particular the Next Generation EU instrument, a total of 13.2 billion is allocated to joint security and defence items.⁸⁴

As regards the direct link between the EDF and PESCO, it lies primarily in the fact that PESCO projects could benefit from increased EU co-financing of up to 30 per cent for prototypes.⁸⁵ In this light, 50 per cent of the actions to be funded through EDIDP are related to PESCO projects⁸⁶ to safeguard coherence and maximise potential synergies. Furthermore, it should not be forgotten that since the arrival of the Commission led by Von der Leyen, the EU has a Directorate-General for Defence Industry and Space (DG DEFIS). In addition, it will be interesting to see how this is articulated together with new measures to facilitate industry's access to private finance within the European Investment Bank.⁸⁷

V. CONCLUSIONS

It is undeniable that Permanent Structured Cooperation has marked a turning point in the development of the Common Security and Defence Policy by establishing itself as a true facilitator in creating synergies between Member States.

In so doing, it has emerged as a real *game-changer* for promoting differentiated integration in the CSDP after Brexit. Especially because of its own configuration as a vector mechanism of maximum flexibility when it comes to cooperation. Moreover, all of this taking into account the brake that the United Kingdom represented when it came to making progress in defence matters.

In the same way, it has been confirmed that this form of institutionalised cooperation is a clear example of vertical differentiated integration, while horizontal differentiated integration can be controversial. It has also become clear that what is really relevant in PESCO is not so much its regulation, but its translation into practice. In other words, how the participating Member States implement what has been agreed and the possible divergences between them combined with their own idiosyncrasies. The best example could be explained by the group of four or frontrunners due to the role played by France, Italy, Germany and Spain. Similarly, it is also explained by the role of laggards such as Portugal or those countries that could be described -while remaining cautious- as disruptors. Such would be the case of Poland.

⁸³ R Csernaton, 'Challenges: Toward a European Defense Winter?' (11 June 2020) Carnegie Europe carnegieeurope.eu.

⁸⁴ See European Council, *Infographic on Multiannual financial framework 2021-2027 and Next Generation EU* www.consilium.europa.eu.

⁸⁵ European External Action Service (EEAS), *Permanent Structured Cooperation (PESCO)* cit.

⁸⁶ European External Action Service (EEAS), *Permanent Structured Cooperation: Remarks by the High Representative/Vice President J Borrell at the EP Plenary on the Recommendation concerning the Implementation and Governance of PESCO* www.eeas.europa.eu.

⁸⁷ Strategic Compass 7371/22 cit. 30 ff.

Nonetheless, despite their divergent national positions and interests, ambition, funding, geography and strategic culture, synergies have emerged in the form of 60 projects. The results will take time to be seen, but as stated throughout this article, PESCO is quantitatively a resounding success. As projects flourish, they are contributing precisely to defence integration by promoting the European technological and industrial base and a common defence market.

Furthermore, this is reinforced by the nature of the mechanism, which makes it act as a centripetal force projecting a pulling capacity on all possible actors involved. However, as has also been illustrated, industry occupies a central role in all this maze, which can become PESCO on certain occasions.

In this regard, there is no denying that the industrial and national alliances from which PESCO benefits today also draw on the leftovers of previous projects. Thus, it is to be expected that the partnerships that continue to deepen, as well as the new ones that will be forged, will lay part of the foundations on which to build the single defence market. Moreover, with the roles of CARD and the EDF in mind. However, it must also be said that PESCO is a real lifeline for some defence industries such as the Spanish one. In fact, without benefiting from European Defence Fund financing and without collaborating with other companies on the continent, they will find it increasingly difficult to compete in a global market dominated by a handful of industrial giants. All this, considering the window of opportunity – but also of risk – that is opening up as it is now possible for third States to participate in individual PESCO projects.

Finally, if the desired results are achieved by generating the capabilities that the European Union needs, not just its members, it will contribute to achieving the yet undefined strategic autonomy. To this end, and following Sweeney and Winn,⁸⁸ the rhetoric surrounding the commitment to achieve “strategic autonomy” derived from the EU's Global Security Strategy requires states to make a real strategic difference. Besides, in support of their thesis, it is not entirely clear that Member States genuinely seek to see the EU develop collective and strategic autonomy or that they wish to define common strategic interests. It is hoped that the objectives and prospects adopted and endorsed in the *Strategic Compass*, as well as the reflections surrounding the Conference on the Future of Europe will help in this regard.

Ultimately, everything will depend on PESCO's *raison d'être* as a *coalition-of-the-willing*. In the end, PESCO is and can continue to be a catalyst for the promotion of differentiated integration if the political enthusiasm and commitment, the maintenance and creation of new synergies, as well as the level of ambition in successive waves and implementation of projects can be maintained.

⁸⁸ S Sweeney and N Winn, ‘EU Security and Defence Cooperation in Times of Dissent: Analysing PESCO, the European Defence Fund and the European Intervention Initiative (EI2) in the Shadow of Brexit’ (2020) *Defence Studies* 224, 226.