

Differentiated integration within PESCO – clusters and convergence in EU defence

Steven Blockmans and Dylan Macchiarini Crosson

Abstract

Differentiation, or what some have called the ‘negative starting point’ of integration, has always been the norm in EU defence policy. Political leaders in the European Council are nevertheless mindful of the need to protect their citizens against security threats from within and outside the EU’s borders. For this reason, a package of defensive measures has been developed with remarkable speed since 2016. Permanent Structured Cooperation (PESCO) is the most prominent innovation in this field. Somewhat surprisingly, PESCO has produced the most inclusive expression of enhanced cooperation, even if it is the most flexible of the differentiated integration mechanisms provided by the Treaties. This is largely the result of a German push for inclusivity, which prevailed over a French desire for a higher level of ambition.

Driven by the European Defence Fund, PESCO has been touted as the formula to generate ‘positive differentiation’, or greater convergence in Europe’s defence sector. With varied clusters of member states lining up behind different types of projects, this report looks at the deeper forms of differentiated integration that are maturing below the Treaty level in EU defence. Is PESCO developing in the way that Germany envisaged or France wanted?

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1. Multi-layered differentiated integration

Differentiated integration in the EU has been the subject of academic theory for decades. Seen through a legal-institutional lens, the most notable examples of differentiated integration are either ‘opt-outs’¹ by a few member states from designated policy areas laid down in primary EU law, or the advance of a majority of them, in areas such as: the passport-free travel area of Schengen, the common currency eurozone and, more recently, Permanent Structured Cooperation (PESCO) in the area of defence. Special protocols either condition these forms of enhanced cooperation or address individual member states’ concerns by granting derogations from treaty obligations. The scope and content of those advances or derogations vary widely. In fact, primary-level cases constitute the most far-reaching forms of differentiated integration (Neve 2007, 505), in domains characterised by their proximity to the central functions of state: migration, money and security. Member states have been able to secure opt-outs from primary law as they have strong bargaining power in intergovernmental negotiations: EU treaty revision generally requires unanimous agreement and national ratification. That makes member state governments and parliaments veto players. Status quo countries² can be convinced to waive their veto by accepting opt-outs from policies they find too integrationist. If they cannot be convinced, the other member states need to conclude a treaty outside the EU treaty framework (Schimmelfennig 2018, 1158).

One level down, differentiated integration can be secured through the adoption of secondary legislation. This is the body of law that fleshes out the EU’s objectives enshrined in the framework treaties. Following a case-by-case logic and specific procedures laid down in the treaties (e.g. Article 46 TEU), secondary-level differentiation can be defined as a provision, often of a more technical nature, that formally exempts at least one member state from applying a legal rule otherwise valid for all EU member states (Duttie et al. 2017, 410). Legally binding acts such as EU regulations and decisions may exempt individual member states from applying them or individual provisions contained therein, or introduce special rules applied to an *avant garde* of a minimum of nine member states to establish enhanced cooperation in a non-exclusive competence area with the aim of furthering the objectives of the Union, protecting its interests and reinforcing its integration process (cf. Article 20(1) TEU and Articles

¹ These can be either complete opt-outs from policy fields or the right to opt-out on a case-by-case basis. Opting in from opt-out areas is also possible, when contractually agreed.

² Those countries that would rather not agree to attribute competences to the EU in designated fields.

326-335 TFEU). An example of the latter category would be the Council decision that lays down governance rules for states participating in PESCO,³ which leaves the possibility for further downstream differentiation.

Empirical realities in the realm of EU defence policy have so far not allowed for the development of sophisticated theories. Cooperation between clusters of member states in this field is best understood as ‘negative differentiation’.

Empirical realities in the realm of EU defence policy have so far not allowed for the development of sophisticated theories. Cooperation between clusters of member states in this field is best understood as ‘negative differentiation’: “a status quo that poses severe obstacles to integration – rather than a formula that allows for diverse experiences and approaches to facilitate integration (‘positive integration’)” (Howorth 2019). Differences between large

and small countries, nuclear/non-nuclear states, expeditionary and territorial armed forces, allies and neutrals, professional and conscript armies, big and small spenders, naval and land army states, and those with or without a defence industrial base have long prevented them from moving beyond the ‘negative starting point’ of differentiated integration.

And yet, in response to geopolitical shifts around the world, an increasingly volatile neighbourhood and the spectre of Brexit, great strides have been made to create a defence architecture for the European Union. A permanent headquarters for military operations has been set up, located within the European External Action Service (EEAS) in Brussels; the 22 member states that are also NATO allies pledged to increase defence spending to 2% of their GDP and to earmark 20% of that sum for investment in defence capabilities; a Coordinated Annual Review on Defence (CARD) mechanism now monitors the implementation of commitments on defence spending and capability development of member states; PESCO was formally launched in December 2017; and a €13bn European Defence Fund (EDF) has been proposed to stimulate the development of military capabilities. Given the ulterior aim of creating a single market and operationalising European capabilities to serve common strategic interests, can we observe any greater convergence between defence sectors that so far have been siloed?

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While it is too early to draw any definitive conclusions in this regard, especially since it takes years, if not decades, to develop and procure the most ambitious of platforms, this paper investigates both the potential and the limitations of positive differentiation in the area of defence.

With the launch of two waves of 17 projects in both 2017 and 2018 and a third wave of 13 projects in November 2019, we map secondary and tertiary-level differentiation in the field of

³ Cf. Council Decision (CFSP) 2018/909 of 25 June 2018 establishing a common set of governance rules for PESCO projects, O.J. 2018, L 161/37.

EU defence integration and ask what form it takes and with which resulting dynamics. Following a brief look at the origins of primary-level differentiation in EU defence integration (section 2), the report traces member states' actual participation in PESCO in an effort to establish whether positive differentiation is emerging between (clusters of) projects (section 3). It drills down within the projects to examine whether flexible arrangements in the governance of these projects are being applied (section 4).

2. Participation in PESCO

Article 42(6) TEU allows for the creation of a permanent structured cooperation between willing 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”. This provision encapsulates the *raison d'être* of PESCO: participating states commit to spend more, and more intelligently, on defence training, equipment and capabilities so that they are better able to conduct operations at the higher end of the military spectrum. On top of the entry criteria for PESCO laid down in Article 1 of Protocol No. 10, i.e. proceeding more intensively to develop defence capacities and having the capacity to supply troops and kit, Article 2 adds the following baseline commitments for continued participation in the structured framework:

- a) cooperating with a view to achieving higher levels of investment expenditure on defence equipment in the light of, inter alia, international (especially NATO) responsibilities;
- b) aligning the defence apparatus by identifying military needs, pooling and specialising capabilities, and encouraging cooperation in training and logistics;
- c) taking concrete measures to mobilise forces;
- d) reducing capability shortfalls and gaps; and
- e) participating in major joint or European equipment programmes in the framework of the European Defence Agency (EDA).

Despite early attempts by Belgium, Hungary and Poland in a 2010 non-paper of their trio presidency to outline thoughts on how cooperation might be made inclusive and effective (Biscop and Coelmont, 2011), and a written request by Italy and Spain to HR/VP Ashton in May 2011 to put PESCO on the agenda of the Foreign Affairs Council, it took until June 2016 for a High Representative to suggest in the EU Global Strategy that “[e]nhanced cooperation between Member States should be explored, and might lead to a more structured form of cooperation, making full use of the Lisbon Treaty’s potential”. The December 2016 European Council responded by tasking the HR and member states to present “elements and options for an inclusive Permanent Structured Cooperation based on a modular approach and outlining possible projects.”

Compared to other cases of enhanced cooperation that are built around one piece of legislation, PESCO establishes differentiated integration in an entire policy field; a microcosm in which secondary and tertiary level differentiation is taking shape.

Unlike the Common Security and Defence Policy (CSDP) writ large, which suffers from an opt-out by Denmark, EU defence integration in a narrower sense takes the unique form of enhanced cooperation between 25 member states (Denmark, Malta⁴ and the UK⁵ chose to stand aside). Compared to other cases of enhanced cooperation that are built around one piece of legislation,⁶ PESCO establishes differentiated integration

in an entire policy field;⁷ a microcosm in which secondary and tertiary level differentiation is taking shape.

Counterintuitively, PESCO has so far produced the most inclusive expression of enhanced cooperation.⁸ This is largely the result of a German push for inclusivity, which prevailed over a French desire for a higher level of ambition. But rather than presenting this as a binary choice to the other member states, Berlin and Paris agreed to compromise by applying a “modular approach”⁹ to enhanced cooperation in the field of defence (Blockmans, 2018).¹⁰ Paradoxically, this modular approach also serves as a permanent vehicle for opt-outs and exemptions in the area of defence. For PESCO to succeed, the key challenge, therefore, is “to develop a modus operandi [which is] flexible [enough]

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⁴ Malta invoked a constitutional commitment to neutrality and non-alignment but kept the door open for future participation depending on the course of implementation of PESCO (Lazarou and Friede, 2018, at 6).

⁵ Ibid.: “The UK welcomed the launch of PESCO and ‘its ambition to develop military capabilities that address the shortfalls in EU and NATO contexts’, as stated by the British Minister of State for Europe, Alain Duncan, in his answer to the House of Commons.”

⁶ So far, the general instrument of enhanced cooperation has been triggered only four times. See Council Regulation (EU) 2017/1939 of 12 Oct. 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor’s Office (“the EPPO”), O.J. 2017, L 283/1; Council Decision of 12 July 2010 authorising enhanced cooperation in the areas of the law applicable to divorce and legal separation, O.J. 2010, L 189/12; Council Decision of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, O.J. 2011, L 76/53; and Proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax, COM(2013)71 final (currently at a standstill). In all these cases, legislative proposals failed to obtain unanimous support for EU-wide implementation, with individual countries blocking the adoption of secondary legislation and sub-groups of member states forging ahead by way of enhanced cooperation.

⁷ Council Decision (CFSP) 2017/2315 of 11 Dec. 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States, O.J. 2017, L 331/57.

⁸ Prior to PESCO, the most inclusive of enhanced cooperative frameworks was the establishment of the EPPO by 16 member states, joined later by 4 more (Wolfstädter and Kreiling, 2017).

⁹ European Council Conclusions, EUCO 34/16, 15 Dec. 2016, para 11.

¹⁰ The Franco-German Defence and Security Council held on 13 July 2017 also agreed to several long-term bilateral defence projects, such as merging systems for land forces (KMW and Nexter), developing a new fighter jet and a joint successor model for the countries’ main battle tanks (Leopard 2 and Leclerc).

to manage diversity [and] solid [enough] to generate tangible collective gains” (Fiott, Missiroli and Tardy 2017, 53).

3. Emerging clusters in the development of PESCO projects

With Council Decisions (CFSP) 2017/2315, 2018/1797 and 2019/1909, the first, second and third waves of PESCO projects were respectively defined. It is within the scope of these secondary legal acts that one can observe a deeper form of differentiated defence integration. Council Decision (CFSP) 2017/2315 not only established the first list of projects but added the “more binding commitments”¹¹ to be undertaken by each PESCO participating state. Legally binding in nature, states are required to meet certain objectives, thus raising the bar from mere pledges. These 20 commitments are subdivided into five categories concerning: defence investment expenditure; harmonisation, capability specialisation and training/logistics cooperation; force availability, interoperability, flexibility and deployability; “Capability Development Mechanism” implementation; and equipment programme development through the EDA. Annual reporting by member states in the form of National Implementation Plans (NIPs) establish the extent to which member states believe they are meeting these 20 commitments. This secondary level of legal differentiation already gives rise to a set of interesting observations about the tension between levels of inclusivity and ambition regarding the projects. Furthermore, a narrative emerges that explains why some participating member states tend to collaborate with others.

3.1 Project differences

While the inclusivity debate on a PESCO-wide scale is more or less settled (if Malta does eventually join, then participation will be equal to that of CSDP post-Brexit), membership and observer status in the projects is in flux in at least three ways.

First, the possibility of third country participation is still under discussion. If and when agreed, then participation may increase. Secondly, the inaugural wave of 17 projects led to a total of 130 ‘participations’. That number then dropped to 66 in the second wave of projects and to 47 in the third wave.

This, combined with an expected decline in regularity of new project launches to every two years and the amount of time it takes to develop defence capabilities means that there will be a gradual slowing down in PESCO activity and, consequently, a potential downscaling of its management from the political to the technical level. And thirdly, the differences in participation extend to the project clusters as well as to country-pairings within projects belonging to different clusters.

While the inclusivity debate on a PESCO-wide scale is more or less settled, membership and observer status in the projects is in flux in at least three ways.

¹¹ See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017D2315&from=EN>.

Whereas the level of ambition described in the initial policy documents was maintained, the first batch of 17 PESCO-branded projects concerned mostly the implementation of off-the-shelf plans, i.e. existing EDA and NATO projects such as cooperation on a European secure software defined radio, upgrading maritime surveillance, creating a “deployable military disaster relief capability package” and setting up a “network of logistic hubs in Europe and support to operations”. Military mobility, the most ‘populated’ project (all PESCO states minus Ireland), is another example: developed within NATO and incorporated in the PESCO framework, the project has been referred to in the press as the “Schengen of defence” (Rettman, 2016). Yet, rather than creating a free-travel zone for European armies (or a visa-free travel area for third country troops, for that matter), the project merely aims to facilitate the cross-border movement of troops, services and goods (e.g. for military exercises) by harmonising rules (e.g. customs, dangerous goods, trans-European transport networks) and procedures between participating states.

Following the presentation of the inaugural series of projects, the question was raised whether projecting unity was more important to the architects of PESCO than using the single opportunity to activate a unique Treaty basis that would have allowed for greater ambition with a smaller group of states whose military capabilities fulfil higher criteria (Blockmans, 2018). But the publication of the second wave of 17 projects did show an increased level of ambition. Perceived shortfalls in

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the selection of the initial projects were partially corrected with the addition of projects on a European Medium Altitude Long Endurance Remotely Piloted Aircraft Systems (MALE RPAS) and the European TIGER Mark III Attack Helicopter.¹² In this sense, the original French push for smaller groups with stronger military capabilities that fulfil higher criteria to meet the “more binding commitments” may have led participating states to be more selective about joining projects. Then again, the halving of project participation in round two may also have been due to the reluctance of states to invest in more costly projects and/or to push ahead overzealously due to as-of-yet untested reporting mechanisms and internal project arrangements.

Comparing rounds, there are significant differences vis-à-vis overall participation. Czechia and France saw the greatest increase in PESCO participation between the first two waves. After the third wave, Romania, Hungary and Sweden increased their PESCO participation markedly. Whereas Germany and Italy have tempered their initial enthusiasm, France increased its project leaderships from two in December 2017 to ten at the end of 2019 (see Table 1).

¹² Other ambitious projects on a potential EU defence to-do list are those related to a future EU combat aircraft system, such as a sixth-generation combat aircraft.

Table 1. PESCO participation and leadership by member state

Member state	FR	IT	ES	DE	EL	RO	BE	NL	PT	PL	HU	CZ	CY	SE	SK	AT	HR	BG	FI	SI	LU	EE	LT	LV	IE
Number of 1st wave PESCO projects	8	16	11	7	9	5	6	7	6	6	4	3	5	3	5	4	5	3	3	2	3	2	3	2	2
Number of 2nd wave PESCO projects	12	6	6	7	5	2	4	2	1	2	2	5	3	1	1	2	1	1	1	1	0	1	0	0	0
Number of 3rd wave PESCO projects	10	4	7	2	0	5	1	2	3	2	4	1	0	3	0	0	0	1	1	1	0	0	0	0	0
Total number of projects	30	26	24	16	14	12	11	11	10	10	10	9	8	7	6	6	6	5	5	4	3	3	3	2	2
% increase in PESCO participation from 1st to 2nd wave	60%	27%	35%	50%	36%	29%	40%	22%	14%	25%	33%	63%	38%	25%	17%	33%	17%	25%	25%	33%	0%	33%	0%	0%	0%
% increase in PESCO participation from 2nd to 3rd wave	33%	15%	29%	13%	0%	42%	9%	18%	30%	20%	40%	11%	0%	43%	0%	0%	0%	20%	20%	25%	0%	0%	0%	0%	0%
Number of 1st wave project leaderships	2	4	1	4	2	0	1	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0
Number of 2nd wave project leaderships	5	3	0	2	3	0	0	0	0	0	0	1	0	0*	0	1	0	1	0	0	0	1	0	0	0
Number of 3rd wave project leaderships	3	2	1	1	0	2	0	0	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total leaderships	10	9	2	7	5	2	1	1	2	1	1	1	0	0*	1	1	0	1	0	0	0	1	1	0	0
% increase in PESCO leaderships from 1st to 2nd wave	250%	75%	0%	50%	150%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	100%	0%	100%	0%	0%	0%	100%	0%	0%	0%
% increase in PESCO leaderships from 2nd to 3rd wave	43%	29%	100%	17%	0%	200%	0%	0%	200%	100%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%
*Sweden co-leads one project with France																									

Least participation or participation growth

Most participation or participation growth

Source: authors' formulation.

Comparing rounds, there are significant differences vis-à-vis overall participation. Czechia and France saw the greatest increase in PESCO participation between the first two waves. After the third wave, Romania, Hungary and Sweden increased their PESCO participation markedly. Whereas Germany and Italy have tempered their initial enthusiasm, France increased its project leaderships from two in December 2017 to ten at the end of 2019 (see Table 1).

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Figures 1 and 2 show the differences regarding inclusivity in concrete terms. They depict the most ‘participated’ PESCO projects and the most active participating states for the first three waves respectively. From a visual standpoint, while the first wave resembles a fairly well-balanced constellation, the second and third waves wave resemble a hub-and-spoke, with France calling the shots in less populated projects in

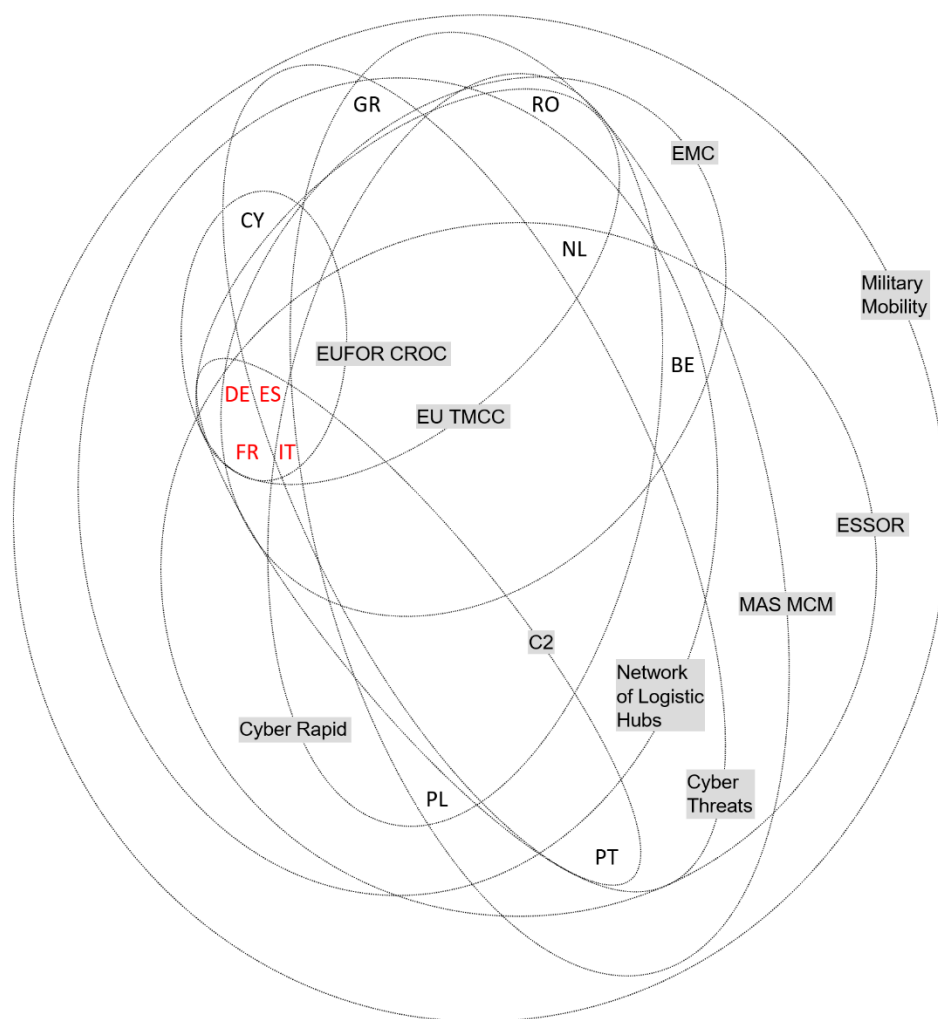
both cases. This is not to say that, in the future, participation won’t vary. Between the first and second wave Poland joined three first-wave projects, while Spain, Portugal, Estonia and France joined one each and Cyprus withdrew from a project.¹³ After the second wave was announced, there were further changes in participation: Portugal withdrew from a project and joined another, Latvia withdrew from a project, and Italy, Luxembourg, Lithuania, Austria and Poland each joined a project.¹⁴ In successive waves projects could merge or disappear altogether, depending on the level of implementation, member state commitment and synergies developed with other projects. Indeed, if upward convergence is the objective, then projects should gradually fill up and hub-and-spoke diagrams should begin to resemble constellations.

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¹³ Poland: Network of Logistic Hubs in Europe and Support to Operations, Maritime (semi) Autonomous Systems for Mine Countermeasures, Cyber Rapid Response Teams and Mutual Assistance in Cyber Security; Spain: European Secure Software defined Radio; Portugal joined and Cyprus withdrew from the EU Training Mission Competence Centre; Estonia: Rapid Response Teams and Mutual Assistance in Cyber Security; France: Strategic Command and Control System for CSDP Missions and Operations.

¹⁴ Portugal: withdrew from the EU Training Mission Competence Centre and joined Geospatial, Meteorological and Oceanographic Support Coordination Element; Latvia: Integrated Unmanned Ground System; Italy: Cyber Rapid Response Teams and Mutual Assistance in Cyber Security; Luxembourg: Strategic Command and Control System for CSDP Missions and Operations; Lithuania: Network of Logistic Hubs in Europe and Support to Operations; Austria: Geospatial, Meteorological and Oceanographic Support Coordination Element; Poland: EU Radio Navigation Solution.

Figure 1. First round of PESCO projects

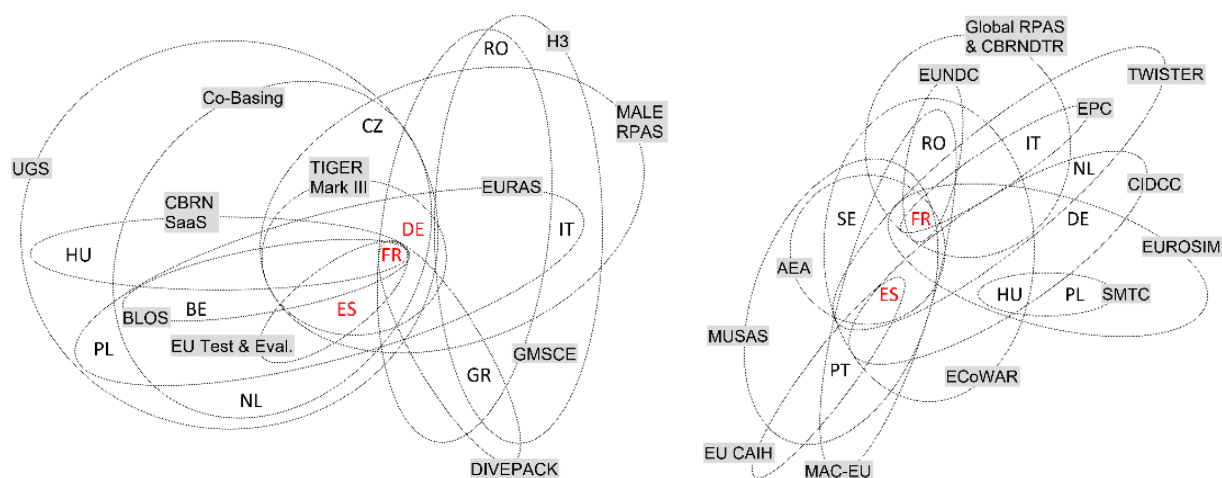


Note: This diagram is a cross-section of the number of projects per country and the number of countries per project from the first wave of projects. The resulting table was restricted four times, gradually eliminating the least active states and least populated projects. The diagram thus displays the most participated projects by the most participating states. 11 member states and 10 projects are depicted. Spain, Italy, France and Germany form the core with Romania, Poland, Portugal, the Netherlands, Belgium, Cyprus and Greece participating in fewer well-populated projects, in a snapshot of PESCO projects in November 2019. This is important because project membership has changed since the launch of PESCO.

Source: authors' formulation.

While in the first wave of projects there are on average 7.6 participating states per project, the second wave averages out at about 3.9 participating states and the third wave average is 3.6 participating states. Eight out of 17 projects in the first wave have up to five participating states, whereas 14 of 17 second wave projects and 12 of 13 third wave projects are bilateral, trilateral or minilateral in nature. Finally, while the first wave of projects includes all 25 PESCO member states, this number falls to 21 in the second round and to just 15 in the most recent wave. The trend, therefore, is for project participation to become more exclusive.

Figure 2. Second and third rounds of PESCO projects



Note: This diagram is a cross-section of the number of projects per country and the number of countries per project from the second wave of projects. The resulting table was restricted 3 times, gradually eliminating the least active member states and least populated projects. The diagram on the left thus displays the most participated projects by the most participating member states in the second round. 11 member states and 11 projects are depicted. France, Spain and Germany form the core with Belgium, Greece, Italy, Czechia, Hungary, Romania, the Netherlands and Poland participating in fewer well-populated projects. The diagram on the right thus displays the most populated projects by the most participating member states in the third round. Nine member states and 12 projects are depicted. France and Spain form the core with Romania, Italy, Hungary, Portugal, Sweden, Poland, the Netherlands, and Germany participating in fewer well-populated projects. State of PESCO projects, November 2019.

Source: authors' formulation.

Among the three project rounds there are also differences regarding the thematic scope of the PESCO projects, which provides an additional layer to secondary-level differentiated integration in EU defence. The projects are divided into the following 'clusters': training and facilities; land and formations systems; maritime; air systems; enabling and joint capabilities; cyber capabilities; and space systems. In the first wave, the maritime, enabling and joint capabilities and cyber capabilities project clusters are predominant. While enabling and joint capabilities are still prevalent in the second wave, air systems, land and formations systems and training facilities gained traction. Air systems and space capabilities projects, previously not included in the first wave, saw the greatest increase in number of projects, as did training and facilities. In the third wave, there were significant changes to the training and facilities cluster, which doubled in size, and the enabling and joint capabilities cluster, in which the number of projects increased from seven to eleven.

Digging deeper into the differences between the inclusivity of projects clusters, it is interesting to observe the PESCO projects characterised by bilateral, trilateral and minilateral cooperation (as opposed to the larger German-model projects). Specifically, these smaller projects are much more prevalent in the air systems, space capabilities and maritime capabilities project clusters – and could be considered as more ambitious.

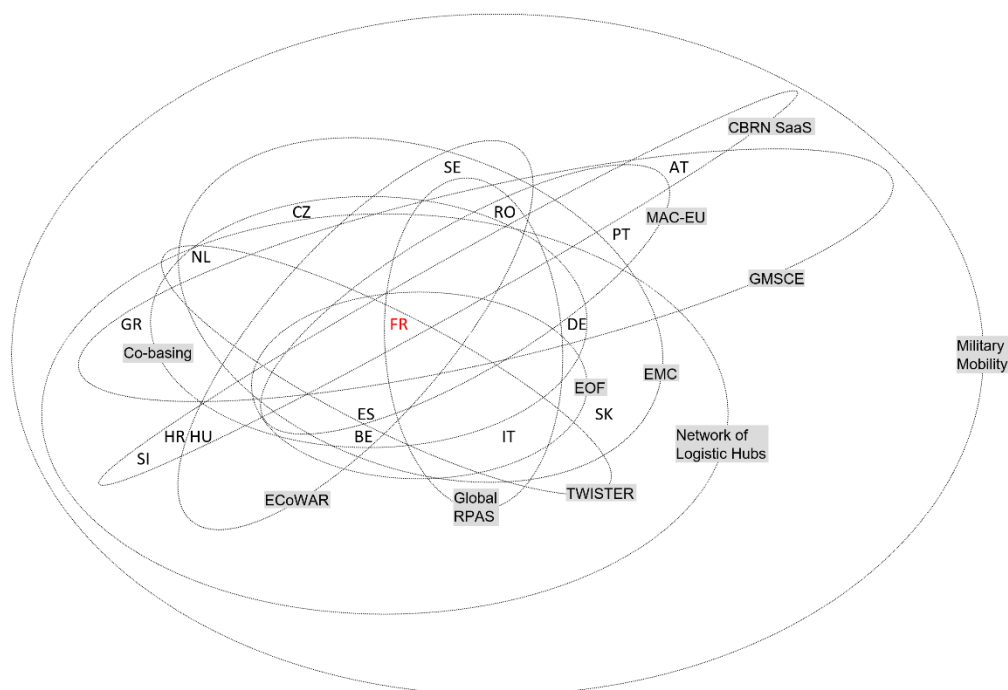
Table 2. Bilateral/trilateral PESCO projects

	Led by one of the big four	Led by a smaller member state
Only with big four participating member states	<ul style="list-style-type: none"> • TIGER Mark III (FR, DE, ES) • European High Atmosphere Airship Platform - Persistent ISR Capability (IT, FR) • European Military Space Surveillance Awareness Network (IT, FR) • European Patrol Corvette (IT, FR) 	<ul style="list-style-type: none"> • Electronic Warfare Capability and Interoperability Programme for Future JISR (CZ, DE) • EU Cyber Academia and Innovation Hub (PT, ES) • CBRN Defence Training Range (RO, FR, IT)
With smaller participating member states as well	<ul style="list-style-type: none"> • EU Beyond Line of Sight Land Battlefield Missile Systems (FR, BE, CY) • European Training Certification Centre for European Armies (IT, GR) • Armoured Infantry Fighting Vehicle/Amphibious Assault Vehicle/Light Armoured Vehicle (IT, GR, SK) • Counter Unmanned Aerial System (IT, CZ) • Airborne Electronic Attack (ES, FR, SE) • European Global RPAS Insertion Architecture System (IT, FR, RO) 	<ul style="list-style-type: none"> • Indirect Fire Support (EuroArtillery) (SK, IT, HU) • Joint EU Intelligence School (GR, CY) • One Deployable Special Operations Forces Tactical Command and Control Command Post for Small Joint Operations (GR, CY) • Helicopter Hot and High Training (GR, IT, RO) • Deployable Modular Underwater Intervention Capability Package (BL, GR, FR) • EU Network of Diving Centres (RO, BL, FR)

Source: authors' formulation.

Taking all projects into consideration, there are differences regarding project cluster participation. Yet again the constellation vs. hub-and-spoke comparison holds. The larger, more populated project clusters such as land formations and systems and enabling/joint capabilities follow the German model, while smaller project clusters such as maritime capabilities are less joined up. In Figures 3 and 4 these differences are apparent. Furthermore, in figures 5 and 6 one can observe that for certain clusters there is a tendency to create silo formations, such as in air systems and space capabilities, perhaps due to the higher level of ambition of those projects. Unlike the constellation vs. hub-and-spoke difference between the first and second wave, it is harder to envisage the projects filling up along the lines of the silo diagrams (in figures 1 and 2) due to the financial commitments inherent in developing the necessary technology and industrial prowess for those systems.

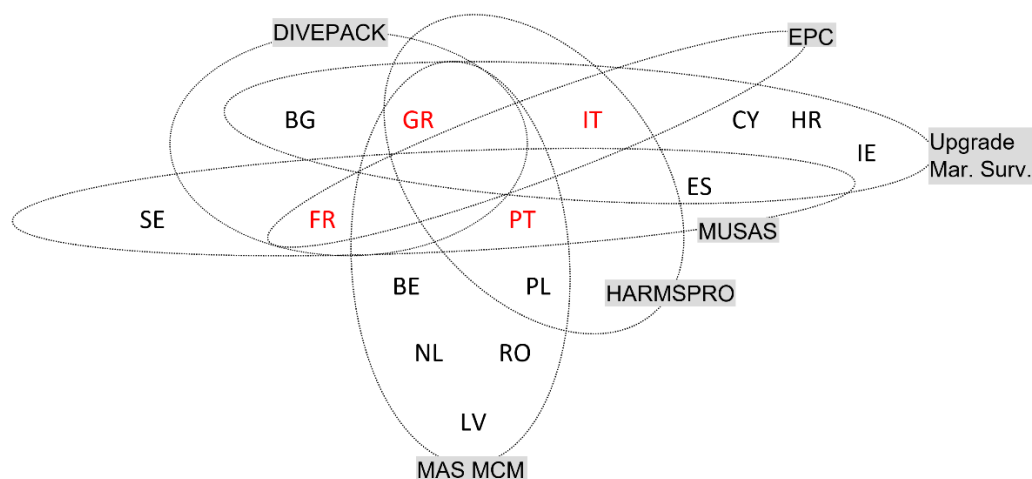
Figure 3. Enabling, Joint Capabilities



Note: This diagram maps the project and participating states for the Enabling/Joint capabilities project cluster. 16 member states and 11 projects are depicted. France forms the core with Spain, Italy, Romania, Belgium, the Netherlands, Germany, Hungary, Portugal, Austria, Croatia, Slovenia, the Czech Republic, Greece, Spain and Slovakia participating in fewer projects, according to a snapshot of PESCO projects in November 2019.

Source: authors' formulation.

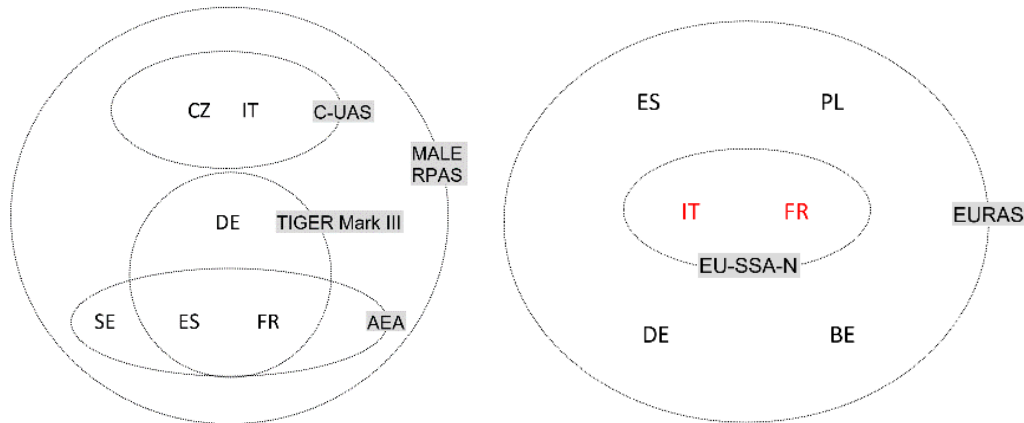
Figure 4. Maritime capabilities



Note: This diagram maps the projects and participating states for the Maritime capabilities project cluster. 15 member states and six projects are depicted. Greece, France, Italy and Portugal form the core of the participating member states, with Bulgaria, Poland, Spain, Sweden, Romania, Belgium, the Netherlands, Latvia, Cyprus, Croatia and Ireland participating in fewer projects. State of PESCO projects November 2019.

Source: authors' formulation.

Figure 5. Air systems and space capabilities



Note: These diagrams map the projects and participating states for the Air systems (left) and Space capabilities (right) project clusters. Six member states and four projects are depicted on the left and six member states and two projects are depicted on the right. While there is no core group of participating member states in the air systems project cluster, Italy and France form the core of the space capabilities projects. State of PESCO projects November 2019.

Source: authors' formulation.

There are also interesting observations to be made about cooperation between certain member states. The chart below lists the PESCO states in order of the number of collaborations they have with each of the other member states. It then depicts the percentage of collaboration with each of the other participating states out of their total participations. For example, while it is true that Italy and Spain collaborate the most on projects, in percentage terms, their collaboration on projects is just as strong as that between Italy and Germany.

The potential for differentiated integration does not stop here. Future research threads could compare the results achieved under the Capability Development Plans (CDP) with those under the common set of 74 proposals for the implementation of the EU-NATO joint declarations made in Warsaw and Brussels. This exercise could establish how far there is complementarity between the PESCO projects and NATO's objectives.¹⁵ A further categorisation of each PESCO project could then be derived, which would be useful in classifying the priority each project should receive when applying for funding from the European Defence Fund.

¹⁵ From a legal standpoint, this research could also examine similarities and differences between NATO programme Memorandums of Understanding and the PESCO Letters of Reference/project arrangements (See below, section 4).

Table 3. Percentage of cooperation between PESCO participating member states, by number of bilateral collaborations per state

	France	Spain	Italy	Germany	Netherlands	Belgium	Poland	Greece	Romania	Hungary	Czech Republic	Portugal	Croatia	Cyprus	Sweden	Slovakia	Austria	Finland	Bulgaria	Slovenia	Lithuania	Estonia	Luxembourg	Latvia	Ireland
France		61%	52%	32%	26%	32%	19%	13%	29%	13%	19%	19%	10%	13%	23%	13%	13%	10%	13%	13%	10%	6%	10%	3%	3%
Spain	76%		56%	48%	36%	36%	20%	20%	20%	20%	28%	28%	16%	20%	28%	16%	16%	16%	12%	8%	12%	4%	12%	4%	8%
Italy	62%	54%		50%	27%	23%	23%	35%	31%	15%	19%	19%	19%	19%	12%	19%	15%	15%	12%	8%	15%	8%	12%	4%	8%
Germany	67%	80%	87%		53%	40%	40%	20%	27%	27%	53%	27%	13%	20%	20%	20%	20%	27%	13%	20%	20%	13%	20%	7%	7%
Netherlands	73%	82%	64%	73%		64%	55%	27%	36%	27%	55%	27%	27%	18%	27%	27%	18%	45%	18%	18%	36%	27%	18%	18%	9%
Belgium	91%	82%	55%	55%	64%		55%	27%	36%	36%	36%	27%	18%	27%	27%	27%	9%	27%	18%	18%	27%	18%	9%	18%	0%
Poland	60%	50%	60%	60%	60%	60%		40%	20%	40%	20%	40%	30%	20%	10%	20%	10%	40%	20%	30%	40%	30%	10%	20%	0%
Greece	29%	36%	64%	21%	21%	21%	29%		29%	21%	7%	36%	29%	43%	7%	21%	29%	7%	29%	14%	21%	7%	7%	14%	7%
Romania	75%	42%	67%	33%	33%	33%	17%	33%		17%	25%	33%	25%	8%	33%	17%	25%	17%	17%	8%	17%	17%	17%	17%	8%
Hungary	44%	56%	44%	44%	33%	44%	44%	33%	22%		33%	22%	33%	33%	22%	33%	33%	22%	22%	44%	33%	22%	11%	11%	0%
Czech Republic	67%	78%	56%	89%	67%	44%	22%	11%	33%	33%		11%	11%	11%	33%	22%	22%	22%	11%	11%	11%	22%	22%	11%	11%
Portugal	60%	70%	50%	40%	30%	30%	40%	50%	40%	20%	10%		10%	20%	20%	10%	30%	30%	10%	10%	10%	10%	20%	20%	0%
Croatia	50%	67%	83%	33%	50%	33%	50%	67%	50%	50%	17%	17%		50%	17%	50%	50%	33%	50%	50%	67%	33%	17%	17%	17%
Cyprus	50%	63%	63%	38%	25%	38%	25%	75%	13%	38%	13%	25%	38%		13%	25%	25%	13%	38%	25%	38%	13%	13%	13%	13%
Sweden	100%	100%	43%	43%	43%	43%	14%	14%	57%	29%	43%	29%	14%	14%		29%	29%	14%	14%	29%	14%	14%	29%	14%	14%
Slovakia	67%	67%	83%	50%	50%	50%	33%	50%	33%	50%	33%	17%	50%	33%	33%		17%	17%	33%	33%	50%	17%	17%	17%	0%
Austria	67%	67%	67%	50%	33%	17%	17%	67%	50%	50%	33%	50%	50%	33%	33%	17%		17%	17%	33%	17%	17%	33%	17%	17%
Finland	60%	80%	80%	80%	100%	60%	80%	20%	40%	40%	40%	60%	40%	20%	20%	20%	20%		20%	20%	40%	60%	20%	20%	0%
Bulgaria	80%	60%	60%	40%	40%	40%	40%	80%	40%	40%	20%	20%	60%	60%	20%	40%	20%	20%		40%	60%	20%	20%	20%	20%
Slovenia	100%	50%	50%	75%	50%	50%	75%	50%	25%	100%	25%	25%	75%	50%	50%	50%	50%	25%	50%		50%	25%	25%	25%	0%
Lithuania	67%	67%	67%	67%	100%	67%	100%	67%	67%	67%	33%	33%	100%	67%	33%	67%	33%	67%	67%	33%		67%	33%	33%	0%
Estonia	67%	33%	67%	67%	100%	67%	100%	33%	67%	67%	67%	33%	67%	33%	33%	33%	33%	100%	33%	33%	67%		33%	33%	0%
Luxembourg	100%	100%	100%	100%	67%	33%	33%	33%	67%	33%	67%	67%	33%	33%	67%	33%	67%	33%	33%	33%	33%	33%		33%	33%
Latvia	50%	50%	50%	50%	100%	100%	100%	100%	100%	50%	50%	100%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		0%
Ireland	50%	100%	100%	50%	50%	0%	0%	50%	50%	0%	50%	0%	50%	50%	50%	0%	50%	0%	50%	0%	0%	0%	50%	0%	
Number of partnerships	141	140	136	111	98	89	79	77	76	67	66	64	61	58	55	54	52	52	48	46	44	38	38	29	16
Avg. number of partners per project	4.5	5.6	5.2	7.4	8.9	8.1	7.9	5.5	6.3	7.4	7.3	6.4	10.2	7.3	7.9	9.0	8.7	10.4	9.6	11.5	14.7	12.7	12.7	14.5	8.0

Lowest % of bilateral collaboration

Highest % of bilateral collaboration

Source: authors' formulation.

So far, PESCO revolves around ‘old’ Europe, which has a higher rate of participation. As a result, the Central and East European member states collaborate more with their counterparts in the West, although, on average, they tend to collaborate among themselves to a greater extent

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than West European countries do.¹⁶ The geographical balance of each PESCO project could also be considered in the allocation of EDF funding. The ‘three companies from three countries’ standard, along with the nascent practice that two countries jointly formulate proposals for forthcoming projects, is far too low a bar to ensure geographical balance. This all but guarantees a perpetuation

of uneven competition in the single defence market. Together with the observations made above, we might ask: What factors lead to the formation of certain forms of cooperation between member states in the projects of the first three waves, the project clusters, and the individual projects?

3.2 Explaining cooperation

Cooperation (or non-cooperation) naturally stems from factors that unite (or divide) certain member states. For PESCO, these factors are primarily structural and economic in nature.¹⁷ Firstly, it is intuitive to examine the factors that bring certain member states together within PESCO through an industrial lens. By comparing the share of the average value of PESCO participating states’ arms export licences from 2012-17, the average share of PESCO state-owned or transnational corporations in the SIPRI Top 100 of total arms sales worldwide from 2012 to 2017, the average defence expenditures per member state from 2012-17 and the amount of active military personnel in 2019, one can observe that four PESCO participating states are the defence frontrunners: France, Italy, Germany and Spain (Table 4), with Poland, Greece and Belgium in a second tier. In 9 of the 47 PESCO projects, all four of these member states are present and three of them are all members in an additional five projects.¹⁸

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¹⁶ On average, pre-2004 EU member states have on average 4.3 project collaborations with other pre-2004 enlargement member states, while only 2.7 project collaborations with the newest post-2004 enlargement member states. On the other hand, the post-2004 enlargement member states have on average 2.6 project collaborations with pre-2004 enlargement member states and 2.1 project collaborations among themselves.

¹⁷ Other factors could be considered such as the strength of ties as expounded upon by ECFRs’ Coalition Explorer. However, this data primarily relies on perceptions.

¹⁸ Of note, there are only three projects in which none of the big four is present. These are: Maritime (semi-) Autonomous Systems for Mine Countermeasures (Belgium, Greece, Latvia, Netherlands, Poland, Portugal, Romania), the Joint EU Intelligence School (Greece, Cyprus), and One Deployable Special Operations Force (SOF) Tactical Command and Control (C2) Command Post (CP) for Small Joint Operations (SJO) – (SOCC) for SJO (Greece, Cyprus).

Smaller projects in which three or all of the big four are present are those which, according to the data currently available, might reward the national defence technological and industrial base (NDTIBs) of the big four. Examples of these include the natural heirs of off-the-shelf Organisation for Joint Armament Cooperation (OCCAR) projects such as ESSOR (Leonardo), European Attack Helicopters TIGER Mark III (Airbus) and the MALE RPAS Eurodrone project (Airbus, Leonardo, Dassault Aviation and Aero Vodochody). This could indicate that the financial incentives, in the form of a 10% co-financing bonus offered by the future EDF may, at times, be the sole reason for projects born outside of the PESCO framework to join. This could hold true as well for projects in which any of the big four are collaborating on a bilateral or trilateral basis with smaller member states such as the EU Beyond Line of Sight Land Battlefield Missile Systems (to be based on the Airbus, BAE, Leonardo conglomerate MBDA's MMP land combat missile system) or the Armoured Infantry Fighting Vehicle/Amphibious Assault Vehicle/Light Armoured Vehicle project (all of these are state-of-the-art Iveco products). In these cases, increased cooperation, as highlighted on the left side of Table 1 (see above), could be explained by certain member states' willingness to tap into the expertise and resources made available by the largest multinational corporations in the defence industry.

The trend of looking toward each member state's National Defence Technological and Industrial Base (NDTIB) is confirmed by the companies involved in some of the trial-run projects under the Preparatory Action for Defence Research, an EDF trial experiment under the current multi-annual financial framework: OCEAN2020 and the Generic Open Soldier Systems Reference Architecture (GOSSRA) projects involve industrial partners such as Leonardo, MBDA, Fincantieri, Saab, Rheinmetall and PGZ, i.e. all corporations in the SIPRI Top 100 of total arms sales worldwide. On the other hand, the projects in which all of the big four are present and have the output goal of stimulating coordination, harmonising standards, and jointly defining operational frameworks (instead of industrial production), tend to be larger. Examples of these are the Military Mobility, the Network of Logistic Hubs in Europe and Support to Operations, the European Military Command and Co-basing projects.

Table 4. European Defence Technological and Industrial Base and Expenditures

	Avg. Share of Total Value of EU Arms Export Licences 2012-2017	Avg. Share of Arms Sales by EU MNCs in the SIPRI Top 100 2012-2017	Avg. Military expenditure by country according to IISS, in millions of \$US at current prices and exchange rates, 2012-2017	2019 active military personnel
Austria	3.2%		3068.5	21200
Belgium	2.1%		4770.7	26550
Bulgaria	0.9%		797.2	31300
Croatia	0.7%		843.1	15200

Cyprus	0.0%*		356.3	15000
Czech Republic	0.6%		2034.1	23200
Estonia	0.0%		487.8	6600
Finland	0.4%	0.3%	3722.3	21500
France	60.6%	29.8%	59864.0	203900
Germany	8.8%	9.0%	44213.0	179400
Greece	0.2%*		5329.5	142350
Hungary	0.8%		1282.7	27800
Ireland	0.1%		1095.0	9500
Italy	6.6%	23.7%	26850.2	171050
Latvia	0.0%		339.0	6210
Lithuania	0.0%		504.9	19850
Luxembourg	0.0%		278.3	900
Netherlands	1.8%		9714.6	35400
Poland	1.4%	1.6%	9642.6	117800
Portugal	0.2%		3959.0	27200
Romania	0.4%		2682.3	69300
Slovakia	0.2%		1004.0	15850
Slovenia	0.0%		476.7	7250
Spain	9.5%	1.0%	16421.5	120350
Sweden	2.0%	4.2%	5944.9	29750
		30.3%**		

The top six member states per category are in **bold**.

* Incomplete member state data due to absent national reporting to European institutions.

** Trans-European (Airbus, MBDA)

Source: SIPRI Databases (<https://www.sipri.org/databases>), IISS Military Balance 2019 and own calculations.

Another way of explaining cooperation between participating states (also outside of the big four) is to examine previous frameworks for bi-, tri-, and minilateral defence cooperation in Europe. Distinctions should be made between operational and capabilities-oriented cooperation, and among different forms of operational cooperation, i.e. those that are multi-sectoral and those that are limited to one sector only. In doing so, forms of cooperation as spin-offs of NATO, such as the Joint Expeditionary Force, created at the 2014 NATO Wales Summit, or the broader concept of EU pooling and sharing, are left out. Table 5 below presents an overview of the first type of cooperation, i.e. multi-sectoral and involving operational elements.

Table 5. Multi-sectoral and operational defence cooperation in Europe¹⁹

Cooperation Format	Member States
Lancaster House Treaties	France and non-PESCO UK
Élysée/Aachen Treaties	France and Germany
Nordic Defence Cooperation (NORDEFco)	Sweden, Finland and non-PESCO Denmark, along with non-EU Norway and Iceland
Visegrád 4	Poland, Hungary, Czech Republic and Slovakia
Benelux Defence Cooperation (2012 Declaration to further defence cooperation)	Belgium, Netherlands and Luxembourg
Baltic Defence Cooperation	Estonia, Latvia and Lithuania
Central European Defence Cooperation	Hungary, Czech Republic, Slovakia, Austria, Croatia and Slovenia (with Poland as an observer)

Source: authors' formulation.

¹⁹ Treaty between the United Kingdom of Great Britain and Northern Ireland and the French Republic for Defence and Security Co-operation, Articles 1-2, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/238153/8174.pdf

Franco-German Treaty of Aachen, Article 4, <https://www.diplomatie.gouv.fr/en/country-files/germany/france-and-germany/franco-german-treaty-of-aachen/>

Nordic Defence Cooperation Memorandum of Understanding, Section 1, <http://www.nordefco.org/Files/nordefco-mou.pdf>

Long Term Vision of the Visegrád Countries on Deepening their Defence Cooperation, political declaration, Point 1, <http://www.visegradgroup.eu/about/cooperation/defence>

Central European Defence Cooperation, unable to find the 2012 “light institutionalisation” agreed to in May 2015 in Brdo, Slovenia, as referenced by the current paper in Section 4: <https://webapp.uibk.ac.at/ojs/index.php/OEZP/article/view/1610/1295>

Joint Communiqué of the Baltic Defence Cooperation Ministerial Committee, Point 4, https://kam.lt/en/news_1098/current_issues/baltic_defence_ministers_agreed_on_mutual_positions_on_aspects_of_the_nato_deterrence_and_defence_measures_at_the_meeting_in_tartu.html. We were unable to retrieve the constituent document of the Central European Defence Cooperation. Academic papers are sceptical of its utility (Lang and Schwarzer 2011). See https://www.files.ethz.ch/isn/134241/2011C30_ing_swd_ks.pdf.

These forms of cooperation concern both operations and acquisition of capabilities. The 2010 Lancaster House Treaties for Defence and Security Co-operation, the 2019 Franco-German Treaty of Aachen marking 56 years from the Élysée Treaty, the NORDEFCO Memorandum of Understanding, the Long Term Vision of the Visegrád Countries on Deepening their Defence Cooperation, and the 2012 Benelux Declaration on Defence Cooperation formally structure cooperation between the parties to those agreements. Baltic Defence Cooperation is not formally structured in one document yet is still multi-sectoral in nature. Other forms of bi-, tri-, and minilateral defence cooperation do exist, however. Examples include BeNeSam Naval Cooperation between Belgium and the Netherlands, Polish-German Submarine Cooperation, and Dutch-German Battalion and Air Force Cooperation, all operational in nature but limited in scope. Finally, on the acquisition side of things, France, Italy, Spain, Belgium, Germany, and the non-PESCO United Kingdom are all full members of OCCAR. This organisation has the objective of facilitating joint production and procurement programmes for defence equipment. The Netherlands, Poland, Lithuania, Sweden, Finland and (for now) EU accession country Turkey are observers and participate in a limited number of these projects.

These pre-existing forms of bi-, tri-, and minilateral cooperation in Europe only explain PESCO cooperation to a certain extent. Benelux cooperation and Baltic cooperation remain strong in PESCO, whereas Franco-German, Nordic and Visegrád cooperation is surprisingly low. In the Franco-German case this could be due to their different views on how PESCO should be run, reflective of increasing tensions between the two sides of the Rhine since the beginning of Emmanuel Macron's presidency. Finland and Sweden, the only PESCO participating states in NORDEFCO, have different preferences vis-a-vis partners, with Finland preferring to cooperate with the German-Dutch-Polish axis and Sweden choosing France and Spain as its preferred partners. This could be seen through a European Intervention Initiative (EI2) lens (Zandee and Kruijver, 2019). Sweden, not a member of this France-led initiative to develop a common strategic culture in Europe, may want to keep strong ties to its French counterparts, whereas Finland, a member of EI2, would prefer to strengthen its relationship with the more reluctant Germany,²⁰ followed in this case by Poland and the Netherlands, with which it shares staunch support for a leading role for NATO in providing for Europe's collective security. As for the Visegrád countries, Poland prefers to partner with the Dutch, Czechia with Germany, and Hungary and Slovakia with Italy. This raises the question of whether these seemingly unexpected partnerships are born out of natural

Pre-existing forms of bi-, tri-, and minilateral cooperation in Europe only explain PESCO cooperation to a certain extent.

²⁰ German participation in the EI2 could be seen as a way to control the French initiative and prevent it from superseding PESCO as the main experiment in European-wide defence cooperation. Indeed, the potential for duplication, in particular with PESCO's German-led EUFOR Crisis Response Operation Core (EUFOR CROC) project, is real. While stressing the "need to further develop the emergence of a shared strategic culture through the European Intervention Initiative" in their Meseberg Declaration of 19 June 2018, Macron and Chancellor Merkel agreed to link EI2 "as closely as possible with PESCO." For that to happen though, the associate status of the respective non-members is essential.

synergies in member states' strategic cultures (cf. EI2) and/or particularly strong integrated value chains.²¹

One key underlying element of PESCO's 20 binding commitments is the pursuit of alignment in strategic cultures at the EU level. As Biehl, Giegerich and Jonas (2013) note, EU member states can be largely categorised into three clusters based on their level of ambition in international security policy, the scope of action for the executive branch in military-security decision-making, their foreign policy orientation and their willingness to use military force (linked to threat perceptions). The clusters that emerge from their analysis, displayed in Table 6, prove to be interesting input for the discussion on PESCO groupings.

Table 6. Strategic cultures within PESCO-involved EU member states

	Security policy as a manifestation of statehood	Security policy as international bargaining	Protecting and projecting state power
The level of ambition in international security policy	Relatively high (often 'punching above its weight' in order to gain international visibility and credibility)	Low to medium (activities are expected to lead to indirect effects, i.e. a seat at the table)	High
The scope of action for the executive in decision-making	Strong legislative rights	Strong legislative rights	High flexibility for the executive (Presidential or majoritarian parliamentary system) or strong informal ties between the executive and legislative branches
Foreign policy orientation	Tendency toward the EU	Functional: NATO for collective defence, otherwise EU preference	Strong advocates for either EU or NATO
The willingness to use military force	Low	High for defence purposes, lower for crisis management	High
Countries	Austria, Cyprus, Finland, Hungary, Ireland, Luxembourg, Portugal	Belgium, Bulgaria, Czechia, Estonia, Germany, Italy, Latvia, Lithuania, Romania, Slovakia, Slovenia, Spain (and potential third country participant Norway)	France, Greece, Netherlands, Poland, Sweden (and potential third country participant UK)

Source: authors' formulation.

²¹ According to Pannier and Schmitt (2014), and "contrary to the arguments of many discussions, think-tank reports and political actors, there is no evidence that institutionalised cooperation leads to policy convergence as far as defence is concerned."

Two main conclusions can be drawn from this attempt to cluster EU member states' strategic cultures. First, strategic culture alignment plays a role in determining the extent of participation of certain member states in PESCO. In fact, those states with a strategic culture aimed at protecting and projecting their state power generally participate in more projects, thanks to the larger margin for manoeuvre of the executive branch of government and a generally high willingness to use military force. This is true for France, the Netherlands, Greece and Poland. Furthermore, those member states that use their security policy to gain visibility and credibility on the international stage have more heterogeneous participation rates in PESCO. In the final cluster, for those states that use their security policy as an international bargaining tool, there is some variation. A schism emerges in this cluster between Atlanticist, pro-NATO and generally Central and Eastern European member states that are less involved in PESCO, and Europeanist, Western European member states with higher participation, which could be explained by their 'functional foreign policy orientation' (see Table 6).

Moreover, strategic culture alignment can explain cooperation among certain member states within PESCO. First, while there is greater variation in participation among those states that use

Strategic culture alignment can explain cooperation among certain member states within PESCO.

their security policy as a tool for international bargaining, the states within this cluster tend to cooperate more among themselves than do the states in other clusters. This could indicate that such a strategic culture is correlated with an institutional tendency

towards cooperation. A case in point is Croatia's strong preference to partner with like-minded strategic partners within PESCO. Furthermore, some bilateral cooperation within PESCO might be explained by the alignment of strategic cultures. This could be said for Portuguese cooperation with both Austria and Finland.

Other variables could also partially explain why states participating in PESCO prefer each other as partners. Chief among these is geography. Countries like the Czech Republic, Croatia, Bulgaria, and Estonia have stronger partnerships with one or more bordering countries or countries in the immediate vicinity. The Baltics and Balkan countries, in particular, show a high level of cohesion among themselves. Geography plays another role in the scope of cooperation. For example, all the states participating in maritime capabilities projects are seafaring. This is unsurprising from both a practical and industrial standpoint, yet one could suppose that certain components or competences are not necessarily strictly maritime, i.e. the Hungarian river minesweeping fleet for the Danube. Secondly, linguistic and cultural proximity could explain strong Belgian-French, Belgian-Dutch and, above all, Greek-Cypriot cooperation within PESCO. Finally, it seems that in a few cases, a strong pro-NATO stance (and consequently a more open position vis-a-vis third country participation) brings EU member states together in

Other variables could also partially explain why states participating in PESCO prefer each other as partners. Chief among these is geography.

PESCO. Strong Polish-Dutch-Finnish-Baltic cooperation could be framed by the NATO narrative.²²

Having mapped out the participation of member states in the 47 existing projects, as well as the push-pull factors that energise this secondary-level field of PESCO, it remains to be seen whether further differentiation might emerge within the projects.

4. Governance within PESCO projects

Tertiary-level differentiation refers to the individual project arrangements, as loosely set out in Article 7(1) of Council Decision (CFSP) 2018/909 of 25 June 2018 establishing a common set of governance rules for PESCO projects. The most prominent modes of deep differentiated integration in EU defence could hypothetically take place in the form of a change to decision-making procedures.

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In spite of the low threshold for launching PESCO (by qualified majority vote, or QMV), decisions and recommendations taken within the framework are adopted by unanimity, constituted by the votes of the representatives of all participating member states (Art.

46(6) TEU). However, Article 4(4) of the governance rules on PESCO allows “project members [to] agree among themselves by unanimity that certain decisions, such as those relating to administrative matters, will be taken according to different voting rules”, such as QMV. The likelihood that states participating in individual PESCO projects would adapt the governance rules for individual PESCO projects in order to take decisions by QMV is not great, however. As a result, decision-making by unanimity will prolong consensus politics. Poland may well replace the UK as the member state that most frequently slams on the brakes. In the face of Russian aggression, the country relies on the hard security guarantees provided by the US. Warsaw has long resisted the idea of EU defence integration for fear of undermining NATO’s resolve to come to the rescue in the hour of need. Political market forces unleashed by the prospect of Brexit and the Trump presidency have ultimately led the Polish government to sign up to PESCO.²³

If not through a change in decision-making, then tertiary differentiation in the PESCO ecosystem could manifest itself through implementation of Article 7(1) of the governance rules on PESCO:

²² This is supported by the ‘food-for-thought’ paper encouraging an inclusive vision for third country participation put out by the Benelux countries and supported by Lithuania, Estonia, Latvia, Poland, Slovakia, Czech Republic, Bulgaria, Portugal, Sweden and Finland (Blockmans, 2017).

²³ In a joint letter of 13 Nov. 2017 addressed to the HR, the Ministers of Foreign Affairs and National Defence of Poland set out three conditions for Poland’s participation in PESCO: primacy of NATO’s defence planning process; competitive, innovative and balanced development of the European defence industry in order to suit the needs of all the member states involved; and a “360-degree approach” to security threats with particular attention paid to the eastern flank.

“The arrangements that the project members may agree among themselves, where appropriate in writing, within each PESCO project [...] include [...] the invitation to the Commission to be involved, as appropriate, in the proceedings of the project.”

To date, this has not materialised. Considering, however, that EDF funding will be allocated by the Commission and that certain elements of PESCO have implications for the single market, the argument could be made for Commission participation in project proceedings to be mandatory. This could increase the potential for upward convergence between projects.

5. Conclusions

The political momentum generated by PESCO has been characterised as a game-changer in EU defence integration. This is largely attributed to the involvement of the European Commission, brandishing a new Directorate General for Defence Industry and Space, in offering funding for both research in innovative defence products and technologies, and the development and procurement of key capabilities. Clusters of participating states can now bid for the type of defence projects (training, equipment and capabilities) that they and the PESCO Secretariat believe to be of most value added.

Having spurred 47 projects in its first two years, PESCO presents a microcosm of differentiated integration. Below the primary law commitments to which 25 member states have signed up, membership and observer status in the projects is in flux in at least three ways. First, overall numbers of states participating in designated projects has dropped as a result of the quick succession of more ambitious projects in the first two years since the launch of PESCO. A potential downscaling of project management from the political to the technical level may well be the consequence of that. Secondly, the differences in participation extend to the project clusters as well as to country-pairings within projects belonging to different clusters. And thirdly, the possibility of third country participation is still under discussion and may, if agreed, lead to a rise in the participation of certain projects.

Our research shows that, two years on, four states are PESCO frontrunners: France, Italy, Germany and Spain, with Poland, Greece, the Netherlands and Belgium in a second tier. In nine projects, all four of these member states are present and three of them are all members in an additional five projects. There are only three projects in which none of the big four are present.

The various collaborative clusters are defined by factors that unite and divide participants. These factors are primarily structural and economic in nature. Among the major factors that explain why member states gravitate towards each other, industrial cooperation and integrated supply chains play an important role. Clustering is also the result of member states' foreign policy orientation, their level of ambition in international security policy, willingness to use military force and scope of action for the executive branch in military-security decision-making. These factors have led to various extra-EU cooperative frameworks in the area of defence, from the 2010 Lancaster House Treaties between France and the UK to the 2019 Franco-German treaty signed at Aachen but could be gold-plated in the PESCO framework.

With subsequent waves of PESCO projects becoming more ambitious, costly and exclusive, an early trend of re-ordering can be observed. Two different scenarios may emerge if France continues to power ahead with its PESCO commitments while Germany and Italy lose appetite and stretch their military and administrative resources. On the one hand, if political enthusiasm remains, the future of EU defence could be defined along French-industry lines. On the other hand, if political momentum is lost due to growing indifference by participating state governments toward PESCO, it could be that the Commission's newly created DG Defence Industry and Space (even under the current French Commissioner Thierry Breton) takes the lead on defence matters at a more technical level.

With the focus in coming years shifting away from the launch of new initiatives to implementation of what has been put in place, one may well expect projects to merge or disappear altogether, depending on the level of member state commitment and synergies developed with other projects. Such 'positive differentiation' is not a foregone conclusion, however. Further industrial and operational convergence may lead to new siloes around 'European champions', thus hampering a proper functioning of the envisaged single market of defence. Based on the principle of an open and fair market, it will be up to the HRVP and the European Commission to ensure that EU defence integration remains high on the political agenda and that (vested) industry interests do not undermine the ulterior objective of European strategic autonomy.

PESCO Project Acronyms & Abbreviations

AEA	Airborne Electronic Attack (AEA)
BLOS	EU Beyond Line of Sight (BLOS) Land Battlefield Missile Systems
C2	Strategic Command and Control (C2) System for CSDP Missions and Operations
CBRN Saas	Chemical, Biological, Radiological and Nuclear (CBRN) Surveillance as a Service (CBRN SaaS)
CBRNDTR	CBRN Defence Training Range (CBRNDTR)
CIDCC	Cyber and Information Domain Coordination Center (CIDCC)
Co-basing	Project to improve sharing of bases & support points operated by member states
C-UAS	Counter Unmanned Aerial System (C-UAS)
Cyber Rapid	Cyber Rapid Response Teams and Mutual Assistance in Cyber Security
Cyber Threats	Cyber Threats and Incident Response Information Sharing Platform
DIVEPACK	Deployable Modular Underwater Intervention Capability Package (DIVEPACK)
ECoWAR	EU Collaborative Warfare Capabilities (ECoWAR)
EMC	European Medical Command
EOF	Energy Operational Function (EOF)
EPC	European Patrol Corvette (EPC)
ESSOR	European Secure Software defined Radio
EU CAIH	EU Cyber Academia and Innovation Hub (EU CAIH)
EU Test & Eval.	EU Test and Evaluation Centres
EU TMCC	European Union Training Mission Competence Centre
EUFOR CROC	EUFOR Crisis Response Operation Core
EUNDC	European Union Network of Diving Centres (EUNDC)
EURAS	EU Radio Navigation Solution (EURAS)
EUROSIM	Integrated European Joint Training and simulation Centre (EUROSIM)
EU-SSA-N	European Military Space Surveillance Awareness Network (EU-SSA-N)

Global RPAS	European Global RPAS Insertion Architecture System
GMSCE	Geospacial, Meteorological and Oceanographic (GeoMETOC) Support Coordination Element (GMSCE)
H3	Helicopter Hot and High Training (H3 Training)
HARMSPRO	Harbour & Maritime Surveillance and Protection (HARMSPRO)
MAC-EU	Materials and components for technological EU competitiveness (MAC-EU)
MALE RPAS	European Medium Altitude Long Endurance Remotely Piloted Aircraft Systems – MALE RPAS (Eurodrone)
MAS MCM	Maritime (semi-) Autonomous Systems for Mine Countermeasures
Military Mobility	Project to simplify/standardise cross-border military transport procedures
MUSAS	Maritime Unmanned Anti-Submarine System (MUSAS)
Network of Logistic Hubs	Network of logistic Hubs in Europe and support to Operations
SMTC	Special Operations Forces Medical Training Centre (SMTC)
TIGER Mark III	European Attack Helicopters TIGER Mark III
TWISTER	Timely Warning and Interception with Space-based TheatER surveillance (TWISTER)
UGS	Integrated Unmanned Ground System (UGS)
Upgrade Mar. Surv.	Upgrade of Maritime Surveillance

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