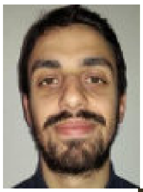
Assessing the impact of new European defence initiatives on transatlantic relations



The European Union is in the process of implementing a number of new defence initiatives, notably a new Permanent Structured Cooperation on security and defence (PESCO) and a European Defence Fund. **Antonio Calcara** *examines how these new initiatives are likely to affect relations with the United States, with some figures in the US already expressing concern that the new initiatives could marginalise US companies from the European defence market.*

Dutch soldiers during the European Best Squad Competition in Bavaria, Germany, Credit: U.S. Army photo by Sgt. Terry Rajsombath (CC BY 2.0)

The next few months will be crucial for the development of the new Permanent Structured Cooperation on security and defence (PESCO). After the European Council's agreement on the first seventeen collaborative projects to develop in this framework, member states will have to agree on a common set of rules to develop these projects and on the conditions that will define the potential participation of third countries' states or industries.

The PESCO framework is also closely linked to the new "European Defence Fund", promoted by the European Commission, which provides a budget of 500 million euros to finance military research as part of the multi-year budget for 2021-2027. The aim of this fund is to help member states increase their defence spending. At the moment, the 28 member states spend a total of 1.34% of gross domestic product on defence. Without the UK, the rate falls to 1.32 %. The fund will consist of a research and a capability window. The fund's research window will finance research and development cooperation for developing defence products and technologies at the EU level, while the capability window will assist member states in joint purchases of equipment and common investments for defence procurement.

These initiatives were embraced in a contradictory manner by the US administration. On the one hand, the EU defence efforts were welcomed by a US administration that has made defence spending and burden sharing a "centrepiece" of its relationship with NATO allies. In this regard, the relationship between EU defence and NATO continues to be particularly delicate. Katie Wheelbarger, the US principal deputy assistant secretary for international security affairs, declared "we are supportive of it (referring to the European Defence Fund), as long as it is complementary to and not distracting from NATO's activities and requirements" (…) "we don't want to see EU efforts pulling requirements of forces away from NATO and into the EU". These comments were echoed by the NATO Secretary General, Jens Stoltenberg, who declared "it is important for Europeans to state again and again that it is not competition for NATO or an alternative to NATO".

On the other hand, besides the sensitive relationship between the EU and NATO, PESCO and the European Defence Fund have worried the US administration when it comes to defence-industrial issues. For instance, the American ambassador to NATO, Kay Bailey Hutchinson, warned that Washington did not want PESCO or a new European Defence Fund "to be a protectionist vehicle for the EU". In this regard, particularly relevant is the fact that the European Defence Fund foresees that funds will be spent to support exclusively European-owned companies. In particular, the French political establishment is promoting the criteria of "effective control", aiming to exclude extra-European companies from being able to take advantage of European funds. This certainly poses problems to US industries, given their strong links with European industries (especially with the UK, Italy and Sweden).

According to the US administration, therefore, the recent European initiatives in the defence sector would aim to introduce a "buy European" preference and to marginalise US companies from the European market. This would have negative repercussions on the US economy, as evidenced by the recent $3.2 billion sale of the US air and missile defence (AMD) Patriot System to Sweden. However, in the past, European countries were continuously concerned about the US strongly protected defence-industrial market and by the lack of reciprocity and equal regulation of the EU and US defence technological and industrial base, especially for what concerns access to advanced capabilities, unrestricted use of exported arms and rules governing property rights over technologies.

Assuming the importance of transatlantic and NATO relations for European and international security, and given the recent tensions between the EU and US on defence-industrial matters, what could overcome this impasse? From the European perspective, patient diplomatic work is certainly needed to show to the US how stronger EU defence-industrial cooperation could actually strengthen NATO, generating more military efficiencies in both organisations. In this regard, it will also be important to find a partnership with the UK on defence-industrial issues and to involve its competitive defence industry in some of the collaborative projects. Given the military weight of the UK in Europe and NATO, this would certainly boost the recent EU defence initiatives.

From the US viewpoint, it is necessary to understand, as suggested by Jonathan Caverley, how European global competitiveness in the arms trade can serve broader American political goals, especially regarding the strength of the Atlantic Alliance and the common threats that the EU and US will have to face in the short and medium term: including Russia's growing assertiveness, terrorist threats and political instability in North Africa and the Middle East.

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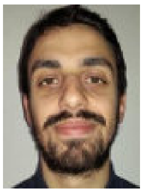
Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics.

About the author



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