

The Impact of the Financial and Economic Crisis on European Security and Defence Policy – Challenges and Opportunities*

With the ratification of the Lisbon treaty, the European Union will finally have the chance to establish a serious common European Security and Defence Policy (ESDP). Unfortunately, the global economic and financial crisis is likely to cause setbacks. As public debts will rise over the next few years, EU Members States will be forced to cut their defence budgets and some will seek refuge in protectionist measures. The willingness to finance large-scale operation, like the EULEX mission in Kosovo, can be expected to diminish. This could lead to insecurity and a rekindling of conflicts in many regions. However, EU policy makers and governments could also use the crisis as an opportunity to rationalise European defence expenses, work out new priorities and develop more efficient forms of cooperation (joint military units, avoidance of overlapping missions, jointly owned equipment), not only among Member States, but also with NATO. Is the economic and financial crisis an obstacle on the way towards ESDP or is it a chance for the EU to come up with a more efficient policy?

The current global financial and economic crisis raises many questions. While economists discuss how and when we will get out of it and philosophers debate the impact of the crisis on all values in our societies, strategists have started to debate its geopolitical implications.

As U.S. Director of National Intelligence Dennis C. Blair stated in his annual threat assessment to Congress in February 2009: “(T)he primary near-term security concern of the United States is the global economic crisis and its geopolitical implications.” The U.S. is, as U.S. deputy of State James Steinberg said, more concerned with maintaining its position as global leader than with terrorism. Terrorism is still an important but not the most important threat today.

For strategists two questions are relevant:

1. Who will come out of this crisis stronger and faster?
2. What will the post-crisis world look like?

We are we in the midst of a transition of the global order. This transition was not triggered by the crisis. It is a trend that has been developing since 1989, since the end of the cold war, when new powers, the BRICs¹, emerged and the so-called US decline started. So, how well did the BRICs resist the crisis?

China faces a lot of challenges, but they may hold their magical 8% growth for 2009.

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¹ Brazil, Russia, India and China.

Brazil has, according to President Lula, entered the crisis last and might get out of it first. The fact that Brazil has established major trade relations with other southern partners rather than focusing on trade with the U.S. is the main cause for this development. Most BRICs (apart from maybe Russia) have shown some resilience to the crisis. Also, the crisis pulled them together. In June 2009 for the first time they met on high level. The BRIC summit is not a likely a form to remain in the future, but these countries, most of all China, have adopted a more assertive posture.

After the crisis we are likely to have a more unequal and maybe more dangerous world. The post-crisis world will be a less Western world and a more dangerous world. This was a pre-existent trend. Other countries are rising. The crisis will reinforce this trend with developments like cuts in military budgets and it will have an impact on Western 'hot power' and on the Western democratic model which in some parts of the world may no longer be the preferred model. We will go from a world with a 'too strong' United States to a world with a 'too weak' United States

Worldwide remittances are expected to drop sharply, which could cause major problems for many countries. The measures of IMF and World Bank are directed to only a small group of countries, not to the poorest countries because they would not be able to reimburse afterwards. Many development countries were also disappointed about the UN taking the issue of the financial system off the agenda.

In conclusion: first, the current financial and economic crisis was a shock, but not a rupture with the pre-existing world. We may have reshuffled the deck, but the values of the cards remain the same. Second, de-globalisation is a possible driver of the post-crisis world and de-globalisation may show some dangerous challenges as has been the case in the period between WWI and II which was the previous period of de-globalisation. Before the crisis competition was emphasised over cooperation. What we need now is more cooperation, not more competition. We need to focus on the long term on the global level and for the EU this might mean that the EU needs a grand strategy i.e. a sense of purpose for the EU's "external behaviour".

European Security and Defence Policy

During the last ten years of European Security and Defence Policy (ESDP) the cooperation has developed beyond economic and financial issues. It now covers nearly all areas from justice and home affairs to foreign affairs and international crisis management. This leaves the defence sector as the last sector of largely national sovereignty and to a certain extent that is to remain the case. With the deployment of military forces human life is at stake and this makes a difference between the defence business and other government responsibilities. A distinct feature of ESDP is that it is comprehensive in nature and uses military as well as civilian instruments. In fact, 80% of the (more than twenty) ESDP operations which have been launched so far have been either police or rule of law or other civilian type missions. As only 30% of the staff in the secretariat of the Council of the European Union is dealing with civilian missions, there is a huge mismatch between the reality of the ESDP missions and the available staff capabilities. The reason is that the availability of staff here depends on the willingness of Member States to send them into a crisis area. And it gets more difficult in the light of the financial and economic crisis. Pressure needs to be applied on Member States to make staff available.

The EULEX mission in Kosovo is the largest ongoing mission. Another important mission is EUPOL in Afghanistan, which is there to establish national police forces. On the military side the EU has been active in Africa with a mission in Congo and more recently Chad. EUFOR, the military operation in Bosnia which succeeded NATO's SFOR mission about five years ago is still ongoing. Off the Somarian coast the EU is countering the pirating threat with the first naval ESDP mission. However, the lessons learned from all these operations and the analysis of Europe's military capabilities, all have the same conclusion: Europe is lacking military capacities, in particular in areas like commander control, intelligence, logistics and transport. For example, the first part of the Chad operation had to be postponed due to the shortage of helicopters.

In 2008 the estimations called for more than 1.000 billion Euros in global military expenditure. That is a real terms increase of 4% compared to 2007 and almost twice as much as 1999. Now in the light of the crisis the governments will have to reassess the national budgets and that will affect national defence expenditures as well. The national defence budget for this year and in some cases as well for next year already had been in preparation by the time the crisis hit in full. And because most of the budgetary commitments of the governments in the area of defence are medium to long-term, significant changes in the short term are unlikely.

The adverse effects of the crisis will most likely be noticed in connection with the future of major defence equipment programmes like the Eurofighter or the A400M. Some nations may be compelled to reduce their defence outlays from 2011 onwards. In general, the negative effects of the current crisis on defence will be felt after 2011. Some EU Member States will find it necessary to reduce defence budgets and their military personnel. Others like the one with ongoing large procurement programmes are likely to cut them back to free money for other priorities. The loss of financial capabilities in the EU Member States in the defence sector will have negative effects mostly on procurement and on R&D work. It will be a big challenge for the EU to acquire modern equipment at the right time at the right numbers and at the right prices. And this will in turn have an impact on the ability of EU forces in their various ESDP commitments.

The European Defence Agency

Today the defence equipment markets are fragmented, largely on national basis, and the current crisis is a chance for more and better defence armament cooperation. The persistent lack of European military capabilities was the reason for establishing the European Defence Agency in 2004. The EDA supports the Member States in developing their capabilities. Together the Member States invest more than 200 billion Euros annually in defence. The EDA's task is it to enhance the cooperation among the Member States in order to stop duplication, to spend the available money wiser and to improve interoperability and standardisation. However, the EDA is not a procurement agency. It is a capability building agency covering for the four functional areas needed for defence outfits: definition and harmonisation of military requirements, collaborative defence research and technology, fostering European armaments cooperation as well as opening the European defence equipment market and fostering the European defence industrial base. The EDA uses an integrated approach to do that. It is important to ensure alignment between supply and demand. At times this is very hard considering one has to deal with 27 Member States and their

respective defence industries which are still mainly nationally structured. But there is no other way: without harmonising national military requirement, the demand will remain fragmented and without creating a European industrial base, supply will remain fragmented as well. At this time for example we have 16 naval shipyards in Europe: the US has only four naval shipyards left. In the coming years 23 armoured fighting vehicles will become operational in Europe. Only one of them is developed through a cross-border cooperation! This situation has to stop.

EDA is the place for European defence cooperation. The question is: how can we have all Member States provide their armed forces with equipment that meets their requirements more efficiently than today? Currently there are four major programmes. The first concerns helicopters. Here the Agency works on short term and medium term solution. In the short term pilots are offered training programme opportunities to acquire the necessary expertise to fly in challenging environments which pilots more and more face in the operations. For the medium term the EDA is looking at options for upgrading existing helicopters to make them suitable for these environments. For the long term (beyond 2020), two Member States (Germany and France) have established a programme for creating a heavy lift helicopter that is suitable for ESDP operations. It is to hope that other nations will join. The other programmes concern unmanned aerial systems, Counter IED² (CIED) and joint investment programmes, mainly R&T efforts on force protection.

Despite the economic and financial crisis defence cannot stay outside the European integration process. It is politically desirable and economically necessary. The relationship between NATO and EU is friendly but competitive. As there is little money around for defence business in general and it can only be spent once, a choice has to be made. Within NATO most cooperation projects include the U.S. and with the U.S. there is a problem with technology transfer. More cooperation within Europe means more chances for European companies.

² Improvised Explosive Devices.