



 European
Leadership
Network

*Building European capacity to meet
the challenges of the 21st century*

September 2017

Policy Brief

Can CARD Change European Thinking about Defence Capabilities?

Julia Himmrich

Can CARD Change European Thinking about Defence Capabilities?

Julia Himmrich, September 2017

Europe's ability to defend itself, and be a reliable military ally of the US, has been questioned in recent years. The burden-sharing debate has been dominated by military spending, and therefore by the investment per GDP into military capability, referred to as input. Instead, Europe should focus on its output problem, the fact that Europe's high investments don't result in effective real capabilities. Europe deploys six times as many different weapon systems as the US, even though it spends only 40 percent as much.¹ The European capability landscape is disparate and caters mainly to specific national needs. This results in a fragmented defence industry, duplication, and issues with interoperability.

This paper will discuss the different approaches by NATO and the EU to addressing capability shortfalls in Europe and recommend ways that these could be better aligned. NATO's Defence Planning Process (NDPP) fits the needs of the alliance to deliver on its operations. The EU thinks about capabilities mainly as a responsibility of its member states. But it can use the new initiatives - PESCO, the European Defence Fund and the lesser known CARD - to overcome the limitations of its intergovernmental approach and insist on priorities for capability development.

It would be wrong to expect the new EU processes to simply be plugged into what NATO already does. But engaging with the new EU initiatives would allow NATO to address the capability shortfalls of its European allies beyond the four year horizon of the NDPP. Jointly, NATO and the EU have the opportunity to provide institutional support to fill in capability gaps for effective force generation.

Capability Planning at NATO

From NATO's perspective, increases in total defence spending are only useful if they result in greater contributions to NATO operations. These real contributions to burden-sharing are coordinated in the NATO Defence Planning Process and the 2% spending benchmark is only partly relevant to this. The NDPP focusses on allies' contribution to collective defence. It takes place in a four-year cycle and, since 2006, its level of ambition has been to mount two major operations and up to six smaller operations. As with all approaches to capability building within NATO, this process is top-down and the alliance has significant power to prescribe to allies what to contribute. It combines capability development with force generation and therefore has an immediate effect.

1 The Future of European Defence: Tackling the Productivity Challenge, McKinsey & Company, 2017

The NATO Defence Planning Process

Overall the [NDPP](#) consists of four main steps 1. establishing Political Guidance; 2. determining requirements; 3. apportioning requirements and set targets; 4. facilitating implementation; 5. reviewing results.

The process is defined by its first major step, Political Guidance which sets out what forces need to be generated for. This process is led by the International Staff and the Defence Policy Planning Committee (DPPC). Logistical aspects are not yet central to these discussions. Only in the second step are the required capabilities established. This is considered the greatest strength of the process as it clearly sets out what allies are supposed to contribute and which capabilities are to be delivered. It also gives the alliance considerable influence over setting these targets and it is able, to some extent, to dictate them to allies.

The second step is led by Allied Command Transformation and sets out the minimum capability requirements (MCRs) and Priority Shortfall Areas (PSAs) for the operations defined under the Political Guidance. This allows for the clear assignment of necessary contributions to allies, or groups of allies, in the third step. This is again led by International Staff and the Logistic Planning Advisory Committee, in which allies can bid and broker on the target allocations to each nation. Implementation takes place in step four where NATO assists national, multinational and collective efforts to fill planning shortfalls.

Finally comes a review which assesses to what extent the committed forces and capabilities fulfil the Political Guidance. Each nation completes a Defence Planning Capability Survey (DPCS) and NATO conducts the overall defence review and the NATO staff reviews the force contribution. Strategic Command issues the Suitability and Risk Assessment (SRA) which highlights the shortfalls and potential consequences. Finally NATO HQ then attempts to address these shortfalls with partner nations. Although shortfalls may still remain.

Strengths and weaknesses of the NATO approach

What matters for NATO is whether allies can deliver on their commitments to joint operations. The NDPP process includes several stages where allies are scrutinised and pressured to maintain the level of ambition of Political Guidance and live up to their commitments. The institutional leadership in key steps of the NDPP provides pressure not just from fellow allies but also from NATO as an institution. Due to the collective defence mission, allies are accountable to each other and this provides much greater opportunity for political pressure.

The NDPP is complex, and very much tailored to the needs of the organisation. It is therefore not necessarily applicable to the overall capability planning of its allies. Thus there are clear restrictions to NDPP utility: it has a limited horizon and the ability to

fulfil the level of ambition is dependent on allies' willingness to spend on specific NATO asks rather than domestic defence plans. The so-called second Wales pledge of 20% spending on major new equipment and Research and Development can potentially help address this.² A general shift to a longer term approach, which takes investment and development into greater consideration would benefit the NDPP in the long-run.

Increasing European capability in the NATO context is clearly focussed on sharing the burden of NATO operations more equally between Europe and the United States. Some hope that the new EU capability development efforts will be plugged into the NDPP, however this will not be straightforward. This is partly due to the NDPP catering exclusively to NATO needs but also because the NDPP combines capability development and force generation.

The NDPP is considered the most effective way Europeans can think about capability developments. Hence the reluctance by some for new EU initiatives that lack the political guidance and commitment that NATO already has.

The EU approach

The EU approach to capability development differs significantly to that of NATO. The EU does not have the same mission, commitment to collective defence or political pressures as the NATO alliance. Capability development and force generation are also managed separately. Despite the European Commission's institutional strengths in many policy areas, member states have historically led on matters of defence.

The EU's thinking on capabilities developed in parallel with the ESDP at the end of the 1990s. With the Cologne agreement and the commitment to the Petersberg tasks the EU started to also think about force generation.³ Since 2007, two EU Battle Groups⁴ have been operational, which necessitated longer-term planning. The battle groups and the increasing numbers of EU security operations abroad make interoperability, joint

2 NATO Wales Summit Declaration, Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Wales, 5 September 2014, paragraph 14 http://www.nato.int/cps/ic/natohq/official_texts_112964.htm

3 The Helsinki Headline Goals aimed to cooperate on a voluntary basis to 'deploy rapidly' and 'sustain forces capable of the full range of Petersberg tasks (...) in operations up to corps level (up to 15 brigades or 50,000-60,000 persons)'. For an overview of the Petersberg tasks see European External Action Service 'Shaping of a Common Security and Defence Policy - The Petersberg Tasks' <https://eeas.europa.eu/topics/common-security-and-defence-policy-csdp/5388/shaping-of-a-common-security-and-defence-policy-en>

4 High readiness forces consisting of 1,500 personnel that can be deployed within 10 days.

research and development on capability a priority. However the EU's ability to guide member states' investment and prioritisation of capability investment has been limited.

Related to the Helsinki Goals, the Capability Development Mechanism developed so-called Requirements, Force, and Progress Catalogues which outline capability shortfalls and responses by member states. The European Defence Agency (EDA) was established to specifically address the lack of cooperation in capability development. Its intergovernmental nature however means that there is little pressure that can be exerted on EU members. Nonetheless the EDA has made progress on identifying key capability shortfalls and engaging with member states constructively. Its long-term vision document of 2006⁵ led to a Capability Development Plan which seeks to provide an overview of capabilities and capability shortfalls among its members.⁶ The CDP is currently under review until 2018.

The new initiatives since the Global Security Strategy of 2016

With the Global Security Strategy of 2016 the EU has began thinking about capabilities in a different way.⁷ Several new initiatives are under way which aim to increase EU's contribution to defence, make its intergovernmental structures more effective, focus on force generation and support member states in their capability development. However the Global Strategy provides only the impulse for different initiatives, while the details are now being developed.

The new Permanent Structured Cooperation (PESCO) aims to circumvent political deadlock among EU member states and allow for faster and concerted action. PESCO was created in the Lisbon Treaty but was not activated until this year. It is likely to create a more active core group of member states engaged in EU operations. With the possibility of establishing a headquarters and logistic 'hub', it provides the opportunity for greater pooling and sharing of capabilities. PESCO is where both force generation and capability development could come together at the EU level, if PESCO were to become output-focussed. However, clear mechanisms on setting capability goals within PESCO and integrating it into the other defence initiatives, such as the European Defence Fund

5 European Defence Agency, 'An Initial Long-Term Vision For European Defence Capability And Capacity Needs' 3 October 2006, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/esdp/91136.pdf

6 The first CDP ran in 2008 and was set up to take place every five years. It is to identify priorities for capability development and to bring out opportunities to pool and cooperate on capabilities. It is not a supranational plan but provides an overview of opportunities for member states to collaborate.

7 European External Action Service, 'A Global Strategy for the European Union' 19 June 2017 <https://europa.eu/globalstrategy/en/file/814/download?token=I-Kb00rS>

and the Common Annual Review on Defence (CARD), still needs to be specified. EU missions are currently funded through the so-called Athena mechanisms, where costs are carried by those members participating in the missions. In 2014 the cost of five EU military missions were estimated at around €78 million.⁸ This is currently under review and a revised system will be published by the end of 2017. If a new centralised system for financing missions should be developed, this could make capability development for PESCO missions more coherent.

The European Defence Fund (EDF) addresses capability development more directly. It is the first time that the EU Commission is providing funding for defence. The Commission plans to provide incentives to member states to invest collectively in research and capability development by topping up member states contributions by up to 20%.⁹ The main condition is the collaborative approach of projects, which need to include a minimum of three member states and, if viable prototypes develop out of this research, member states have to commit to buy future outputs. The EDF-financed projects need to be aligned with the level of ambition of the EU and those which would be relevant to potential PESCO missions, will be given an additional boost of funding. With the European Defence Fund the EU therefore seeks to incentivise joint Research and Development among member states to fill the capability gaps in EU missions and wider capability gaps in Europe. There is also an effort to forge a closer connection between capability development and force generation. However these aims are currently only loosely defined. The EDF does for example not favour projects which fill capability gaps specifically.

But to achieve a general overhaul of the European capability landscape, a change in the approach to capability development by member states is necessary on a bigger scale. This is why the new Common Annual Review on Defence (CARD) is an important development.

With CARD, the EDA hopes to build on the Capability Development Plan, focus national capability plans to address European shortfalls, and encourage more pooling and sharing as well as joint investment. Although the member states will stay in control, the EDA hopes to play a more central role in facilitating cooperation among member states.

8 'Financing of CSDP missions and operations' European Parliament Research Service, February 2016, [http://www.europarl.europa.eu/RegData/etudes/ATAG/2016/577958/EPRS_ATA\(2016\)577958_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2016/577958/EPRS_ATA(2016)577958_EN.pdf)

9 EU Commission, Communication From the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Launching the European Defence Fund, 7 June 2017, https://eeas.europa.eu/sites/eeas/files/launching_the_european_defence_fund.pdf

The CARD process represents a very typical EU and, especially, EDA approach. The agency is not able to provide economic incentives like the Commission and, because of its intergovernmental constitution, it does not have the power to set conditions for the member states. Although some will dismiss CARD for its lack of political power and voluntary nature, it is crucial to link it as much as possible to the European Defence Fund and PESCO.

If member states collaborate in the process of developing CARD, this would inform the priorities of the Capability Development Plan and could strengthen the political goals at the EU level. It would give the EDA a much clearer picture of the capability landscape in Europe than before. An effort to let all new EU initiatives be guided by the same priorities is necessary. This could, if integrated effectively, inform the funding priorities of the European Defence Fund and in the long-term lead to more effective PESCO operations.

The new CARD process

The Common Annual Review on Defence (CARD) is intended to provide a regular and comprehensive overview of the capability landscape in Europe. It remains an intergovernmental endeavour with voluntary participation and information sharing. Nonetheless the CARD provides opportunities for a more comprehensive approach to capability development among Europeans. The EDA will run the first trial of CARD from 2017 to 2018. The CARD will seek to set up an annual process in which the EDA engages in bilateral discussions with all of its 27 member states (Denmark is not a member of the EDA) which then results in an aggregate overview on capabilities. It is this intensive bilateral discussion of the EDA and member states, which is hoped will deepen the engagement and willingness to share information and accept recommendations.

The CARD would not replace the Capability Development Plan but instead the process should allow the EDA to build a comprehensive capability landscape in Europe and encourage investment and cooperation on capability development among member states. It is currently conceived to be divided into three phases:

1. Data collection and preliminary analysis
2. Bilateral dialogue
3. Establish aggregate view on capability

The EDA will rely on existing data rather than running new data collection exercise. It will use data mainly on the existing EU Military Capability Questionnaire, a process led by the EU military committee through which each member state provides information on their capabilities and plans on pooling and sharing initiatives. It is also used to inform the NDPP. Furthermore it will use data from the EDA's Collaborative Database (CODABA), through which member states share their defence plans and programmes in capability

development, Input from previous Capability Development Plans as well as national spending plans also feed in. The CARD is not only supposed to take stock of the current state of capabilities of European member states but also take future contributions to EU operations into consideration.

Following this data analysis the EDA will compare the spending with the benchmarks on procurement and research and technology agreed by EDA members and prepare a preliminary report for each member state. Here it is important to note that these benchmarks are voluntary and apply to the total spending by all members. These individual national reports will be sent to the member states individually in advance of the 26 bilateral meetings which will take place from October 2017 to April 2018.

The bilateral set-up of this process is envisioned to establish trust and confidence between the EDA and the member states. It differs from other capability discussions where states find themselves needing to justify their plans to fellow EU member states or NATO allies. The CARD will also take into consideration NATO commitments and the EDA is encouraging member states to hold back-to-back CARD meetings and with NATO's DPP meetings to allow for more coherence and consistency in information sharing and the items discussed.

These meetings are intended to allow for clarifications on the information provided in the questionnaire and provide for a deeper discussion of the opportunities for greater collaboration. Based on the overall information received, the EDA will use this process to point out opportunities to cooperate and initiate greater collaboration. Planned contributions to CSDP missions will also be part of the process and input from the EU Military Staff, part of the EEAS, is provided throughout the process.

Following the meetings, the EDA will provide a report to each member state on their capabilities and what will be used in the aggregate report.

This trial run is supposed to highlight to member states the value of collaborating in the process. The aggregate report will be presented to capability directors by June 2018. By the November 2018 ministerial meeting of EDA, members will present the full list of recommendations for improving capabilities in Europe. Additionally recommendations on the CARD process will be made for its first formal run in 2019.

Due to the voluntary nature of the process, safeguarding steps have been integrated to establish a bilateral process in which member states are willing to share and discuss their capability plans but also willing to consider recommendations from the EDA. The depth of the discussions is therefore entirely dependent on the willingness of the member states to share information. Thus the aggregate report is unlikely to highlight shortcomings or blame and shame specific member states. The report is rather intended

to provide an overview of the European capability landscape considering all the contributions by the EDA's member states.

Conclusions and Recommendations

The CARD could potentially change the way Europeans think about capabilities. But member states need to engage with the process and the EDA has to prioritise filling capability gaps. As some member states will engage more through PESCO, clearer priorities will emerge and are likely to lead to firmer commitments by member states to address capability gaps.

Compared with NATO, the EU will always have a more complicated path to reaching and implementing decisions. With regard to force generation, there will continue to be tensions between the decision making mechanisms in PESCO and the Council. Member states which are planning to participate actively in PESCO will need to factor this additional responsibility into their longer term domestic capability development. The European Defence Fund set up by the Commission does have clear criteria that encourage joint developing and buying of new capabilities. The next step should be for the EDF to take the results of CARD and to prioritise projects that are directly related to the identified capability gaps.

Commission funded projects should also take into account NATO's strategic priorities. Greater recognition of the NATO process and the importance that this holds for EU members that are also NATO allies is likely to encourage those member states who are concerned about a de-prioritisation of NATO to collaborate more closely in the EU framework.

At the EU level, capability development should therefore be closely connected to force generation in the medium to long-term. For this to be effective, clarity in the decision making process and relations between PESCO and the Council needs to be established from the start. Member states also drive the EDA and the agency is not in the position to impose strategic priorities. To integrate the CARD process in wider EU efforts it needs to use the information and institutional links, such as the High Representative as the head of the agency, to encourage closer collaboration with the setup of PESCO.

While NATO's DPP combines capability development and force generation the CARD process will be one part of an institutional set-up with various different actors. Because of the scattered landscape of different initiatives at the EU level, closer collaboration with the NATO process would be beneficial for both institutions.

However, the CARD is not the EU equivalent of the NDPP process as it does not have any aspect of force generation but instead aims to provide a realistic view of the wider European capability landscape.

To assure a successful and joined up EU-NATO approach to capability development, specific steps should be taken:

The EU should:

- Establish a coherent process to define political guidance and strategic priorities. This should have a significant impact on member state capability development plans. The priorities identified in the CDP through CARD should inform the choice of projects funded through the European Defence Fund. Once the details of PESCO become clearer, capability development should closely align with the EDF and CARD.
- Streamline the output focus of capability development as much as possible, through its institutions, particularly the CARD, CDP, and projects funded through the EDF in view of supporting PESCO operations.
- Use the review of the Athena mechanism to propose a more centralised funding system linked to the new capability development efforts to strengthen future EU missions.
- Despite institutional distance, the Commission and the EDA should integrate their efforts and collaborate as much as possible on the EDF and the CARD process.
- Prioritise aligning the CARD process much as possible with the NATO's DPP process. This is likely to cut down on workloads in institutions and within member states, improve information exchange, address concerns of duplication within NATO, and build greater trust between NATO and the EU. Opportunities include the implementation of the Joint Declaration on capabilities, allowing NATO international staff access to selected CARD meetings, share and discuss lessons learned on the CARD trial run with NATO.

NATO should:

- Engage with the new EU processes particularly CARD, the EDF and the aspects relevant to capability within PESCO. In the longer term these have the potential to address allies' capability shortfalls.
- Encourage its allies to set up parallel back-to-back meetings on NDPP and CARD.

- Use the framework of the EU-NATO Joint Declaration to the engage as much as possible on staff-to staff level on capabilities.
- Maintain and expand channels of communication with EU institutions involved with capability development: EDA, Commission and the EEAS.
- Provide assistance in addressing key challenges particularly with regard to assuring interoperability. This should include sharing lessons learned from the NDPP process to combine capability development and force generation more closely.

EU Member States should:

- Use the developments on capabilities within the EU, EDF, PESCO and CARD, to address European capability shortfalls, improve pooling and sharing among members and create a closer connection between capability development and force generation.
- Support the development of a 'political guidance' for the EU through the CARD process and in the Council to support more effective PESCO missions. Approach capability development with an eye to combining domestic defence planning plans with NATO requirements and EU political guidance.
- Collaborate with the CARD process as openly as possible. That includes participating in meetings with the EDA, providing up-to-date information on current capability development plans and planned engagements in international missions.
- Member states who are also NATO allies should work to create closer linkages between NDPP process and CARD by aligning the processes as much as possible within their own ministries. This should include:
 - scheduling review meetings on NDPP and CARD back-to-back;
 - integrating staff working on NDPP and CARD in ministries;
 - supporting the implementation of EU-NATO Joint Declaration specifically on capabilities;
 - encouraging collaboration between Permanent Representative at NATO and the EU on capability developments.

About the Author

Julia Himmrich is a Research Fellow at the ELN. Her work focusses on European Defence with particular attention on NATO-EU collaboration and EU defence integration. Before joining the ELN she was a Teaching Fellow in European Foreign Policy at King's College London and Research Associate on European Foreign Policy at the Dahrendorf Forum of LSE IDEAS. She completed a PhD in International Relations at the LSE and holds a MA International Peace & Security from King's College London and a BA (Hons) Politics & Development Studies from SOAS. Her wider research interest lies in European foreign policy in conflict, particularly in the Western Balkans and the European Neighbourhood.

www.europeanleadershipnetwork.org

The European Leadership Network (ELN) works to advance the idea of a cooperative and cohesive Europe and to develop collaborative European capacity to address the pressing foreign, defence and security policy challenges of our time. It does this through its active network of former and emerging European political, military, and diplomatic leaders, through its high-quality research, publications and events, and through its institutional partnerships across Europe, North America, Latin America and the Asia-Pacific region. It focuses on arms control and political/military issues, including both conventional and nuclear disarmament challenges inside Europe, and has a particular interest in policy challenges arising in both the eastern and southern peripheries of the continent.

The ELN is a non-partisan, non-profit organisation based in London and registered in the United Kingdom.