

Legatum Institute

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Executive Summary

Since its inception, the European Union (EU) has pursued initiatives aimed at integrating foreign policy and defence matters among Member States under one common policy. While the history of progress in this area is chequered, the EU has over time developed a Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) and sought to make adherence to these more binding for Member States.

The United Kingdom forms an integral part of Europe's security architecture and shares many common defence and security interests with its European partners and allies. Prior to Brexit, the UK participated in the CFSP and CSDP and, as the most capable European defence actor, was able to influence its development in ways that aligned with the UK's national interests.

The UK has now left the EU and is free to fully pursue a defence and foreign policy that aligns with its national interests. Since Brexit, the EU has continued to develop a policy of defence and foreign policy integration, with mixed success, through overarching shared assessments such as the 2022 Strategic Compass, and binding policy initiatives such as Permanent Structured Cooperation (PESCO). The protectionist measures taken by the EU underpinning this policy constitute a threat to national prosperity and frustrate the improvement of our collective security. Additionally **mixed levels of enthusiasm from Member States and third-party allies for EU defence integration** places constraints on the effectiveness and therefore utility of EU policy.

Given the current geopolitical climate, and the often-overlapping security and foreign policy interests of the UK and EU member states, it has been regularly suggested that the UK and EU formalise their defence and security relationship. This has been explored through invitations to the UK to join EU defence initiatives such as PESCO, or suggestions in some quarters to formalise the relationship through a defence and security treaty.

It is not in the UK's national interest to pursue a policy of formalising defence and security ties with the EU. Repeatedly, critical events such as Russia's war in Ukraine, or the allied response to Houthi attacks in the Red Sea, have proven **that the UK can move further and faster, acting independently in concert with relevant allies.** EU-led initiatives that bind participants to the CFSP and subsidise EU defence procurement offer few benefits to the UK, while the reluctance of Member States to cede areas of defence and security policymaking to the EU casts serious doubts over whether joint initiatives will ever make a significant contribution to European security capabilities.

As such, we recommend that the Government should:

UK-EU defence and security relations

- Continue to adhere to a policy of ad-hoc engagement with the EU on defence and security issues, prioritising key bilateral relationships and multilateral initiatives such as the JEF.

- Communicate more assertively to European allies that EU defence initiatives with restrictive rules for “third country” participation are detrimental to improving European defence capabilities. This should be done alongside calls for EU Member States who are NATO members to urgently reach the 2 per cent national defence spending commitment.
- Resist all attempts to formalise a UK-EU defence and security relationship via treaty.

PESCO and Military Mobility

- The UK should generally avoid participating in PESCO projects, given the associated constraints placed on UK adherence to EU priorities under the European Defence Agency (EDA), Coordinated Annual Review on Defence (CARD), or European Defence Technological Industrial Base (EDTIB).

History of EU defence and foreign policy integration

1. Since 1945, attempts to form the precursor entities to the European Union included various defence harmonisation initiatives.¹ Although these attempts often stalled due to a lack of impetus and debates over sovereignty by European countries, they led to the nascent understanding of a “European Foreign Policy” through initiatives such as European Political Cooperation in the 1970s.²
2. The idea of cooperation in defence and foreign policy was embedded in the foundational treaty of the European Union (the 1993 Treaty of Maastricht) and strengthened significantly under the 2009 Lisbon Treaty, which introduced the CSDP and created the European External Action Agency (EEAS), the EU’s diplomatic service.
3. While the UK was a member of the EU, it participated in the CFSP and CDSP, including in areas of decision-making at the European Council as well as operational involvement in initiatives such as EUFOR ALTHEA in Bosnia or Operation Atalanta off the Horn of Africa. Nevertheless, successive British governments used their position within the EU to resist defence integration such as the establishment of an EU military headquarters, as well as opposed the greater use of Qualified Majority Voting (QMV) in CFSP decision making.³
4. Given that the UK was one of the most vocal opponents of EU defence integration, based on the risk of it undermining NATO and curtailing sovereign decision-making abilities, its departure from the EU has seen a renewed acceleration of this policy. The 2016 EU Global Strategy and 2022 EU Strategic Compass both advocate a central idea of EU Strategic Autonomy, which involves decreasing reliance on the US for defence, creating a European

¹ Such as the 1948 Brussels Pact or 1950 European Defence Community.

² As outlined in the 1970 Davignon Report

³ QMV is used by the EU Council when voting on proposals from the EU Commission or High Representative of the Union for Foreign Affairs and Security Policy. For a proposal to pass, it requires 55% of member states vote in favour (in practice this means 15 out of 27 member states to approve) *and* the proposal is supported by member states representing at least 65% of the total EU population. However, most CFSP proposals still require unanimous approval from members.

defence industrial base and better aligning the defence apparatus and interoperability of Member States' armed forces.

5. To achieve the above, several EU agencies, as well as financial instruments, have been created or enhanced. These include:
 - **European Defence Agency (EDA)** – established in 2004, supports the development of defence capabilities and military cooperation, as well as research and technology cooperation among Member States.
 - **Coordinated Annual Review on Defence (CARD)** – launched in 2017 and overseen by the EDA, CARD is a biannual review of national defence budgets to ensure national plans are coordinated at an EU level.
 - **European Defence Fund (EDF)** – launched in 2017, the fund supports collaborative defence R&D. Projects proposed through PESCO enjoy favourable rates of finance.
 - **Permanent Structured Cooperation (PESCO)** – launched in 2017, PESCO is a mechanism for improving Member State military cooperation and asset pooling, through individual projects that are led by one Member State acting as coordinator. In 2020 PESCO was opened to “third-party” countries after intense lobbying efforts by NATO and other allies.⁴
 - **European Peace Facility (EPF)** – launched in 2021, the EPF is an instrument to finance operations concerning the military and defence aspects of the CFSP. Its initial €5bn off-budget financial ceiling for 2021-27 was raised to €12bn in 2023, largely in response to funding requirements for Ukraine.
6. The above make up some but not all of the EU's complicated network of agencies and instruments related to CFSP and CSDP. Because many are designed to advance the EU's objective of achieving strategic autonomy, it is important for the UK to thoroughly interrogate its participation in individual EU defence initiatives to ensure that they do not undermine UK sovereignty in foreign policy decision-making; inadvertently bind the UK to wider EU foreign policy commitments or unfairly benefit the European defence industry at the expense of British industry.

PESCO and the UK

7. PESCO was formally established by 25 EU Member States in 2017 (the UK, Denmark and Malta not taking part). As outlined by the then EU Commission President Jean-Claude Juncker, what made PESCO different from previous attempts at EU defence integration are that Member States have a legal obligation to implement twenty binding commitments across five areas: spending and cooperation, harmonisation, interoperability and availability, prioritisation, and development.⁵ Member States participating in PESCO are required to give

⁴ Secretary-General Jens Stoltenberg made the case to EU leaders behind closed doors, as well as making appeals to the US and EU Member States sceptical of defence integration, such as the Netherlands. See Schuette, L. A. (2023). Shaping institutional overlap: NATO's responses to EU security and defence initiatives since 2014. *The British Journal of Politics and International Relations*, 25(3), 423-443. <https://doi.org/10.1177/13691481221079188>

annual updates on implementation, with the High Representative for Foreign Affairs presenting an annual report to the EU Council.

8. As a participating “third country”, the UK is not bound by the legal obligations on implementing these commitments. However, it is important to consider that most of the above commitments are directly related to improving EU strategic autonomy and the creation of an EU defence industrial base. For example, a commitment by Member States to the “intensive involvement” of the European Defence Fund in PESCO projects is very disadvantageous to the UK, as the EDF imposes severe restrictions on entities from third countries and stipulates that any intellectual property arising from R&D must remain within the EU. These restrictions undermine the ability for British defence companies to benefit from involvement in projects, and therefore undermine European countries’ ability to benefit from British defence industry expertise.
9. In addition to the risks associated with the retention of sovereign capabilities in policymaking and protectionist policies for defence industrial subsidies, it remains unclear whether Member States’ appetite for PESCO projects will make them feasible. The latest PESCO annual report of the High Representative for Foreign Policy to the EU Council noted that *“The overall progress is still not sufficient to enhance coordination, to increase investment and cooperation in developing defence capabilities, or to improve their joint operational use.”*⁶ Of the 72 projects advertised on the official PESCO website, 4 have already been closed. Despite the “carrot and stick” offer of financial incentives and legal obligations from the EU, participation in PESCO has so far yielded mixed results. The EU has stated that 2025-26 is expected to be a key year for delivery of concrete results from certain PESCO projects, which may overlap with an EU Council PESCO Strategic Review to be concluded by the end of 2025. These two assessments should help inform the Government of the utility of PESCO and whether it worth allocating resources to additional projects.
10. Part of the PESCO Military Mobility project includes the development or modification of transport infrastructure across the EU. In November 2023, the EU Commission reported that it had awarded funding to Member States for initiatives related to Military Mobility. While it is expected that the UK’s participation in Military Mobility would be confined to discussions on simplifying and standardising cross-border transport procedures, the Government should confirm whether it has any intentions of contributing to the financing of these processes or developing infrastructure that may be needed to improve troop and transport movements across Europe.

Future of the defence and security relationship

⁵ The summary of the five areas are the authors own approximate descriptions. A full list of the 20 commitments can be found here: <https://www.pesco.europa.eu/binding-commitments/>

⁶ Council of the European Union (2023) Annual Report on the status of PESCO <https://data.consilium.europa.eu/doc/document/ST-12112-2023-INIT/en/pdf>

11. There can be little doubt that Russia's invasion of Ukraine has provoked renewed debate about the nature of European defence and security. Combined with an increasingly volatile geopolitical climate, and the concerns of the United States about levels of European defence spending, some actors have concluded that the EU should become a more capable, if not the primary, defence, and security guarantor for Europe.
12. Such a view is inimical to British interests. Successive British Governments of all stripes have affirmed that NATO is at the heart of British and collective European security, and initiatives that undermine or duplicate its capabilities are detrimental to the alliance. There are multiple reasons to advocate for caution when engaging with EU defence initiatives, chief among them is that several major EU Member States who are NATO members do still not abide by NATO's two per cent defence spending commitment.
13. EU Member States' enthusiasm for EU driven defence research and procurement initiatives also remains mixed.⁷ The European Council has launched a Strategic Review of PESCO for 2025, and at the same time encouraged all Member States to fulfil the 20 binding commitments outlined in the initiative by the same year. If Member States are reluctant to allocate resources and implement these commitments, then the case for UK participation becomes even less compelling.
14. The UK government should therefore continue to maintain an *ad hoc* defence and security relationship with the EU, prioritising key bilateral relationships with allies such as France, and effective regional groupings such as the Joint Expeditionary Force. Where opportunities exist to work jointly on defence procurement or defence industrial cooperation, the UK should use its position as the preeminent European security actor to push for reciprocally beneficial arrangements that do not unfairly restrict IP ownership or give preferential financing to EU Member States.
15. While the Government has indicated that it will pursue involvement in PESCO projects based on the above approach, opposition parties have pushed for a more binding UK-EU defence and security relationship. The Shadow Foreign Secretary David Lammy has described a binding UK-EU security pact as being "fundamental"⁸, which has been echoed by the Shadow Defence Secretary John Healey.⁹ It remains unclear what benefit this would generate for the UK, or what advantages UK-EU formalisation would bring over bilateral or multilateral agreements with relevant allied countries.

⁷ The latest EDA figures from 2021 show that Member States conducted 11% of their total equipment procurement in a European framework, and spent 6% of total defence research and technology on collaborative projects. For 2022, the EDA noted that only 9 Member States had provided data on collaborative equipment procurement meaning they could conduct any meaningful analysis. See EDA Defence Data Portal for yearly figures.

⁸ Posaner, J. (2024, February 18). Britain-EU security deal "fundamental" due to Ukraine War, says UK shadow foreign secretary. POLITICO. <https://www.politico.eu/article/britain-eu-security-deal-fundamental-due-to-ukraine-war-says-uk-shadow-foreign-secretary/>

⁹ Posaner, J., Kayali, L., & Stone, J. (2023, December 8). UK's Labour Would Target Defense "pact" with Eu. POLITICO. <https://www.politico.eu/article/labour-targets-defense-security-pact-eu-if-wins-general-election-uk-2024-sunak/>

16. The fact that the Shadow Defence Secretary would not commit to the UK joining the EDF,¹⁰ one of the key components of the EU's defence policy, would make the chances of a UK-EU defence deal either very difficult to achieve or lacking in substantive provisions. It is also worth noting that Sir Richard Dearlove, the former head of the Secret Intelligence Service (SiS) appeared before the Foreign Affairs Committee last year and stated that he was "very sceptical indeed about the value of a structured relationship with Brussels" in matters of defence and security.¹¹
17. The argument that the UK's participation in initiatives such as PESCO will have political and diplomatic benefits, such as improving relations after Brexit, is superficial. Given the urgency with which investment in European defence and security is needed, neither the UK or European countries can afford to misallocate energy or resources into ventures for the sake of political gesturing. The UK can count European partners among its closest allies, and we share many common values and strategic interests. Investing in national defence, reaching NATO defence spending commitments and reducing the barriers to European wide defence industrial cooperation are the best ways to enhance our collective security.

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¹⁰ Posaner, J., Kayali, L., & Stone, J. (2023, December 8). UK's Labour Would Target Defense "pact" with Eu. POLITICO. <https://www.politico.eu/article/labour-targets-defense-security-pact-eu-if-wins-general-election-uk-2024-sunak/>

¹¹ Foreign Affairs Committee. (2023, February 21). <https://committees.parliament.uk/oralevidence/12690/pdf>