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Defence Budgets and Cooperation in Europe: Developments, Trends and Drivers

Edited by Alessandro Marrone, Olivier De France, Daniele Fattibene



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Executive summary

The changes that have transformed the security landscape in and around Europe since 2014 have been significant. The evidence laid out in Chapter 1 shows that they have had a perceptible effect on European countries' defence economics and defence budgets for 2015 and 2016.

The data gathered indicates that in the 31 European countries considered by this study defence spending will grow by an estimated average of 8.3 per cent in 2016, compared to 2015. This represents a break with the structural trends of previous years, and a perceptible inflexion in defence budget patterns across Europe.

The decline that has affected European defence budgets for over twenty years, and more acutely after 2008, has halted. Net defence budget variations¹ between 2015 and 2016 are positive across European regions. It amounts to +19.9 per cent in Central and Eastern Europe (CEE),² +9.2 per cent across South-Eastern Europe,³ +2.7 per cent across Western Europe,⁴ and +1.6 per cent across the Nordic region.⁵ This trend may have a positive impact on European military capabilities and defence output.

Defence budgets will increase in real or nominal terms in all but four European countries: Italy, which is planning a stable budget in nominal terms; Greece, which currently faces strong European pressure regarding its debt and public finances; Luxemburg, whose defence budget in volume is small compared to other European partners; and Sweden, which is preparing to raise its defence budget between 2016 and 2019. There are also 3 countries in which trends still need to be confirmed, or where political trends have emerged but have yet to be translated into detailed budget structures, for different domestic reasons: Portugal, Serbia and Slovenia.

Three main caveats need to be borne in mind. Firstly, the data provides no hard evidence that the upward trend is going to endure. Secondly, it is not possible to elucidate exactly how the different drivers of defence spending played out nationally in each European country. Lastly, increased defence budgets are no guarantee that the 31 countries under examination will spend their money better or with more intra-European cooperation than before 2015.

Chapter 2 provides a comprehensive picture of defence cooperation developments at bilateral and mini-lateral level among PMA31 countries, by considering 52 cases involving 29 states.⁶ These examples do present a very different degree of institutionalization, and do range from the politico-diplomatic level to the practical one, including both operational and procurement aspects of defence cooperation.

¹ Based on confirmed data only. These numbers do not apply to bulk defence budget variations in volume.

² In this study, the region includes: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia.

³ In this study, the region includes: Bulgaria, Croatia, Cyprus, Greece, Romania, Serbia and Slovenia.

⁴ In this study, the region includes: Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

⁵ In this study, the region includes: Denmark, Finland, Norway and Sweden.

⁶ Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

As a result of the Russian aggressive posture, several countries in CEE, South-Eastern Europe and the Nordic region have looked for reassurance and defence cooperation in two ways. First, by fostering cooperation with their neighbours at bilateral and/or mini-lateral level, either by drawing on pre-existing formats like the Visegrád Four (V4), or by launching new initiatives with Poland playing a leading role in CEE also via its Regional Security Assistance Programme (ReSAP). Second, by looking for strengthened bilateral cooperation with Germany and/or the US.

Berlin in turn has been playing a more active role in European defence cooperation by being part of 17 cooperation initiatives with PMA31 countries, and also within NATO multilateral framework regarding the Very High Readiness Joint Task Force (VJTF).

In the Nordic region, Sweden and Finland have both worked on bilateral cooperation (as reflected by the Swedish-Finnish Naval Task Group - SFNTG) and deepened relations with the US and NATO.

The search for reassurance in CEE and South-Eastern Europe has led 4 states⁷ to launch procurement programs to achieve both a diversification of military supplies and a reduction of dependency from Russia, by accelerating the modernization of their armed forces and the phasing out of outdated Soviet-made equipment.

In Western Europe 16 examples of defence cooperation occurred either at mini-lateral or bilateral level, often by building on pre-existing cooperative patterns. The mini-lateral developments encompassed the cooperation agreement on EUROMALE among France, Germany and Italy, and the Renegade agreement among Belgium, Luxembourg and the Netherlands.

At bilateral level occurred a noteworthy number of Government-to-Government (G2G) deals, namely 16. In 15 cases the agreement was between a Western country (either a European one or the US) and one located in CEE, the Nordic region or South-Eastern Europe. In 6 cases, one of the two countries having a G2G deal was Germany, confirming the aforementioned greater role played by Berlin in terms of European defence cooperation.

Different elements present potential stimulus for defence cooperation among PMA31 countries. First, the provisions of strategic documents adopted in 2015 by Germany and Italy. Second, developments within the EDTIB such as the merger between Nexter and Kraus-Maffei Wegmann (KMW) and the consolidation in the space sector involving Arianespace.

The whole landscape of defence cooperation in Europe is particularly diversified and fragmented. Chapter 3 presents an analytical framework to understand it by outlining the following six relevant trends:

- 1) tendency toward bilateral cooperation, in 37 cases over 52, with respect to 14 cases of mini-lateral cooperation;
- 2) cooperation among neighbouring countries in the majority of cases (29);

⁷ Bulgaria, Czech Republic, Poland and Slovakia.

- 3) growing role of Germany (17 cases) and significant role of the United States (5 cases) in cooperation initiatives with other PMA31 countries;
- 4) diversification of military supplies and reduction of dependency on Russian equipment;
- 5) reliance on established patterns of cooperation in Western Europe;
- 6) low degree of connection between on the one hand the cases of cooperation among EU Member States and on the other hand the EU level.

As a whole, there are some positive developments in terms of defence cooperation in Europe, but they are neither coordinated nor initiated at the EU level. As a result, the current picture of European defence cooperation is more a patchwork resulted by default than a framework built by design.

Five driving factors of the current European defence cooperation are discussed:

- 1) Russian aggressive posture;
- 2) non-conventional threats;
- 3) NATO focus on collective defence;
- 4) institutional pressure;
- 5) defence industrial policy.

Introduction

This study is partially based on the compilation and analysis of open sources information conducted as part of the project “Permanent Monitoring and Analysis of military capabilities and defence sector trends”, managed by a Consortium of European think tanks and funded by the European Defence Agency (EDA). The content of the study and the opinion expressed by the authors do not represent the EDA's official position.

The study has a double focus. Firstly, it looks at the landscape of defence spending in 2015 and 2016 for 31 European countries,⁸ and outlines possible future developments in the field. Secondly, it addresses how defence cooperation unfolded in Europe at bilateral, regional and mini-lateral levels between April and September 2015. It also includes an *ad hoc* focus on the specific implications for defence cooperation of the Paris terrorist attacks that took place on 13 November 2015.

This study draws on data collected by the Consortium to outline current trends in European defence spending and cooperation. It aims to tease out both specific driving factors and perspectives for the short to medium term, with a view to exploiting opportunities for defence cooperation in Europe.

⁸ Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom.

List of abbreviations

APC	Armoured Personnel Carrier
ASL	Airbus Safran Launchers
CEE	Central Eastern Europe
CNES	Centre national d'études spatiales
DTIB	Defence Technology Industrial Base
ETIP	Eurofighter Typhoon Interoperability Program
EUGS	European Union Global Strategy
EU MS	European Union Member States
G2G	Government to Government
IFV	Infantry Fighting Vehicle
LITPOLUKBRIG	Lithuania Poland Ukraine Brigade
LoI	Letter of Intent
MATC	Multinational Aviation Training Centre
MBT	Main Battle Tank
MCNE	Multinational Headquarter North-East
MENA	Middle East North Africa
MoA	Memorandum of Agreement
MoD	Ministry of Defence
MoU	Memorandum of Understanding
MPR	Maritime Patrol and Reconnaissance
PfP	Partnership for Peace
ReSAP	Region Security Support Programme
SFNTG	Swedish-Finnish Naval Task Group
TEU	Treaty of the European Union
TFEU	Treaty on the Functioning of the European Union
UAS	Unmanned Aerial System
VIGMILEP	Visegrád Group Military Educational Platform
V4	Visegrad 4
VJTF	Very High Readiness Joint Task Force

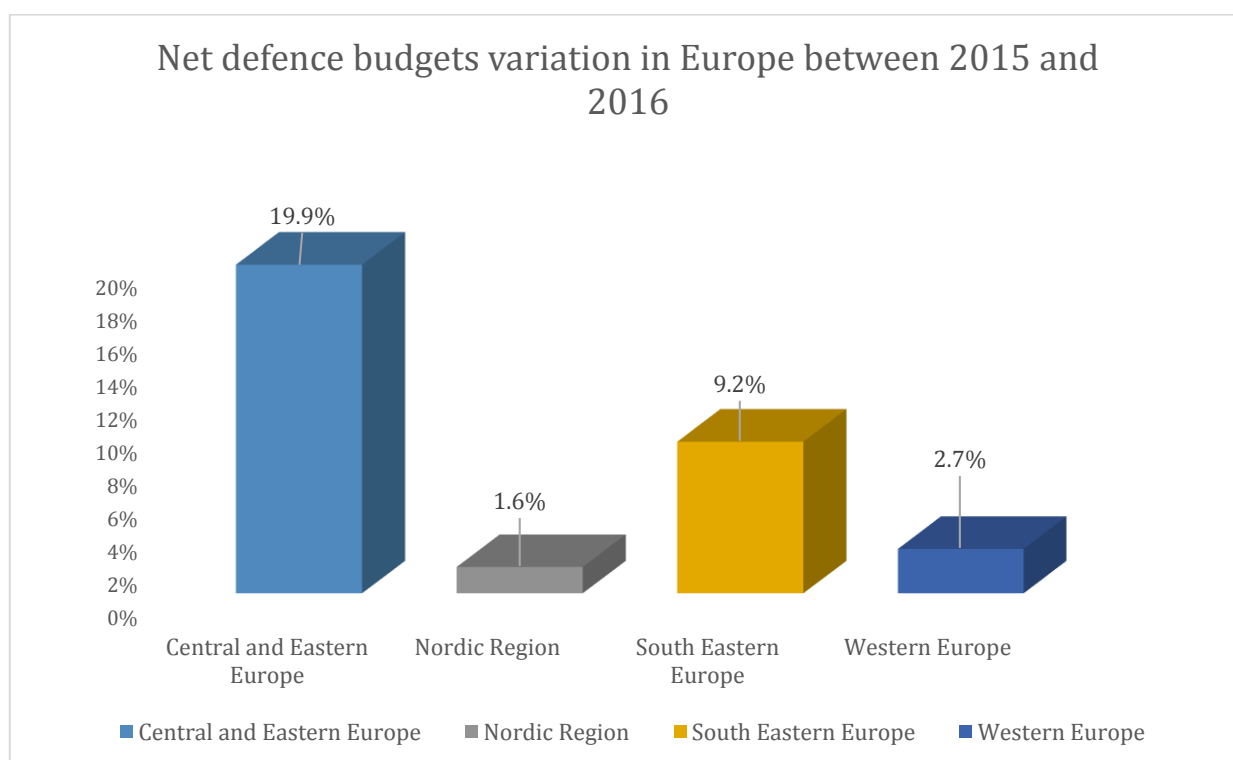
Chapter 1 - Defence spending in Europe in 2016

Edited by Olivier De France

1.1 Bucking an old trend

2014 and 2015 have not been good years for European security. While the turmoil in and around Europe has affected the continent's security calculus, it remained to be seen whether it would have an impact on how Europeans spend their money on defence. The numbers are in for 2016. It seems that the new security landscape will have a noticeable effect on European budgets.

The declining trend that has affected European defence budgets for over twenty years, and more acutely after 2008, has halted. The data gathered indicates that in the 31 European countries considered by this study defence spending will grow by an estimated average of 8.3 per cent in 2016, compared to 2015. This represents a break with the structural trends of previous years and an inflexion in defence budget patterns across Europe.



Defence budgets are on the rise in real or nominal terms in all but four European countries: Italy, which is planning a stable budget in nominal terms; Greece, which currently faces strong European pressure regarding its debt and public finances; Luxemburg, whose defence budget in volume is small compared to other European partners; and Sweden, which is preparing to raise its defence budget between 2016 and 2019. There are also 3 countries in which trends still

need to be confirmed, or where political trends have emerged but have yet to be translated into detailed budget structures, for different domestic reasons: Portugal, Serbia and Slovenia.

As a result, net defence budget variations between 2015 and 2016 are positive across European regions. It amounts to +19.9 per cent in Central and Eastern Europe (CEE),⁹ +9.2 per cent across South-Eastern Europe,¹⁰ +2.7 per cent across Western Europe¹¹, and +1.6 per cent across the Nordic region.¹² This trend is liable to have an effect on European military capabilities and defence output.

The key players in European defence will raise their defence budgets in 2016. Denmark, France, Germany, the Netherlands, Poland, Spain and the UK have scheduled increases. Italy's defence budget will be stable in nominal terms. Sweden is planning to a spending hike between 2016 and 2019. As a consequence, the total volume spent on defence in Europe will rise in non-negligible proportions. It is therefore liable to positively affect operational capabilities in Europe's main defence players, and therefore to have a positive impact on Europe's operational capabilities.

However, three main caveats have to be taken into account. Firstly, the data provides no hard evidence that the upward trend is going to last. There have been political commitments that extend to 2019 and in some cases to 2024 with respect to NATO 2 per cent spending targets – but there is no way of ascertaining how such announcements will translate into reality. Despite political commitments, it is therefore too early to say whether the uptick in defence budgets will translate into a lasting increase in defence spending.

Secondly, the data does not provide any evidence to ascertain exactly how different factors of defence spending played out nationally in each European country. For example, it does not distinguish the part played by the easing of the economic and fiscal environment, the part played by the crises in the East (Russian aggressive posture) and South (Syria, Libya), and the part played by non-conventional threats and domestic politics (terrorism, migration, political decisions).

The driving factors identified for defence cooperation (cf. Chapter 4 on Defence Cooperation) played a role in certain countries. Russia's aggressive posture is likely to have affected the threat perception and budgetary decisions in CEE, as well as to some extent in the Nordic region, Western and South-Eastern Europe. Non-conventional threats such as Islamic terrorism have played a meaningful role, particularly in France. The effects of the 13 November events in Paris are likely to further amplify the effects of the January 2015 attacks, both in France and across Europe. NATO's renewed focus on collective defence, and the institutional influence it exerts on Allies, have had an impact on defence budget allocation in several PMA31 countries.

⁹ In this study, the region includes: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia.

¹⁰ In this study, the region includes: Bulgaria, Croatia, Cyprus, Greece, Romania, Serbia and Slovenia.

¹¹ In this study, the region includes: Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

¹² In this study, the region includes: Denmark, Finland, Norway and Sweden.

A more granular analysis of the factors driving budget trends nationally is beyond the scope of this Report.

Finally, what this new budgetary trend guarantees Europe in terms of national or collective output is as yet uncertain. Increased defence budgets are no guarantee that PMA31 countries will spend their money any better than before 2015 – or indeed with any more intra-European cooperation than before. Military output, however difficult to measure, remains of greater significance than the nominal sums allocated to defence. On a national level, even a significant budget rise risks trickling into the sands if a country's procurement is too sinuous, its military tool too unbalanced, its equipment too obsolete and expensive to maintain, or its Armed Forces too personnel-heavy. A spending increase can help make the military more inefficient if it keeps on impractical and costly capabilities, whilst diverting resources from investments for the future. A country's capabilities may have succumbed to a "Maginot moment": that is, expensive equipment may have been added to a country's military line-up, but without it having any genuine military purpose, without the means to use it or deploy it, or with consequences detrimental to its balance of capabilities. Where they are spread too thin, capabilities are liable to become less of a deterrent than an ornament in a predominantly "decorative" defence.

1.2 Three scenarios

There are three main ways of describing the possible legacy of the current international security environment for defence spending across PMA31 countries for 2016 and beyond: a status quo/business as usual scenario; a political reaction scenario; and a game-changing scenario. Such scenarios do not assess the likelihood of each possible outcome, nor do they cover the whole range of possible future developments. However, they are useful to put trends into perspective, and to outline internally coherent future security environments as ideal-types within which the defence policies of PMA31 countries may have to operate.

Business as usual, or status quo, is an outcome which supposes that in the long-run, recent challenges will not have fundamentally compromised Europe's underlying vital or strategic interests.¹³ Under this scenario, terrorist attacks and turmoil in EU's neighbourhood are not perceived as posing an existential threat to states' interests, that is to say their territorial integrity or the livelihoods of their citizens. As a result, the trend towards the so-called 'demilitarization' of Europe continues unabated, fuelled both by structural and circumstantial factors. Fatigue amongst Western publics about military operations abroad, the end of the Cold War, the financial crisis and the following economic stagnation, continue to make it hard for European countries to spend their dwindling resources on defence.

The second outcome sees European states react in a predominantly political way. In such a scenario, the events of 2014 and 2015 are again not perceived as posing an existential danger to their vital interests. As such, they do not affect the military calculus. However, they are seen as a threat to strategic interests – something which leads to a political shift. Countries send a

¹³ Olivier De France, "Defence budgets in Europe: downturn or U-turn?", in *EUISS Briefs*, No. 12 (May 2015), http://www.iss.europa.eu/uploads/media/Brief_12_Defence_spending_in_Europe.pdf.

visible political signal that they intend to buck the declining trend in budgets which has prevailed since the end of the Cold War, at least temporarily. Such a move amounts to a political statement more than a military investment: it is not likely to have much of an effect on the country's military output *per se*. It is a way, however, of showing that recent events have caused countries to sit up, take notice, and take defence more seriously.

The third scenario is that the events of 2014 and 2015 turn out to be a genuine game-changer, which has a lasting impact on both the political and military calculus of European countries. The deteriorating security environment is perceived as a threat to strategic and vital interests, triggering a response that has both political and military implications. Not only is the trend of declining budgets halted: it is reversed, and unlocks a level and/or a manner of defence spending which is likely to have a tangible effect on the military. In turn, this contributes to making European armed forces more effective and more credible.

What do current regional projections look like? The evidence is that events have had a visible effect on how the majority of European countries spend money on defence, both in nominal and real terms. The effect might be described as political and military in most of CEE and the Nordic region, political in most of Western Europe, and neither political nor military in some PMA31 countries. It should be noticed that CEE countries, which have committed to substantial increases in their defence budgets, also have lower baselines of defence spending and/or have made substantial cuts to their budgets in recent years – with the notable exception of Poland, which has been increasing its defence budget ever since it joined NATO, with the exception of the year 2008-9 when it was forced to cut it. Defence expenditure in Western Europe starts from a higher base, but margins of manoeuvre in some Mediterranean countries are low because they have been the worst affected by the economic crisis.

1.3 National data and analysis¹⁴

1.3.1 Central and Eastern Europe

The 2016 **Czech** defence budget in 2016 will amount to CZK 46.1 billion, which represents a 1.4 per cent **rise** from 2015 levels.¹⁵ The Czech Republic subscribed to the Wales Summit targets on defence spending, and the government coalition agreement from 2 September 2014 pledged progressive increase of defence budget to reach 1.4 per cent of Gross Domestic Product (GDP) in 2020. It stated that spending has dropped to a level impacting Czech ability to contribute to collective defence.¹⁶ The 2015 Czech defence budget had slightly decreased as a proportion of GDP – to 1.04 per cent from 1.08 per cent in 2014.¹⁷

¹⁴ Regional groupings are listed in alphabetical order.

¹⁵ Jan Grohmann, "Modernizace Armády České republiky mezi roky 2016 až 2020", in *Armádní Noviny*, 27 October 2015, <http://www.armadninoviny.cz/modernizace-armady-ceske-republiky-mezi-roky-2016-az-2020.html>.

¹⁶ Czech Ministry of Defence, *Czech governmental coalition sign agreement on the progressive increase of the defence budget*, 3 September 2014, <http://www.army.cz/scripts/detail.php?id=101455>.

¹⁷ Czech Ministry of Defence, *Defence Budget*, updated 26 February 2015, <http://www.army.cz/scripts/detail.php?id=5760>.

Hungary aims to **increase** its defence spending in 2016 by 22 per cent, as announced by the Hungarian defence minister Csaba Hende in July 2015.¹⁸ Increased spending would amount to HUF 299 billion (EUR 950 million) in 2016, likely still falling short of equivalent of 1 per cent of GDP.¹⁹ As Hungary plans to boost the defence budget to the level of 1.4 per cent of GDP by 2022, the country is not expected to fulfil NATO's Wales summit pledge of reaching 2 per cent of GDP spent on defence by 2024.

In 2016 **Polish** defence spending will be **increased** by 9.4 per cent (PLN 33 billion in 2015 to PLN 35.9 billion in 2016). The Parliamentary Act approved by the Polish Parliament on 27 May 2015 set out that defence expenditure should amount to at least 2 per cent of the preceding year's GDP.²⁰ The projected budgetary bill for 2016, which has already been approved by the Council of Ministers, allocates PLN 35.9 billion (EUR 8.4 billion) for defence.²¹ In 2015, the base expenditure for defence was set at PLN 33 billion (EUR 7.8 billion), but the actual spending reached PLN 38.4 billion (2.27 per cent of GDP) because of the requirement to pay the final instalment for F16 C/D Block 52 + multipurpose aircraft (PLN 5.36 billion).

Slovakia's military budget declined in 2008-2014 period, with its lowest level since independence in FY 2014 (USD 1.002 billion, i.e. 0.99 per cent of GDP). In FY 2015 Slovakia will have spent USD 1.057 billion on defence, or 1.02 per cent GDP, thanks to economic growth and additional allocated funds.²² In 2016, the country should **increase** spending to USD 1.105 billion, i.e. 1.03 per cent of GDP. During the Wales Summit, Slovakia pledged to halt the drop in military spending and increase its defence budget to 1.6 per cent of GDP by FY 2020, but it uncertain whether Slovakia will be able to reach this goal, because of ongoing budgetary constraints. Slovakia also pledged to allocate 20 per cent of the annual defence budget on modernization of the Armed Forces.²³

1.3.2 Nordic region

Denmark has a Defence Agreement, covering the years 2013-17 and adopted in November 2012, which stated that defence expenditures were to be reduced.²⁴ In 2015, the Danish defence

¹⁸ Hungarian Ministry of Defence, *Hungary is performing well in NATO*, 26 June 2015, <http://www.kormany.hu/en/ministry-of-defence/news/hungary-is-performing-well-in-nato>.

¹⁹ Jakub Palowski, "Budapest Reconstructs the Army. 20% Increase of the Defence Spending", in *Defence24*, 22 June 2015, <http://www.defence24.com/234907,budapest-reconstructs-the-army-20-increase-of-the-defence-spending>.

²⁰ Jakub Palowski, "Polish President Signs a legal Act That Increases the Defence Spending", in *Defence24*, 24 July 2015, <http://www.defence24.com/240186,polish-president-signs-a-legal-act-that-increases-the-defence-spending>.

²¹ Jakub Palowski, "PLN 35.9 Billion - Polish Defence Budget in 2016", in *Defence24*, 1 October 2015, <http://www.defence24.com/265832,pln-359-billion-polish-defence-budget-in-2016>.

²² Slovak Ministry of Finance, *Stability Programme of the Slovak Republic for 2015-2018*, April 2015, http://www.finance.gov.sk/en/Components/CategoryDocuments/s_LoadDocument.aspx?categoryId=347&documentId=650.

²³ Zuzana Vilikovská, "Kiska: Slovakia to state clear stances at NATO summit", in *The Slovak Spectator*, 4 September 2014, <http://spectator.sme.sk/c/20051891/kiska-slovakia-to-state-clear-stances-at-nato-summit.html>.

²⁴ Danish Ministry of Defence, *Defence Agreement 2013-17*, 30 November 2012, <http://www.fmn.dk/eng/allabout/Pages/DanishDefenceAgreement2013-2017.aspx>.

budget amounted to DKK 20.4 billion (EUR 2.7 billion), though this amount excludes some expenditures included in the NATO definition, meaning that NATO reports higher levels of Danish defence spending than the Danish budget. In 2016, the defence budget, presented in September 2015, will temporarily rise to DKK 21 billion, before Danish defence spending decreases anew during the following years. Danish defence budgets are just above 1 per cent of GDP, somewhat higher if a NATO definition is used.²⁵

Estonia has stressed its commitment to allocate 2 per cent of its GDP to defence both in budget documents (like the State Budget Strategy 2015-18) and long-term defence plans (The Long-Term Defence Plan 2013-22). With the budget for 2016 presented in September 2015, the national defence spending was increased by EUR 37 million (+9 per cent) from EUR 412 million to EUR 451 million, suggesting that defence expenditures will constitute 2.07 per cent of forecasted GDP in 2016: there is no reason to doubt that Estonia will continue to allocate at least 2 per cent of its GDP to defence in the coming years.²⁶

Finland's defence spending increased steadily during the first decade of the millennium. After peaking in 2009 at EUR 2.473 billion, defence expenditures gradually declined to EUR 2.139 billion in 2015 (2010 prices). The Finnish budget proposal presented in September 2015 – with a nominal increase by 8.5 per cent from EUR 2.659 billion in 2015 to EUR 2.886 billion in 2016 – are equivalent to an increase in real terms by 6.7 per cent. This would be the first increase of Finnish defence expenditures since 2009, though it is also indicated that this rise is the result of some postponed payments so it is not certain that this increase should be seen as trend break. Defence expenditures as share of GDP had declined from 1.54 per cent in 2009 to 1.29 per cent in 2015, but will increase to 1.37 per cent in 2016. The work on a new defence review commenced in October 2015, which will present recommendations in spring 2017.²⁷

Latvia's defence budget was EUR 253.9 million in 2015, the equivalent to 1.2 per cent of GDP. The defence budget for 2016 was increased by 45 per cent to EUR 367.9 million, or about 1.6 per cent of GDP (GDP based on IMF forecast). In recent years Latvian defence spending had remained stable in real terms and also as share of GDP, at a level around 1 per cent, up to 2014. A more recent and ambitious plan stipulated that defence should be raised to 1.7 per cent in

²⁵ Danish Ministry of Defence, *Defence Expenditure 2015*, updated 4 January 2014, <http://www.fmn.dk/eng/allabout/Pages/Defenceexpenditure.aspx>.

²⁶ Estonian Ministry of Finance, *Riigieelarve* (State budget for 2016), <http://www.fin.ee/riigieelarve-2016>. In *2016. aasta riigieelarve eelnõu seletuskiri* (State budget explanatory memorandum), the defence budget is presented in Chapter 3.9 at p. 92-101. See also Estonian Ministry of Defence, *Estonian defence budget 2016 exceeds 2 percent GDP*, 28 September 2015, <http://www.kaitseministeerium.ee/en/news/estonian-defence-budget-2016-exceeds-2-percent-gdp>.

²⁷ Finnish budget documents (in Finnish and Swedish) are available in the Finnish Ministry of Finance website: <http://budjetti.vm.fi/indox/indexse.jsp>. The 2016 defence budget (in Swedish: *Statsbudgeten 2016: 27. Försvarsministeriets Förvaltningsområde*) is available at <http://budjetti.vm.fi/indox/sisalto.jsp?year=2016&lang=sv&maindoc=/2016/tae/hallituksenEsitysRuotsi/hallituksenEsitysRuotsi.xml&opennode=0:1:133:383:635>. A table showing Finnish defence spending for the years 2003-16 (in English: *Share of Defence Budget of GDP*) is available in the Finnish Defence Ministry website: http://www.defmin.fi/en/tasks_and_activities/resources_of_the_defence_administration/finances/share_of_defence_budget_of_gdp.

2017 and then 2 per cent in 2018. From the current level around 1 per cent this means that defence spending will double, in real terms, during the next years.²⁸

Lithuania has in the last years gradually strengthened its earlier commitment to allocate 2 per cent of its GDP to defence in 2020. In 2015, Lithuania increased its defence by a third to EUR 425 million, equivalent to 1.1 per cent of GDP. The 2016 Lithuanian defence budget, presented in October 2015, is also raised by a third to EUR 574 million, equivalent to 1.48 per cent of GDP, indicating that Lithuania will indeed reach a 2 per cent level in 2020. The spending was mainly aimed at strengthening Lithuania's involvement into NATO forces and institutions by providing its forces with essential weaponry, tactical communication means and vehicles.²⁹ In addition, Lithuania, having abandoned conscription in 2008, has also decided, in order to strengthen its defence capabilities as a result of the Ukrainian conflict, to reintroduce conscription.³⁰

Norway's defence budget in 2015 amounted to NOK 43.8 billion (EUR 4.95 billion). The Norwegian defence budget for 2016, presented in October 2015, included a rise by 12 per cent to NOK 49.1 billion.³¹ As a consequence, defence spending as a share of GDP will also increase to 1.5 per cent in 2016. Given the continued modernization of Norwegian defence (not least the F-35 fighter acquisition), Norway's defence spending will undoubtedly continue to rise during coming years, presumably at least at par with the rate of economic growth. Finally, it is worth mentioning that a long term Defence Bill is expected to be decided in spring 2016.

Sweden's military budget reached SEK 46.87 billion in 2015,³² an increase compared to the previous year, when it reached a level of around SEK 40 billion. The Defence Bill on defence allocations for the years 2016-20 was adopted in June 2015, and it was the basis for the budget proposal presented in September 2015. According to these documents, Swedish defence spending will decrease to about SEK 44.3 billion (EUR 4.95 billion) in 2015-16, and then gradually increase to SEK 50 billion in 2020. Hence, Swedish defence spending are currently on a higher level than they have been during the past ten years, and they will also continue to rise up to 2020, meaning that the trend of decreasing defence spending has indeed been broken. In spite of these increases, defence expenditures in 2020 will still be slightly lower than they were

²⁸ Latvian Ministry of Finance, *Latvia's Stability Programme for 2015-2018*, p. 5 and 26, http://www.fm.gov.lv/en/s/fiscal_policy/stability_programme. Latvian budgets are available in Excel at the Latvian part of this website. For the 2015 figure, see row 600 for "Aizsardzības ministrija" in *4.pielikums, Valsts pamatbudžet aieņēmumu un izdevumu atšifrējums pa programmām un apakšprogrammām* (Annex 2, State budget revenue and expenditure breakdown by programmes and sub-programmes), http://www.fm.gov.lv/lv/sadalas/valsts_budzets/2015_gada_budzets_. For the similar 2016 figure, see row 435 in Annex 4: http://www.fm.gov.lv/lv/sadalas/valsts_budzets/2016_gada_budzeta_likumprojekts.

²⁹ Lithuanian Ministry of Defence, *Budget Statement. Appropriations for National Defence 2015*, updated 28 April 2015, http://www.kam.lt/en/budget_1065.html.

³⁰ Nicholas de Larrinaga: "Lithuania to reintroduce conscription", in *IHS Jane's 360*, 24 February 2015, <http://www.janes.com/article/49362/lithuania-to-reintroduce-conscription>.

³¹ See Chapter 2.4.15 in Norwegian Ministry of Defence, *Statsbudsjettet 2016* (Budget Bill for 2016), p. 35, <http://www.statsbudsjettet.no/Statsbudsjettet-2016>.

³² Swedish Armed Forces, *Budget allocation*, updated September 2013, <http://www.forsvarsmakten.se/en/about/finances/budget-allocation>.

before the millennium because of the cuts made in the late 2000s.³³ Defence expenditures as a share of GDP have declined from 1.9 per cent in 2000 to 1.1 per cent in 2015, and will continue to decrease slightly, to about 1 per cent in 2020.

1.3.3 South-Eastern Europe

Bulgaria's defence spending in 2015, at BGN 979 million, was the lowest amount since 2005.³⁴ According to Minister of Defence Nikolay Nenchev, the defence budget will **increase** in 2016 by BGN 150 million compared to 2015, reaching approximately BGN 1.1 billion.³⁵ From 2016 to 2018 the funds allocated to defence should be no less than 1.35 per cent of GDP and by 2020 no less than 1.5 per cent. The planned defence budget of the country would grow steadily in the coming years to reach 2 per cent of GDP in 2024.³⁶

In **Croatia**, although official documents on the 2016 defence budget are not available yet, open source analysis suggests that the amount of resources which will be allocated to the MoD for the first quarter of 2016 will be around HRK 840.3 million, or 1.5 per cent of GDP, **up 19.7 per cent** compared to the same period of 2015.³⁷

Cyprus is not a member of NATO and therefore has made no pledge concerning the future level of its defence spending. The country is also still trying to recover from a severe economic crisis, and defence is not a priority. The fact that seem to be some progress in current talks about the solution of the Cyprus problem currently strengthens this trend. The budget for 2016 is EUR 319 million, with a **slight increase** with respect to 2015, but for 2017 and 2018 there will be a decrease, also because of the reduction of compulsory military service to 14 months.

In **Greece**, a decrease in defence spending is expected for 2016 which should be between EUR 100 or 150 million, and the defence budget will likely be 2.2 per cent of GDP.³⁸ The only major procurement programme to go ahead will be the modernization of the P-3B maritime cooperation aircraft (estimated cost EUR 500 million). Greek military spending has dropped by 46 per cent since 2010. In 2015, Greece has planned to spend EUR 3.25 billion on defence, including EUR 700 million on procurement.

³³ Bengt-Göran Bergstrand: "Trendbrott för svensk försvarsekonomi" (Trend break for Swedish defence economy), in *FOI Memo*, No. 4939 (April 2015), http://www.foi.se/Global/Press%20och%20nyheter/FOI_Memo_4939.pdf.

³⁴ "Bulgaria's 2015 Defence spending hits 10-years low", in *Novinite*, 22 June 2015, <http://www.novinite.com/articles/169384>.

³⁵ Chavdar Tzolov, "Biudjet 2016: Uchiteli sreshtu iztrebiteli" (Budget 2016: teachers against fighters), in *Banker*, 16 October 2015, <http://www.banker.bg/finansov-dnevnik/read/biudjet-2016-uchiteli-sreshtu-iztrebiteli>.

³⁶ Delyana Petkova, "Biudjetit za obrana shte raste do 2% ot BVP kim 2024 godina" (The defence budget will grow by 2% of GDP in 2024), in *Investor*, 8 May 2015, <http://www.investor.bg/ikonomika-i-politika/332/a/-godina-194355>.

³⁷ Igor Tabak, "MORH dobro prošao u rebalansu!" (MoD does well in budget revision), in *Obris*, 15 September 2015, <http://obris.org/hrvatska/vlada-izvanredno-o-drzavnim-financijama>.

³⁸ Tom Kington, "Greek crisis poses military, political fallout", in *Defense News*, 11 July 2015, <http://www.defensenews.com/story/defense/policy-budget/2015/07/11/greece-crisis-debt-european-union-default/29954341>.

The **Romanian** defence budget has grown from 1.4 per cent of GDP in 2014 to 1.5 per cent in 2015. In January 2015, the Romanian president and the political parties represented in Parliament signed a political agreement to commit from 2017 onwards to at least 2 per cent of GDP for a duration of ten years.³⁹ In 2016, the Romanian defence budget will reach 1.5 per cent of the 2016 GDP and incorporate additional expenditure that will bring it up to 1.7 per cent GDP, representing a rise of 0.2 per cent GDP points compared to 2015.⁴⁰ 28.8 per cent of the defence budget in 2016 will be allocated for procurement, as per NATO recommendations. The downward trend in defence spending stopped in 2013. The defence budget rise aims to help carry out major procurement programs, in particular the Multirole Aircraft Program, and to make credible the increase to 2 per cent of the GDP from 2017 onwards.⁴¹

Serbia's military budget for 2015 is RSD 56 billion, or about USD 560 million, which is the lowest budget since the economic crisis of 2008 began. This declining trend should continue in 2016, given the austerity policies of the current government, as well as the weakness of the national currency in relation to US dollar.

Slovenian Prime Minister Miro Cerar assured NATO Secretary General Jens Stoltenberg, during his visit in July 2015, that the Slovenian government would gradually increase defence spending as part of its commitments to the Alliance. The country's defence budget has fallen to just under 1 per cent of GDP from a high of over 1.62 per cent of GDP in 2010, as shrinking budget revenues from the economic crisis forced the government to redirect spending to other areas, particularly welfare.⁴²

1.3.4 Western Europe

In **Austria**, the budget for defence and sport was **increased** by EUR 90.2 million between 2015 and 2016,⁴³ from EUR 1.98 billion to EUR 2.07 billion. Within this budget, EUR 132.99 million are earmarked for sport.

In **Belgium**, the General Spending Budget for 2015 fixed the share granted to the Belgian defence at some EUR 2.26 billion, which was down 11 per cent from the EUR 2.54 billion written into the 2014 budget.⁴⁴ Set against a twenty-year trend of budget reductions for the Belgian

³⁹ Camelia Badea, "Iohannis si partidele au semnat acordul pentru finantarea Armatei" (Johannis and the parties signed the agreement for the Army's financing), in *Ziare*, 13 January 2015, <http://www.ziare.com/klaus-johannis/presedinte/-1342754>. In February 2015, in opinion polls, 70 per cent of Romanian citizens approved 2 per cent of GDP for defence. On this topic, see: "Sondaj Inscop 69,7% dintre români sunt de acord cu alocarea a 2% din PIB pentru Armata" (Poll Inscop 69.7% of Romanian agree to allocate 2% of GDP to the Army), in *Revista 22*, 16 February 2015, <http://revista22.ro/53260/.html>.

⁴⁰ Romanian Ministry of Defence, *Defence budget priorities in 2016*, 11 December 2015, http://english.mapn.ro/cpresa/4444_defence-budget-priorities-in-2016.

⁴¹ *Ibid.*

⁴² Mu Xuequan, "Slovenia pledges to increase defence spending", in *Xinhua*, 13 July 2015, http://news.xinhuanet.com/english/2015-07/13/c_134408940.htm.

⁴³ Austrian Ministry of Finance, *Budgetbericht 2016*, October 2016, <https://www.bmf.gv.at/budget/das-budget/budget-2016.html>.

⁴⁴ Belgian House of Representatives, *Projet du budget général des dépenses pour l'année budgétaire 2015*, December 2014, <http://www.lachambre.be/FLWB/PDF/54/0496/54K0496001.pdf>.

armed forces, the 2016 budget is up from EUR 2.26 billion to EUR 2.498 billion.⁴⁵ What is more, following some criticism from Belgium's allies, Defence Minister Steven Vandeput declared in summer 2015 that he was willing to triple the kingdom's defence budget over a fifteen-year period.⁴⁶

Following the Paris terrorist attacks in January 2015, **France** modified its 2014-2019 military programming law, by adding EUR 3.8 billion to the overall multiyear budget and by cancelling 18,750 personnel cuts to the Army scheduled for 2015 and 2016. In the wake of the 13th November attacks, all personnel cuts planned for after 2017, 2018 and 2019 have been cancelled also.⁴⁷ The police and the gendarmerie will be reinforced with 5,000 new staff, the Justice Department and customs with 3,500, in addition to the 2,650 supplementary personnel announced after the January attacks.⁴⁸ Notwithstanding the cost of the measures taken in November 2015, which are still being assessed within the relevant ministries, the French defence budget is expected to **rise** in 2016 from EUR 31.4 billion to EUR 32 billion, and to reach EUR 34.02 billion in the fiscal year 2019.⁴⁹ The amended 2014-2019 military programming law set the French 5-year defence budget to a total of EUR 162.41 billion.⁵⁰

Germany's defence spending is to **rise** from EUR 32.9 billion in 2015 to EUR 34.2 billion in 2016.⁵¹ Indeed the German defence budget is set to rise by 6.2 per cent (or EUR 8 billion) over the 2015-2019 period. Under current planning, Berlin will therefore spend EUR 2 billion more annually in 2019 than it does now (2015).⁵² However, given the projected GDP growth (IMF), Germany may in fact invest fewer resources in defence in relative terms.

As it sought to consolidate its fiscal recovery, **Ireland** has committed to a defence budget of EUR 885 million, or 0.6 per cent of GDP.⁵³ This funding allocation announced on October 2015 represents a **small increase** on the previous budget of 0.7 per cent.⁵⁴ However, the overall

⁴⁵ Belgian House of Representatives, *Projet de loi contenant le budget des Voies et Moyens de l'année budgétaire 2016*, November 2015, <http://www.senate.be/www/?MIval=/dossier&LEG=54&NR=1351>.

⁴⁶ Antoine Clevers, "Steven Vandeput veut tripler le budget de l'armée", in *La libre Belgique*, 11 June 2015, <http://www.lalibre.be/s/art/557883f335709a87ac8b797a>.

⁴⁷ Nathalie Guibert, "La fin de l'armée peau de chagrin", *Le Monde*, 17 November 2015, http://lemonde.fr/societe/article/2015/11/17/la-fin-de-l-armee-peau-de-chagrin_4811732_3224.html

⁴⁸ Frédéric Schaeffer, "Police, justice, douanes, armée: l'Élysée sort les grands moyens", in *Les Echos*, 16 November 2015, <http://po.st/7wjKf8>.

⁴⁹ French Ministry of Defence, *Projet de Loi de Finances 2016*, September 2015, p. 8 and 16, <http://www.defense.gouv.fr/actualites/articles/projet-de-loi-de-finances-plf-2016>.

⁵⁰ French Ministry of Defence, *Actualisation de la programmation militaire 2014-2019*, June 2015, p. 12, <http://www.defense.gouv.fr/actualites/articles/actualisation-de-la-loi-de-programmation-militaire-2014-2019>.

⁵¹ German Ministry of Finance, *Eckwertebeschluss der Bundesregierung zum Regierungsentwurf des Bundeshaushalts 2016 und zum Finanzplan 2015 bis 2019*, March 2015, <https://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2015/03/2015-03-18-PM13-bundeshaushalt-anl2.pdf>.

⁵² The number of EUR 8 billion is the difference between the pre-March planned spending, which envisaged a constant EUR 32 billion defence budget, and the current revised post-March planning with its rise of the budget to EUR 35 billion in 2019.

⁵³ Irish Ministry of Finance, *Minister for Finance Publishes Finance Bill 2015*, 22 October 2015, <http://www.finance.gov.ie/news-centre/press-releases/minister-finance-publishes-finance-bill-2015>.

⁵⁴ Dan Darling, "Ireland's Defense Earmark for 2016 Falls Flat", in *Forecast International Blog*, 20 October 2015, <http://wp.me/p5MdjH-j9>.

decline in Irish spending from a high-point of 2008 to 2016 represents a real-term budget contraction of almost 17 per cent.

In **Italy**, the Plurennial Programmatic Document of July 2015 plans for a stable budget in nominal terms, which equates with a **slight decrease** in real terms for the 2015-2017 timeframe. The estimates for 2016 say that Italy will allocate EUR 12.735 billion to the so called “defence function”.⁵⁵ The White Book for International Security and Defence adopted on April 2015 outlines a military reform including measures to increase the efficiency of defence spending.

In **Luxembourg**, the 2016 Budget Draft expects military spending to amount to EUR 76.798 million. It represents 0.57 per cent of state budget.⁵⁶ It is **decreasing** compared to the 2015 spending that reached EUR 79.6 million and represented 0.62 per cent of the government’s budget.⁵⁷

According to **Malta’s** Budget 2016 estimates, the amount of resources allocated to the Armed Forces is of EUR 45.946 million, which will amount to an 8 per cent **increase** compared to 2015.⁵⁸

The **Netherlands’** defence spending will receive extra funding in 2016: plus EUR 220 million compared to 2015, for a total of EUR 7.5 billion. In addition, EUR 60 million will be earmarked structurally for international missions⁵⁹ and another increase of EUR 345 million by 2020 is also planned.⁶⁰ These efforts, aimed partly at reinforcing the Dutch Army’s operational deployability, represent a yearly nominal 3 per cent **rise** in the defence budget.

In 2015, **Portugal** allocated EUR 1.748 billion to defence spending. It represented 3.73 per cent of its total budget, estimated at EUR 46.829 billion,⁶¹ allowing Lisbon to fulfil NATO criteria despite its strained economic situation. In October 2015 however, the Portuguese government, in a context of political flux, failed to submit a draft budget to the EU, leaving its future choices and orientations unclear.

⁵⁵ Italian Ministry of Defence, *Documento Programmatico Pluriennale per la Difesa per il triennio 2015-2017*, <http://www.difesa.it/Approfondimenti/Bilancino2010/Documents/DPP%202015-2017.pdf>. The Defence Function includes all expenditures necessary to perform the specific set of tasks assigned to Army, Navy, Air Force and joint component, as well as technical and administrative personnel of Defence Ministry. See Roberta Maldacea, Alessandro Marrone and Paola Sartori, *Defence Budgets and Industry: Tables and Graphs*, Roma, IAI, July 2015, <http://www.iai.it/en/node/702>.

⁵⁶ Luxembourg Government, *Budget 2015: Défense nationale*, updated 15 October 2014, <http://www.budget.public.lu/lu/budget2015/am-detail/index.php?~/=/depenses/1,16-defense-nationale>.

⁵⁷ Luxembourg Government, *Budget 2016: Défense nationale*, updated 14 October 2015, <http://www.budget.public.lu/lu/budget2016/am-detail/index.php?~/=/depenses/1,16-defense-nationale>.

⁵⁸ Malta Ministry of Finance, *The Budget 2016*, 12 October 2015, <http://mfin.gov.mt/en/The-Budget/Pages/The-Budget-2016.aspx>.

⁵⁹ Jeroen Dijsselbloem, *Speech presenting the budget memorandum*, 15 September 2015, <https://www.government.nl/documents/speeches/2015/09/15/speech-presenting-the-budget-memorandum>.

⁶⁰ King Wilhelm-Alexander of the Netherlands, *Speech from the Throne 2015*, 15 September 2015, <https://www.government.nl/documents/speeches/2015/09/15/speech-from-the-throne-2015>.

⁶¹ Portuguese Public Finance Council, *Analysis of the 2015 Draft State Budget*, November 2014, http://www.cfp.pt/?post_type=publications&publicationcategories=state-budget&lang=en.

In **Spain**, the planned state budget for 2016 was presented to Parliament in August 2015. The draft budget allocated to the Ministry of Defence for 2016 is EUR 5.962 billion.⁶² This budget was approved by the Spanish Parliament on 20 October, confirming a 3.5 per cent **increase** compared to 2015 levels.⁶³

In **Switzerland**, expenses for Defence are to **rise** from CHF 4.71 million in 2015 to CHF 4.73 million in 2016. As the population vetoed the procurement of Gripen fighter aircraft, the federal Parliament has decided to allocate around CHF 4.7 million instead of CHF 5 million for defence, from 2016 onwards.⁶⁴ However, in the mid-term, an increase to CHF 5 million is still a goal to guarantee security for upcoming procurements under the framework of a structural reform program (“Weiterentwicklung der Armee” or “Advancement of the armed forces”).⁶⁵

The **United Kingdom** has recommitted to meeting NATO’s 2 per cent pledge.⁶⁶ This entails the defence budget will increase in real terms every year for the next five years, amidst a debate on accounting practices used to this end. The United Kingdom's 2015 Strategic Defence and Security Review (SDSR) has allocated an extra GBP 12 billion for defence procurement over the next decade, with GBP 178 billion earmarked in total for defence procurement and maintenance between 2015 and 2025. In terms of accounting, intelligence/security, defence engagement and development funds will now also count towards the target whereas, in previous years, the focus was only on the Ministry of Defence budget.

⁶² Spanish Ministry of Defence, *Presupuestos Defensa 2016*, 20 August 2015, http://www.defensa.gob.es/Galerias/gabinete/ficheros_docs/2015/SEDEF-presupuestos-2016.pdf.

⁶³ Spanish Government, *Presentación del Proyecto de presupuestos generales del Estado 2016*, August 2015, <http://www.sepg.pap.minhap.gob.es/sitios/sepg/es-ES/Presupuestos/ProyectoPGE/Documents/LIBROAMARILLO2016.pdf>.

⁶⁴ Swiss Ministry of Finance, *Bericht zum Voranschlag V2016*, 19 August 2015, <http://www.efv.admin.ch/d/dokumentation/finanzberichterstattung/budget.php#2016>.

⁶⁵ Swiss Ministry of Finance, *Finanzplan 2016-2018*, 20 August 2014, <http://www.efv.admin.ch/d/dokumentation/finanzberichterstattung/finanzplaene.php>.

⁶⁶ UK Ministry of Defence, *Annual Report and Accounts 2014-15*, updated 2 December 2015, <https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2014-to-2015>.

Chapter 2 - Defence cooperation at bilateral and mini-lateral level

Edited by Alessandro Marrone and Daniele Fattibene

2.1 Defence cooperation to cope with growing insecurity

Several countries in CEE, South-Eastern Europe and the Nordic region have devoted increasing attention to defence as a result of Russia's aggressive posture epitomized by Moscow's illegal annexation of Crimea and the crisis in Ukraine. This driving factor has in turn led states in these three regions to search for reassurance and defence cooperation in two ways. First, by fostering cooperation with their neighbours at bilateral and/or mini-lateral level. Second, by looking for strengthened cooperation with Germany, as in the case of Lithuania and Poland, and/or with the US as happened with Finland, Poland and Sweden. Berlin and Washington in turn have been keen to foster their respective bilateral and multilateral relations in this part of Europe.

2.1.1 Working with neighbours

Countries within CEE, South-Eastern Europe and the Nordic region have fostered cooperation with their neighbours at bilateral and/or mini-lateral level. This occurred either by drawing on pre-existing formats as in the case of Visegrád 4 (V4) initiatives, or by launching new bilateral/mini-lateral initiatives. Within the V4, the endorsement of the *Action Plan and a Training and Exercise Strategy* at the meeting in Tomášov, Slovakia on 23 April, represents a significant step forward to address the V4 Members' insecurity.⁶⁷ Under the Strategy, the Chiefs of Defence would prepare exercise plans⁶⁸ for a quadrennial timeframe, starting from 2016-2020 period. The Ministers also established the Visegrád Group Military Educational Platform (VIGMILEP)⁶⁹ and listed five "most promising areas" for further cooperation:

- 1) Training and Exercises;
- 2) Joint Logistics Support Group;
- 3) Chemical, Biological, Radiological and Nuclear (CBRN) detection and collective/individual physical protection;
- 4) Joint Terminal Attack Controllers;
- 5) Special Operations Tactical Training.

Another discussed project with high potential for cooperation among V4 countries and their industries is the Advanced Ground Combat Vehicle, a modular truck platform to replace obsolete BMP-2 in all four countries. Finally, the Joint Communiqué also expressed V4 support

⁶⁷ It should be noted that this is a result of a process started well before the recent crisis in Ukraine. Notably, in 2014 a political structure was established to plan and oversee cooperation within V4.

⁶⁸ The so called 2016-2020 Midterm Plan of Training Opportunities.

⁶⁹ Visegrád Group, *Joint Communiqué of the Visegrád Group of Ministers of Defence*, Tomášov, 23 April 2015, <http://www.visegradgroup.eu/calendar/2015/joint-communique-of-the>.

for the idea of training for Cross-Border Operations (CBO), and pledged to study the possibility of joint protection of V4 airspace starting with a Czech-Slovak cooperation.

Apart from the V4 developments, Poland has been playing a leading role in terms of new cooperation activities in CEE. The most inclusive one promoted by Warsaw has been the introduction of the Region Security Support Programme (ReSAP), directed towards: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania and Slovakia. Its three-fold goal is to strengthen the capabilities of regional allies, to enhance regional collaboration, and to promote Polish defence industry abroad, mostly by using some financial instruments to facilitate acquisitions or joint development projects involving Polish defence companies.

Furthermore, new regional cooperation initiatives have involved CEE and South-Eastern Europe countries. On 24 June 2015, on the margins of the NATO Defence Ministers' meeting in Brussels, a Letter of Intent (LoI) was signed among Bulgaria, Croatia, Hungary and Slovenia on cooperation in the implementation of special forces aerial capabilities. The "SOF Aviation" is open to other signatories and will focus on common education, training, modernization, procurement and potentially even integrated multinational units.⁷⁰ On the same occasion, Croatia signed a Memorandum of Agreement (MoA) on the establishment of a future Multinational Aviation Training Centre (MATC). This project, which includes Czech Republic, Hungary and Slovakia and is part of a wider pre-existing NATO Smart Defence initiative, is intended to standardize aerial training and to lower costs.⁷¹

A new cooperation initiative involves five countries from Western Europe and Nordic Region, namely Austria, Finland, Ireland, Sweden and Switzerland. The Austrian Defence Minister announced during a visit to Switzerland a pilot project for 2016 to involve recruits from non-NATO European countries in a three- to four-week exercise at the end of their basic training. The goal would be to define the role that these countries could play in various military operations.⁷²

Additionally, a significant effort, for the level of integration entailed, involves Poland, Lithuania and Ukraine and foresees the creation of a tri-national brigade – the Lithuania Poland Ukraine Brigade (LITPOLUKRBRIG) – whose specific functioning aspects have been decided in Lviv on 24 May with the signature of a technical agreement. An intensification of defence cooperation has also involved Swedish-Finnish relations, through the set-up of a joint Swedish-Finnish Naval Task Group (SFNTG),⁷³ as well as the use of each other's territory for basing and

⁷⁰ Croatian Ministry of Defence, *U Briselu potpisano Pismo namjere o suradnji u SOF Aviation* (A Letter of Intent on cooperation in SOF Aviation signed in Brussels), 25 June 2015, <http://www.morh.hr/hr/vijesti-najave-i-priopcenja/priopcenja/11572>.

⁷¹ Croatian Ministry of Defence, *Potpisan Memorandum o suglasnosti o uspostavi MATC-a* (Memorandum of Understanding on MATC establishment), 24 June 2015, <http://www.morh.hr/hr/vijesti-najave-i-priopcenja/priopcenja/11571>.

⁷² "Swiss and Austrian armies consider collaboration", in *Swissinfo.ch*, 16 April 2015, http://www.swissinfo.ch/eng/teamwork_swiss-and-austrian-armies-consider-collaboration/41384418.

⁷³ Swedish Government, *Final reports on deepened defence cooperation between Finland and Sweden*, 17 February 2015, <http://www.regeringen.se/t/17451/sv>.

replenishment. The cooperation covers different aspects and is applicable in peacetime, during crises and beyond, meaning wartime, though this is not clearly spelled out.

Moreover, on 21 April 2015 a Plan of bilateral cooperation between the two MoDs of Croatia and Bosnia and Herzegovina has been signed.⁷⁴ On 14 May, Hungary and Lithuania updated their Memorandum of Understanding (MoU) on Defence cooperation, which has been in force since 1997. Finally, on 21 July, the working group made up of MoD specialist from Romania and Portugal recognized fresh areas of cooperation both as part of common projects and as regards the participation in NATO missions or CSDP.⁷⁵

2.1.2 Fostering bilateral cooperation with Berlin and/or Washington

Germany has increased bilateral cooperation with CEE countries and particularly *vis à vis* Poland and Lithuania, which in turn have looked to boost their relationship with Berlin. Germany has played a more active role in European defence cooperation also within a NATO multilateral framework with Poland, Denmark and Netherlands. Already in 2014, Germany and Poland signed a Declaration of Intent⁷⁶ aimed to expand the military cooperation between the two countries and this has been confirmed in 2015 as well,⁷⁷ with a Memorandum on German-Polish combat units' integration likely to take place by mid-2016.⁷⁸ Furthermore, on 29 April 2015 Polish and German Defence Ministers signed a LoI on enhanced cooperation of both countries' air forces, followed by another industrial cooperation agreement signed on 27 May for the joint development of an amphibious wheeled Armoured Personnel Carrier (APC).⁷⁹

Berlin has also engaged in a cooperative endeavour with Vilnius. With the procurement of second hand self-propelled howitzers (type Panzerhaubitze 2000) from Berlin,⁸⁰ the two States also discussed the possibility to train Lithuanian military instructors at the German Army artillery school in Idar-Oberstein.⁸¹

⁷⁴ Croatian Ministry of Defence, *Ministar Kotromanović s ministricom, obrane BiH Marinom Pendeš* (Minister Kotromanović with Minister of Defense Marina Pendeš), 21 April 2015, <http://www.morh.hr/hr/vijest-najave-i-priopcenja/priopcenja/11289>.

⁷⁵ "Romania and Portugal to set up a working group of the specialists of both defence ministries", in *ACTMedia*, 22 July 2015, <http://actmedia.eu/daily/romania-and-portugal-to-set-up-a-working-group-of-the-specialists-of-both-defence-ministries/59074>.

⁷⁶ German Ministry of Defence, *Gemeinsames Pressestatement zur Absichtserklärung zu einer Deutsch-Polnischen Heereskooperation*, 29 October 2014, <http://www.bmvg.de/portal/poc/bmvg?uri=ci%3Abw.bmvg.journal.ministerium&de.conet.contentintegrator.portlet.current.id=01DB010000000001%7C9QDGCC677DIBR>.

⁷⁷ Jakub Palowski, "Polish Leopards Commanded by the Germans. German Grenadiers Commanded by the Poles", in *Defence24*, 18 July 2015, <http://www.defence24.com/239167,polish-leopards-commanded-by-the-germans-german-grenadiers-commanded-by-the-poles>.

⁷⁸ "German and Polish armies to swap commands of battalions", in *Reuters*, 6 March 2015, <http://reut.rs/1A4cs1b>.

⁷⁹ Remigiusz Wilk, "Poland, Germany to develop a new 6x6 amphibious armoured vehicle", in *IHS Jane's 360*, 26 May 2015, <http://www.janes.com/article/51766>.

⁸⁰ "Deutsche Panzerhaubitzen für Litauen", in *Frankfurter Allgemeine Zeitung*, 15 April 2015, <http://www.faz.net/-hox-826vu>.

⁸¹ "Lithuania Says Deal Reached to Buy German Howitzers", in *Sputniknews.com*, 11 May 2015: <http://sputniknews.com/europe/20150511/1021990069.html>.

Moreover, within NATO multilateral framework, Germany has cooperated with Denmark, Netherlands and Poland on an Interim Very High Readiness Joint Task Force (VJTF) for 2015. Additionally, Germany increased the number of personnel in the Multinational Headquarter North-East (MCNE) in Szczecin, where Poland is making a significant military investment. More German soldiers are also earmarked to participate in NATO manoeuvres in Eastern Europe, and fighter aircraft are assigned for the Baltic Air Policing mission.⁸² In addition, the MoD is planning to build up a multinational tank battalion in the Bundeswehr and a multinational helicopter unit.⁸³ Meanwhile, at the EU-level, on 16 April a MoU was signed by Croatia, Czech Republic, Germany, Luxembourg and the Netherlands to let Croatian military joining the EU Battlegroup led by Berlin.⁸⁴

Finally, in the Nordic region, Sweden and Finland have been gradually changing their strategic orientations, especially as a consequence of the Russian aggressive posture. On the one hand, they are deepening cooperative relations with the US; on the other hand, they foresee a closer relationship with NATO. Notably, the Swedish long-standing cooperation with Washington is to be augmented, as stated in the defence bill adopted by the Swedish Parliament in June 2015. Moreover, according to the Enhanced Opportunities Partnership agreed at the Wales Summit in 2014, Sweden together with Finland and four other Partnership for Peace (PfP) nations (including Austria) are expected to develop a qualitatively closer relationship with the Alliance in the upcoming years. Yet, an application for NATO membership from Sweden and Finland does not seem to be on the agenda for the foreseeable future.

2.2 Diversifying military supplies and reducing dependency from Russia

The search for reassurance and defence cooperation resulting from the reaction of countries in CEE, South-Eastern Europe and the Nordic region to Russia's aggressive posture has led also to launch new procurement programs as a way to achieve a two-fold goal. First, to progressively diversify their military supplies. Second, to reduce these countries' dependency on Russian military equipment, mainly by accelerating the modernization of the armed forces and the phasing out of outdated Soviet-made equipment.

In this context, in August Bulgaria signed a LoI for the modernization of Bulgarian Mig-29 in cooperation with Poland throughout 2016.⁸⁵ In the future, the fighters may be upgraded and

⁸² German Ministry of Defence, Rede der Verteidigungsministerin anlässlich der polnischen Generalstagung, 11 March 2015, <http://www.bmvg.de/portal/poc/bmvg?uri=ci%3Abw.bmvg.journal.ministerium&de.conet.contentintegrator.portlet.current.id=01DB010000000001%7C9UH9KD683DIBR>.

⁸³ Ursula von der Leyen, *Statement at the 10th Brussels Forum of the German Marshall Fund*, 20 March 2015, <http://www.bmvg.de/portal/poc/bmvg?uri=ci%3Abw.bmvg.journal.sicherheitspolitik&de.conet.contentintegrator.portlet.current.id=01DB010000000001%7C9USRRT565DIBR>.

⁸⁴ Croatian Ministry of Defence, *OS RH u Europskoj borbenoj skupini pod vodstvom Njemačke* (Croatian Armed Forces in the European battlegroup led by Germany), 17 April 2015: <http://www.morh.hr/hr/vijesti-najave-i-priopcenja/vijesti/11282>.

⁸⁵ "Bulgaria: MiG-29 Overhauls in Poland", in *Defence24*, 30 August 2015, http://www.defense-aerospace.com/articles-view/release/3/166421/poland-to-overhaul-bulgarian-mig_29s,-extend-cooperation.html.

brought up to the same standard as the Polish Air Force's own MiG-29s. Noticeably, this would still be a temporary solution since Sofia wants to renew its fleets, as the maintenance price tag on the MiGs is enormous (according to estimates, keeping them in service until 2029 would cost BGN 1.6 billion). Yet, at the moment the MoD has postponed its previous decision⁸⁶ to procure second-hand Lockheed Martin F-16 from either the Netherlands or Greece (a USD 283 million contract) due to budgetary reasons.

Meanwhile, Czech Republic is looking into potential purchase of two additional Airbus C295M tactical transport aircraft for the Army, in relation to the scheduled retirement of YAK-40 aircraft. New planes would be acquired for CZK 1.6 billion (USD 62 million) and serve in both tactical transport and VIP transport units. The maintenance work on 10 W-3 Sokół helicopters will instead be entrusted to the Polish PZL Świdnik Company, with an estimated expenditure of CZK 1 million (USD 41 million) in 2015-2021 period. Finally, Soviet-era helicopters (Mi-8s, Mi-17s and Mi-24s), replacement programme has been expanded from 12 to several dozens of platforms, with the first ones expected to be delivered in 2017 and 2018.

According to the LoI signed by Slovakia and Poland on 7 July, Warsaw agreed to sell to Bratislava 30 Rosomak Wheeled Infantry Fighting Vehicle (IFV) within three years in a deal worth around EUR 30 million (PLN 120 million). The development phase will be performed in Poland and Slovakia but could involve Czech industries as well, whereas the final Polish-Slovak product called Scipio could be sold to third markets.

Poland is also looking to replace the Mi-8/14/17/171. The MoD announced that H225M Caracal Airbus Helicopter was chosen to meet a Mil Mi-8/14 replacement requirement. Poland intends to acquire 50 Caracals, comprising 16 in multirole transport configuration and the remaining in a variety of special mission fits. Poland is also planning to replace MI-24s attack helicopter fleet. Finally, Warsaw intends to explore opportunities to renew its conventional propulsion submarine fleets. Under the plan, Poland is to acquire approximately 24 cruise missiles for its three new submarines, of which two are to be delivered to Poland by 2022, and a third by 2023.⁸⁷

Against this backdrop, some countries still keep the doors open to possible cooperation with Russia. In this sense, it is worth mentioning that on 2 June 2015 during his visit to Moscow, the Slovak Prime Minister Robert Fico indicated a possibility of a new agreement on Russian modernization of Slovak-owned M-17 helicopters. He also reaffirmed Slovakia's interest in cooperation with Russia on modernization of Slovak S-300 air defence system.

2.3 Government-to-Government agreements

A noteworthy number of Government to Government(G2G) agreements have been reached among the selected countries, namely 16 (cf. **Table 1**). In 15 cases countries from CEE, the

⁸⁶ Gareth Jennings, "Bulgaria to begin negotiations for 'new' fighter aircraft", in *IHS Jane's 360*, 1 July 2015, <http://www.janes.com/article/52698>.

⁸⁷ Jaroslaw Adamowski and Gerard O'Dwyer, "Poland, Norway Could Team on Sub Program", in *Defence News*, 27 September 2015, <http://defnews.ly/1KDzdjU>.

Nordic region and South-Eastern Europe launched procurement programmes to acquire a certain capability either from a state in Western Europe (in 6 cases Germany) or from the US (cf. **Table 1**). In one case, there was a G2G agreement involving two Western European countries, with the decision by Spain to acquire Patriot systems from Germany.

These 16 cases of G2G procurement agreements resulted from several reasons. First, the aforementioned effort to diversify sources of military supplies, as well as to reduce dependency from Russian equipment. Moreover, second-hand western equipment is often in a good condition, is still relatively modern, and it is less expensive than completely new equipment. Therefore, it is an attractive option for those countries which plan to modernize their armed forces in a cost-effective way. Moreover, it increases the interoperability between the states and may open up new cooperation opportunities in training, maintenance and modernization.

In the attempt to diversify its procurement, Poland has committed to other initiatives which may have a potential strategic significance and geopolitical character.⁸⁸ The Polish government approved the recommendation of the MoD to select US Patriot systems for Polish medium-range air and missile defence systems, a significant step towards closer Polish-American military and industrial cooperation (cf. **Table 1**). The contract for eight batteries is estimated to be worth between PLN 12-16 billion (USD 3.1-4.2 billion). Furthermore, Warsaw committed to buy armoured vehicles from Germany (Bergepanzer as well as further second-hand Leopard 2A4s, which will be modernized to A5/6-equivalent in cooperation between Polish and German defence industries). Moreover, Slovakia has accelerated its shift from Soviet-made military equipment as the Government has decided to buy nine UH-60 Black Hawk multirole helicopters for up to USD 261 million, in order to replace Soviet-designed M-17. (cf. **Table 1**). Finally, Romania has decided to buy second-hand F-16s from Portugal. They will be delivered from 2016 and are meant to replace the current fleet of MiG-21.⁸⁹ Finally, Finland has decided to replace its 100 Leopard 2A4 Main Battle Tank (MBT) through 100 second-hand Leopard 2A6 from the Netherlands starting in 2019.

Table 1 provides an overview of G2G procurement agreements analysed in this paragraph.

⁸⁸ "Bulgaria: MiG-29 Overhauls in Poland", in *Defence24*, 30 August 2015, http://www.defense-aerospace.com/articles-view/release/3/166421/poland-to-overhaul-bulgarian-mig_29s,-extend-cooperation.html.

⁸⁹ "Bugetul Apărării începe să crească din 2017" (Defense budget will grow starting with 2017), in *Romania Libera*, 19 May 2015.

Table 1: Overview of Government-to-Government (G2G) procurement agreements

PMA Category	Entity (in Lead)	Supplier	Equipment Category Type	Equipment Category	Title	Quantity
Air Defence	Spain	Germany	Land Systems (Stationary / other than Vehicles)	Air Defence Systems	Patriot PAC-2 Acquisition	2
	Poland	USA	Land Systems (Stationary / other than Vehicles)	Air Defence Systems	MIM-104 Patriot	8
Aircraft	Romania	Portugal	Aircraft (Fixed Wing)	Fighter Aircraft	F-16 AM/BM Fighting Falcon	12
Armoured Vehicles	Croatia	Germany	Land Systems (Vehicles on Tracks)	Fire Support Systems (Artillery / Rocket / Mortar)	PzH 2000 Acquisition	12
				Armoured Infantry Fighting Reconnaissance and Scout Vehicles (IFVs)	CV90 Acquisition	44
	Estonia	Netherlands	Land Systems (Vehicles on Tracks)	Armoured Personnel Carriers (APCs)	XA-188 Acquisition	80
				Main Battle Tanks	Leopard 2A6	100
	Finland	Netherlands	Land Systems (Vehicles on Tracks)	Main Battle Tanks	Leopard 2A6	100
	Greece	USA	Land Systems (Vehicles on Tracks)	Armoured Personnel Carriers (APCs)	M113 Acquisition	460
				Main Battle Tanks	M1A1 Abrams Acquisition	400
	Latvia	United Kingdom	Land Systems (Vehicles on Tracks)	Armoured Infantry Fighting Reconnaissance and Scout Vehicles (IFVs)	Combat Vehicle Reconnaissance (Tracked) - CVR(T)	123
	Lithuania	Germany	Land Systems (Vehicles on Tracks)	Fire Support Systems (Artillery / Rocket / Mortar)	PzH 2000	12
	Poland	Germany	Land Systems (Vehicles on Tracks)	Combat Support Vehicles / Systems / Equipment	Bergepanzer (BPz) 2	18
Main Battle Tanks				Leopard 2A4 Acquisition	14	
				Leopard 2A5 Acquisition	105	
Helicopters	Croatia	USA	Helicopters (Aircraft Rotary Wing)	Helicopters (Multi-Role / Other)	OH-58D Kiowa	16
	Slovakia	USA	Helicopters (Aircraft Rotary Wing)	Helicopters (Multi-Role / Other)	Black Hawk UH-60M	9

2.4 Continuing patterns of cooperation in Western Europe

In Western Europe 16 examples of defence cooperation occurred either at mini-lateral or bilateral level, often by building on pre-existing cooperative patterns. Starting with the mini-lateral level, an important cooperative procurement agreement has been concluded among Germany, Italy and France on the possible development of the EUROMALE. The sign of a joint definition study on 18 May laid the ground for an armament program worth about EUR 1.5-2 billion. The program, as it is conceived right now, is likely to replicate patterns of earlier cooperation programs for example in terms of political-economic definition of work-share and creation of joint ventures. The German debate about armed Unmanned Aerial System (UAS) is a heated one ever since then Minister of Defence Thomas de Maizière published plans to buy potentially armed UAS for the Bundeswehr, and no conclusion has been reached yet.

Meanwhile, a significant step forward among Benelux countries has been made through the Renegade agreement. The countries agreed to share surveillance and protection of their air spaces, the first agreement of its kind among EU countries.⁹⁰ The Dutch and Belgian

⁹⁰ Luxembourg Embassy in The Hague, "Signature Benelux de l'accord 'Renegade' à La Haye le 4 mars 2015", 4 March 2015, <http://lahaye.mae.lu/en/Actualites/Signature-Benelux-de-l'accord-Renegade-a-La-Haye-le-4-mars-2015>.

governments agreed to further increase cooperation in the areas of defence, counterterrorism, security, embassies and energy. Additionally, on 1 July 2015, the Benelux countries made another important step to increase their interoperability, as they have jointly ordered soldier modernization equipment from Elbit Systems for USD 150 million.⁹¹ Finally, the Volcanex Eurofighter Typhoon Interoperability Program (ETIP) Livex 15 exercise – the first since the launch of the program – saw the joint participation of Germany, Italy, Spain and the United Kingdom. It was aimed to improve the interoperability and to achieve a certain level of standardization among the four countries' armed forces.⁹²

At the bilateral level, the planned integration of the Dutch 11th Luchtmobiele Brigade into the command structure of the German Rapid Forces Division has represented a significant step in terms of defence cooperation between the two countries. It is coupled with the integration of German amphibious forces into the Dutch marines. The integrated unit is expected to become operational at the end of 2019.⁹³ This will allow German amphibious forces, which are relatively small within Germany's armed forces, to work together with a significantly larger and better equipped amphibious force.⁹⁴

Moreover, Germany and France are going to cooperate on the development of the successor of Leopard 2 MBT.⁹⁵ The service life of all modern MBTs in Europe developed during the last years of the Cold War (Leopard 2, Challenger 2, Leclerc, Ariete) comes to an end around 2030 – or even earlier due to obsolescence. To start the development of a successor would thus be logical, estimating a time span of 10 years until the in-service introduction. This may lead to conclude that the MBT will likely be one of the major European procurement programs in the upcoming years.

Within the Lancaster House Treaty, RPAS have been subject to further cooperation between British and French air forces and industrial partners. Moreover, significant collaboration continues at the command level between the two nations, like in the case of the 5-9 July Exercise "Green Cannon", involving the British 29 Commando Regiment Royal Artillery and the French 11^e Régiment d'artillerie: the specificity of this joint exercise was the chain of command, as French units fired under British command and vice-versa.⁹⁶

Furthermore, a MoU was signed between the UK and Ireland in January 2015 to set the policy framework for future operational and, eventually, procurement cooperation. Joint doctrine is to be developed to focus on special forces and counter terrorism, as well as air-launched threats

⁹¹ Nicholas de Larrinaga, "Benelux nations make first common defence purchase", in *IHS Jane's 360*, 2 July 2015, <http://www.janes.com/article/52756>.

⁹² "Albacete acogió el primer Ejercicio de interoperabilidad del Eurofighter", in *Defensa.com*, 28 September 2015, <http://www.defensa.com/frontend/defensa/-vn16617-vst154>.

⁹³ Nicholas Fiorenza, "Dutch mechanized brigade to be integrated into German panzer division", in *IHS Jane's 360*, 18 September 2015, <http://www.janes.com/article/54636>.

⁹⁴ German Ministry of Defence, "Voneinander profitieren – Deutsche und Niederländische Marine sehen für die Zukunft 'grün'", 23 June 2015, <http://www.marine.de/portal/poc/marine?uri=ci%3Abw.mar.aktuelle&de.conet.contentintegrator.portlet.urrent.id=01DB07000000001%7C9XRELR479DIBR>.

⁹⁵ *Ibid.*

⁹⁶ French Ministry of Defence, *11e RAMA: premiers tirs CAESAR au Royaume-Uni*, 4 August 2015, <http://www.defense.gouv.fr/terre/actu-terre/11e-rama-premiers-tirs-caesar-au-royaume-uni>.

from the Western seaboard of the British Isles. At the same time, there have been discussions between the two MoDs around Maritime Patrol and Reconnaissance (MPR) capabilities. Finally, UK may increase cooperation with US in support of the national strategic deterrent, maritime patrol capabilities, targeting and intelligence gathering.

Concerning cooperation on procurement programs, Italy and the Netherlands reached an agreement according to which the latter will provide engine maintenance for the Italian F-35s. To note, according to a MoU signed in 2006, Dutch F-35s would be assembled in Cameri, Italy, while Italian F-35 engine maintenance would be performed in Woensdrecht, the Netherlands. In late 2014, the Pentagon chose Cameri as the only facility for European F-35 MRO, although in times of crisis the F-35 assembly facility of Salmesbury in the UK could also offer an MRO capability. Another cooperative development involving Italy, relates to the decision by the Spanish MoD to award Iveco Defence Vehicles a EUR 153 million contract to produce around 734 trucks by 2021,⁹⁷ whose production phase will also take place in Bolzano in Italy.⁹⁸ Spanish government has also given the go-ahead for an expanded defence cooperation agreement with Portugal, which “substantially” updates an existing accord that dates back to 1998.⁹⁹

To conclude, although no immediate fallout is expected in the short-term, potential developments could derive also from the willingness to develop and strengthen defence cooperation between France and Luxembourg expressed in the June 2015 meeting.¹⁰⁰

2.5 Potential stimulus for defence cooperation

Potential stimulus for defence cooperation stems from the Italian White Paper for International Security and Defence,¹⁰¹ adopted in April 2015. The document sets Italy’s position both at the European, transatlantic and global level, and outlines an important and comprehensive reform design also regarding military procurement. It presents the EU as the political and functional framework in which the Italian defence policy will develop, and European integration is portrayed as the first pillar of the Italian defence posture. According to the document, the development of the national DTIB should be done in a way to further develop a range of European cooperation and interdependence, which might lead to a division of roles within an integrated industrial system. Indeed, the distinction it makes between “sovereign” and “collaborative” technologies represents a necessary step to define European cooperation particularly on the second ones. The White Paper also suggests a division of labour at the

⁹⁷ “Iveco España se adjudica el acuerdo marco de su ministro de más de 700 camiones militares todo terreno, valorado en casi 154 millones de euros”, in *Defensa.com*, 24 April 2015, <http://www.defensa.com/frontend/defensa/-vn15399-vst154>.

⁹⁸ “Iveco Defence Vehicles supplies military trucks to the Spanish armed forces”, in *IHS Jane’s 360*, 16 June 2015, <http://www.janes.com/article/52343>.

⁹⁹ David Ing, “Spain and Portugal to deepen defence ties”, in *IHS Jane’s 360*, 21 June 2015, <http://www.janes.com/article/52468>.

¹⁰⁰ Luxembourg Government, “Entrevue d’Etienne Schneider avec le ministre de la Défense de la République Française Jean-Yves le Drian”, 17 June 2015, <http://www.gouvernement.lu/4968868>.

¹⁰¹ Italian Ministry of Defence, *White Paper for International Security and Defence*, July 2015, p. 53-54, http://www.difesa.it/Primo_Piano/Documents/2015/07_Luglio/White%20book.pdf.

European level, that would imply the sacrifice of some national competencies in order to avoid unnecessary industrial duplications.

Furthermore, the aim of deepening cooperation and integration of military capabilities has been outlined by a German Strategy Paper released in July 2015.¹⁰² The paper lists ten points which shall help to strengthen the defence industry, not only in Germany, but in the whole of Europe. The listed points include among others:

- 1) strengthening of the European frame of the defence industry;
- 2) deepened international cooperation and integration of military capabilities;
- 3) consolidation of the German and European defence industry;
- 4) definition of national industrial key capabilities;
- 5) political support for defence-related exports.

The defence industrial policy is a relevant part of the defence policy for those countries having a substantial DTIB. Therefore, the following three developments within the EDTIB are recalled since they present potential stimulus for defence cooperation among the countries analysed. The merger between Nexter and KMW to a new entity will result in a company hold by the French state, *via* GIAT (50 per cent), and by the Bode-Wegman family (50 per cent), owner of KMW. The new company will start from a current annual turnover EUR 1.6 billion, an order book of around EUR 9 billion, and more than 6,000 employees. The merger should enter into effect by the beginning of 2016,¹⁰³ as it required a legislative adjustment¹⁰⁴ and GIAT needed to be privatized.

The merger is still a very controversial topic in the German public, primarily due to fears that significant production and development capacities will be transferred to France,¹⁰⁵ also considering the different industrial policies traditionally conducted by Paris and Berlin. In any case, this merger represents a significant step in a very fragmented sector within the EDTIB such as land systems, and is already contributing to stimulate a Franco-German dialogue on a cooperative effort to procure a new MBT. It is also worth considering the potential incentives for other European land system providers to seek new alliances/mergers, since the new company will change the current market structure.

Additionally, a significant change occurred in the industrial landscape with regard to the space sector. Airbus Safran Launchers (ASL), the joint-venture created by Airbus and Safran to consolidate the French launchers industry, in June 2015 reached an agreement with the French State and the National Centre for Space Studies (Centre national d'études spatiales - CNES) to acquire CNES' shares (34,68 per cent) in Arianespace, the European satellite launch company.

¹⁰² German Ministry of Defence, *Strategiepapier der Bundesregierung zur Stärkung der Verteidigungsindustrie in Deutschland*, 8 July 2015: <http://www.bmvg.de/portal/poc/bmvg?uri=ci%3Abw.bmvg.journal.ministerium&de.conet.contentintegrator.portlet.current.id=01DB010000000001%7C9Y8D8X087DIBR>.

¹⁰³ Nexter, *Contract for the association of Nexter Systems and Krauss-Maffei Wegmann (KMW) signed*, 29 July 2015, <http://www.nexter-group.fr/en/press-releases/712>.

¹⁰⁴ French Government, *Projet de loi pour la croissance et l'activité*, 4 August 2015, <http://www.assemblee-nationale.fr/14/projets/pl2447.asp>.

¹⁰⁵ Rainer Arnold, "Ausverkauf deutscher Panzer an Frankreich verhindern!", in *Frankfurter Allgemeine Zeitung*, 8 July 2015, <http://www.faz.net/-gpg-85fhm>.

ASL already has 39 per cent stake and expect to hold 74 per cent of Arianespace's share capital. The consolidation of the launchers sector has now reached an advanced level of completeness with the transfer of CNES assets, and ASL is expected to increase its capacity to act both at the European and global stage. Such consolidation constitutes a potential stimulus for defence cooperation in the space sector among interested countries.

2.6 The terrorist attacks in Paris

Another stimulus for European defence cooperation could derive from the dramatic terrorist attacks which took place in Paris in November 2015. The French Government decision to activate Article 42.7 of the Treaty of the European Union (TEU)¹⁰⁶ may push the EU Member States to respond to this request on a bilateral level, according to each one's national defence policy as well as their military capabilities.

The legal debate about the reasons why France decided to activate this article instead of the "solidarity clause" envisaged by Article 222 of the Treaty of the Functioning of the European Union (TFEU)¹⁰⁷ is beyond the scope of this study. Yet, some considerations are noteworthy, as they are linked with the general attitude to privilege the bilateral/mini-lateral approach rather than the EU one (see chapter 3). First, Article 222 TFEU implies involving all EU Institutions, entailing longer procedures with significant political and financial implications. Second, Article 222 TFEU rigidly refers mainly to the "internal dimension", whereas France was seeking support both at the internal and external level. However, this does not prevent the French Government to activate this Article at a later stage. In this context, Paris will hold a leading position, whereas the EU institutions will have a mere coordination role.

Having said that, the terrorist attacks in Paris have the potential to boost the European debate – and possibly the policy-makers – towards more concrete steps to enhance defence cooperation, including with regard to the strategy to stabilize Syria and more generally the EU's neighbourhood. Against this backdrop, a good opportunity could stem from the aforementioned *EU Global Strategy* (EUGS) to be delivered by June 2016. Moreover, it is widely acknowledged that a stronger coordination of intelligence services among the EU Member States is the best way to effectively respond to future terrorist threats, for instance in the context of the aforementioned Internal Security Strategy.

¹⁰⁶ According to which "If a Member State is the victim of armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their power, in accordance with Article 51 of the United Nations Charter".

¹⁰⁷ European Union, *Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union*, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E>.

Chapter 3 - Defence cooperation in Europe: trends and driving factors

The landscape of defence cooperation in Europe described by chapters 1 and 2 is particularly diversified and fragmented. Moreover, defence cooperation includes both operational and procurement aspects, by linking the acquisition of equipment to training and exercises, maintenance and logistics, as well as operational deployments in a range of international missions. This makes it difficult to articulate rigid generalization aimed to conceptualize and exactly order the current reality of defence cooperation among the 31 countries analysed.

However, an analytical framework is needed to understand ongoing cooperative dynamics in the defence field and their perspectives in the short-medium term. Such framework has to look at the main trends characterizing the current landscape of defence cooperation in Europe as well as at the driving factors behind them.

3.1 Six trends of current defence cooperation developments

Regarding the trends of current defence cooperation in the 31 countries object of this study, six are noteworthy within the overall landscape of 52 cases presented.

- First, there is a general trend towards bilateral cooperation (including G2G agreements), although mini-lateral frameworks are widely used: within the 52 developments analysed, 37 are involving two countries and 14 are joined by three or more states.
- Second, there is a general trend in favour of cooperation with neighbouring countries, as it happens in 29 cases out of 52. This is a trend spread across the European continent, mainly but not only in CEE and Western Europe.
- Third, there is a specific trend (23 cases) regarding bilateral cooperation between countries located in CEE and/or Nordic Region and Germany (17 cases) and/or the United States (5 cases).
- Fourth, there is a specific trend to diversify military supplies and reduce the reliance on Russian equipment either through defence cooperation (4 cases) or through G2G deals (17 cases). This allows several countries to modernize their armed forces in a cost-effective way and to increase interoperability among the selected countries.
- Fifth, there is a general trend to rely on established patterns of cooperation, with various degrees of institutionalization. This is particularly the case in Western Europe, but it is also the case of V4 in CEE. Such trend does not exclude the beginning of few new cooperative patterns such as the one between Croatia and Bosnia Herzegovina and the Slavkov meeting.
- Sixth, there is a general trend to maintain a low degree of connection between the EU level and the cooperation among European Union Member States (EU MS) at bilateral or mini-

lateral level. While commitments are re-iterated in the Union’s official documents,¹⁰⁸ and actors such as the HR/VP and EDA¹⁰⁹ continue to work to make progresses on defence cooperation, the cooperative patterns among MS continue in a substantially autonomous way. Convergences are in theory possible where the subjects of bilateral/mini-lateral cooperation overlap with the EU priorities in the defence field, such for example as MALE UAS, but they are not actually pursued.

Table 2 provides an overview of the defence cooperation cases in relation to three trends out of the aforementioned six: the tendency toward bilateral cooperation (including G2G deals), in 37 cases over 52, with respect to 14 cases of mini-lateral cooperation; cooperation among neighbouring countries in the majority of cases (29); growing role of Germany (17 cases) and significant role of the US (5 cases) in cooperation initiatives in CEE, Nordic region and South-Eastern Europe.

Table 2: Overview of defence cooperation developments occurred in Europe

Overview of defence cooperation developments occurred in Europe							
Cooperation Development	Countries Involved	Neighbouring	Mini-lateral	Bilateral	G2G	With Germany	With US
Advanced Ground Combat Vehicle	Czech Republic, Hungary, Poland, Slovakia	✓	✓				
Bergepanzer (BPz) 2	Poland, Germany	✓		✓	✓	✓	
Bilateral Meeting	France, Luxembourg	✓		✓			
Combat Vehicle Reconnaissance (Tracked) - CVR(T)	Latvia, United Kingdom			✓	✓		
CV90 Acquisition	Estonia, Netherlands			✓	✓		

¹⁰⁸ Among them: European Council, *Conclusions 19-20 December 2013*, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/140245.pdf; European Commission, *The European Agenda on Security* (COM/2015/185), 28 April 2015, <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52015DC0185>; EU HR/VP, *Report ahead of the June 2015 EC*, 5 May 2015, http://eeas.europa.eu/csdp/documents/pdf/report-ahead_european-defence-agency.pdf; Foreign Affairs Council, *Conclusions on CSDP*, 18 May 2015, <http://www.consilium.europa.eu/en/press/press-releases/2015/05/18-council-conclusions-csdp>; European Council, *Conclusions 25-26 June 2015*, <http://www.consilium.europa.eu/en/press/press-releases/2015/06/26-euco-conclusions>;

¹⁰⁹ For an analysis of actors in the European defence policy area see, among others, Alessandro Marrone and Alessandro R. Ungaro, *Actors in the European defence policy area: roles and developments*, Turin, Centro Studi sul Federalismo, November 2014, <http://www.iai.it/en/node/2331>.

Overview of defence cooperation developments occurred in Europe							
Cooperation Development	Countries Involved	Neighbouring	Mini-lateral	Bilateral	G2G	With Germany	With US
Declaration of Intent - Combat Units	Germany, Poland	✓		✓		✓	
Defence cooperation agreement	Germany, Lithuania			✓		✓	
Enhanced Defence Cooperation agreement	Portugal, Spain	✓		✓			
F-16 AM/BM Fighting Falcon	Romania, Portugal			✓	✓		
German-Dutch brigades integration	Germany, Netherlands	✓		✓		✓	
H225M Caracal Airbus Procurement	Poland, France			✓			
Industrial defence cooperation agreement	Germany, Poland	✓		✓		✓	
Joint Swedish Finnish Naval Task Group	Finland, Sweden	✓		✓			
Lancaster House - "Green Cannon" Exercise	France, United Kingdom	✓		✓			
Leopard 2A4	Poland, Germany	✓		✓	✓	✓	
Leopard 2A5	Poland, Germany	✓		✓	✓	✓	
LoI - SOF Aviation	Bulgaria, Croatia, Hungary, Slovenia	✓	✓				
LoI -Air Forces cooperation	Germany, Poland	✓		✓		✓	
LoI - modernization of Mig-29	Bulgaria, Poland			✓			
LITPOLUKRBRIG trilateral brigade	Lithuania, Poland, Ukraine	✓	✓				

Overview of defence cooperation developments occurred in Europe							
Cooperation Development	Countries Involved	Neighbouring	Mini-lateral	Bilateral	G2G	With Germany	With US
F-35 Maintenance agreement	Italy, Netherlands			✓			
Maintenance of W-3 Sokol Helicopters agreement	Czech Republic, Poland	✓		✓			
LoI - MALE UAV	France, Germany, Italy	✓	✓	✓		✓	
MATC agreement	Czech Republic, Hungary, Slovakia	✓	✓				
Leopard 2A6	Finland, Netherlands			✓	✓		
M113 Acquisition	Greece, United States			✓	✓		✓
M1A1 Abrams Acquisitions	Greece, United States			✓	✓		✓
MBT cooperation	France, Germany	✓		✓		✓	
MHNE cooperation	Germany, Poland	✓		✓		✓	
MIM-104 Patriot	Poland, United States				✓		✓
MoD cooperation agreement	Bosnia-Herzegovina, Croatia	✓		✓			
MoD Working Group meeting	Portugal, Romania			✓			
MoU defence cooperation	Ireland, United Kingdom	✓		✓			
MoU Croatia joins German-led EU Battle-group	Croatia, Czech Republic, Germany, Luxembourg, Netherlands	✓	✓			✓	
MoU on Defence Cooperation	Hungary, Lithuania			✓			
Multirole trucks Procurement	Italy, Spain			✓			
OH-58D Kiowa	Croatia, United States			✓	✓		✓

Overview of defence cooperation developments occurred in Europe							
Cooperation Development	Countries Involved	Neighbouring	Mini-lateral	Bilateral	G2G	With Germany	With US
Patriot System procurement	Spain, Germany			✓	✓	✓	
PzH 2000 Acquisition	Croatia, Germany			✓	✓	✓	
PzH 2000 Acquisition	Lithuania, Germany			✓	✓	✓	
Renegade agreement (air space)	Belgium, Luxembourg, Netherlands	✓	✓				
ReSAP initiative	Poland with: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia	✓	✓				
Scipio APCs	Poland, Slovakia	✓		✓			
Slavkov meeting	Austria, Czech Republic, Slovakia	✓	✓				
Smart Vest Programme	Belgium, Luxembourg, Netherlands	✓	✓				
Training initiative non-aligned/neutral States	Austria, Finland, Ireland, Sweden, Switzerland		✓				
UH-60 Black Hawk helicopters procurement	Slovakia, United States			✓	✓		✓
Vigilmep (and Action Plan Training Exercise Strategy)	Czech Republic, Hungary, Poland, Slovakia	✓	✓				
VJTF implementation	Denmark, Germany, Netherlands, Poland	✓	✓			✓	

Overview of defence cooperation developments occurred in Europe							
Cooperation Development	Countries Involved	Neighbouring	Mini-lateral	Bilateral	G2G	With Germany	With US
Volcanex Livex 15 exercise (ETIP)	Germany, Italy, Spain, United Kingdom		✓			✓	
XA-188 Acquisition	Estonia, Netherlands			✓	✓		
Total 51	29	29	14	37	16	17	5

The analysis of these six trends should be put in the right context, in order to understand their link with previous developments as well as the variety of considered cooperation examples. Defence cooperation in Europe has traditionally relied on bilateral and mini-lateral frameworks, rather than on multilateral ones involving all or most PMA31 countries – and particularly EU MS. On the one hand, the current trend towards bilateralism has deep roots. For example, this is the case of the cooperation between France and Germany;¹¹⁰ the 2010 Lancaster House Treaty; the Belgium-Dutch integration of the respective navies; the German-Dutch military cooperation; the Swedish-Finnish Naval Task Group. These are all deep-rooted patterns of bilateral defence cooperation, which today continues to present developments included in this Report. On the other hand, groupings of like-minded countries are also deeply rooted in recent history of European defence cooperation: the first developments date back to the 1970s and 1980s, for example with Eurofighter Typhoon or NH90 projects; the V4 has been established in 1991; the Weimar Triangle has been created in 1992; the NORDEFECO has been set up in 2009 building on previous patterns of cooperation.

These examples of deep-rooted bilateral and mini-lateral frameworks confirm the long-term character of the two aforementioned trends in favour of bilateralism and established patterns of cooperation, with various degrees of institutionalization. Furthermore, often well-established mini-lateral formats constitute the umbrella for bilateral cooperation,¹¹¹ thus linking the two levels (bilateral and mini-lateral).

It is widely acknowledged that there is a number of “scattered islands of defence cooperation”¹¹² among European countries, made up by bilateral and/or mini-lateral formats. Unfortunately, such islands do not constitute a European defence archipelago because there is no real and effective EU-wide coordination. In this sense, the trend of limited connection between bilateral/mini-lateral cooperation and the Union’s level pointed out in the PMA31

¹¹⁰ Marcel Dickow et al., “French and German Defence: The Opportunities of Transformation”, in *IRIS Notes*, March 2015, <http://www.iris-france.org/wp-content/uploads/2015/03/IRIS-Note-march-2015-IRIS-SWP.pdf>.

¹¹¹ Christian Mölling, *State of play of the implementation of EDA’s pooling and sharing initiatives and its impact on the European defence industry*, Luxembourg, European Parliament, June 2015, http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU%282015%29534988.

¹¹² Jan Joel Andersson, “European defence collaboration - Back to the future”, in *EUISS Briefs*, No. 19 (June 2015), http://www.iss.europa.eu/uploads/media/Brief_19_Defence_collaboration.pdf.

cases shows continuity with the recent past, despite the considerable institutional progresses brought by the 2009 Lisbon Treaty and the efforts made by EU institutions and agencies.

The impact of the economic crisis has triggered a two-fold effect on defence cooperation in Europe. On the one hand, there have been uncoordinated cuts of capabilities among EU MS, driven by national reflection with little consultation or coordination,¹¹³ and no planning about a possible division of labour, role specialization and interdependency either. However, interdependency is somehow growing by default. First, there is an increased dependency of those states cutting the most from those which did not: in recent years, many European countries have become dependent on capabilities partly provided by others.¹¹⁴ Second, there is a growing European dependency from the US in terms of most strategic enablers.¹¹⁵

On the other hand, as first reaction to budget cuts several countries made an effort to maintain on a national basis the full spectrum of military capabilities, by reducing at the same time the size of their Armed Forces. After several waves of yearly defence budget cuts, European MoDs have increasingly realized the risk to become a “bonsai army”, that means to be in the paradoxical situation of a military theoretically full spectrum but in practice not able to autonomously set up robust operations. Therefore, MoDs began to look for bottom-up cooperation bilaterally and/or mini-laterally with like-minded partners, on a range of concrete issues including education, training, maintenance, upgrade or logistics. However, despite the budgetary constraints encouraged bottom up cooperation, European countries did not embrace ambitious collaboration in the defence field.¹¹⁶

As a whole, this two-fold effect of the economic crisis has reinforced both the trend towards bilateral and mini-lateral cooperation, and the scarce connection between such cooperation patterns and the EU level. A third effect of the drop or stagnation of defence budgets since 2008, which also draws on the basis of the “peace dividend” mindset widespread after the end of the Cold War, has been the lack of new major cooperative procurement programmes. While postponing, reducing or even cancelling the planned acquisition of military equipment, several governments had no political will to invest fresh economic resources in new large scale projects. As a result, such major driver of defence cooperation has not been switched on in the last decade, with procurement expenditure shifting towards maintenance and upgrade of current holdings. In this context, the defence cooperation opportunities highlighted by this Report with regards for example to MBT or the EUROMALE may constitute new important developments.

¹¹³ Vincenzo Camporini and Valerio Briani, “The military aspect”, in Alessandro Marrone and Michele Nones (eds.), “More Europe on Defence or No Europe”, in *Documenti IAI*, No. 13|03E (June 2013), p. 9-12, <http://www.iai.it/en/node/468>.

¹¹⁴ Margriet Drent, Kees Homan and Dick Zandee, “Bold Steps in Multinational Cooperation. Taking European Defence Forward”, in *Clingendael Reports*, May 2013: <http://www.clingendael.nl/node/4450>.

¹¹⁵ Jo Coelmont and Alexander Mattelaer, “Capability Development: The Times They Are a-Changin’”, in Sven Biscop and Daniel Fiott (eds.), *The State of Defence in Europe: State of Emergency?*, Gent, Academia Press, 2013, p. 67-71 (Egmont Paper 62), <http://www.egmontinstitute.be/wp-content/uploads/2014/01/ep62.pdf>.

¹¹⁶ Clara Marina O’Donnell, “The trials and tribulation of European defence co-operation”, London, Centre for European Reform, July 2013, <http://www.cer.org.uk/node/3512>.

Such a deep-rooted reality of European defence cooperation has not been substantially changed by the fact that most militaries of the 31 countries object of this study, since the 1990s, have been deployed together in a number of crisis management operations abroad, including the challenging, large scale and prolonged one in Afghanistan. Even in 2011, at the peak of European operational engagement with substantial multinational missions deployed simultaneously in Central Asia, Lebanon, Libya and Western Balkans, Europe's militaries have become used to fight together but paradoxically kept on preparing and equipping themselves in an "insular manner",¹¹⁷ with defence budgets spent on a predominantly national base. This experience should be reminded when evaluating the renewed NATO focus on collective defence, fostering greater military activities on Europe's territory, as a driving factor for European defence cooperation.

When considering the aforementioned six trends, it should be noticed that defence cooperation has traditionally involved both different levels of state authorities and diverse military aspects and activities. Concerning levels, in recent years, examples of cooperation range from treaties signed by the respective heads of states and governments, such as the Lancaster House one, to combined military activities decided within the military services. Regarding the diverse aspects, a 2015 European Parliament's report points out that the analysed projects of defence cooperation were distributed across six different categories in the following way: 29.8 per cent training and education; 23.2 per cent armament and development; 22.9 per cent operational capability and command; 13.5 per cent maintenance, supply and logistics; 7.6 per cent surveillance and information; 3.1 per cent transport.¹¹⁸ Such a background contributes to explain the variety of defence cooperation examples taken into account by this Report.

In recent years, the 31 countries analysed have made stronger pledge on defence cooperation, including at EU level, bilaterally, or within mini-lateral frameworks such as the Weimar Triangle or the V4.¹¹⁹ However, over the last decade political statements seldom translated into substantial and concrete defence cooperation. Different variables have to be taken into account in this regard: size of the respective armed forces; regional proximity; national strategic cultures; pre-existing patterns of cooperation; defence industrial relations; alignment of political interests. As a whole, in the recent past no structural changes in the European defence cooperation landscape took place: although few ad hoc cooperation projects came about, no coordinated specialization emerged.¹²⁰ Moreover, as mentioned before, the little connection between the "islands of cooperation" and a coherent EU-wide framework has not been addressed.

¹¹⁷ T. Valasek "Surviving Austerity. The case for a new approach to EU military collaboration", London, Centre for European Reform, April 2011,

http://www.cer.org.uk/sites/default/files/publications/attachments/pdf/2011/rp_981-141.pdf

¹¹⁸ Christian Mölling, *State of play of the implementation of EDA's pooling and sharing initiatives ...*, cit.

¹¹⁹ Claudia Major and Christian Mölling, "The Dependent State(s) of Europe: European Defence in Year Five of Austerity", in Sven Biscop and Daniel Fiott (eds.), *The State of Defence in Europe: State of Emergency?*, Gent, Academia Press, 2013, p. 13-18 (Egmont Paper 62), <http://www.egmontinstitute.be/wp-content/uploads/2014/01/ep62.pdf>.

¹²⁰ Christian Mölling, *State of play of the implementation of EDA's pooling and sharing initiatives ...*, cit.

3.2 Five driving factors for current defence cooperation

Given the diversified and fragmented landscape of defence cooperation in Europe, to identify the driving factors behind cooperative patterns is even more difficult than to outline the relevant trends. Different elements play a different role in the decision-making of various countries, and their roots and characters would deserve more substantial analysis which is beyond the scope of this Report.

Having said that, five driving factors have to be underlined since they played an important role in fuelling part of the defence cooperation examples considered by this study, and are likely to continue to play a similar role in the next years:

- 1) Russian aggressive posture;
- 2) Non-conventional threats;
- 3) NATO focus on collective defence;
- 4) Institutional pressure;
- 5) Defence industrial policy.

The analysis of Russia's grand strategy is beyond the scope of this Report. Suffice is to say that the Russian illegal annexation of Crimea and Moscow's involvement in the ongoing conflict in Ukraine have epitomized an aggressive posture which is causing effects on European security from the Baltic Sea to the Mediterranean. Such posture is likely to remain in place in the next years, although a de-escalatory pattern appears to be set in Ukraine. As a result, the threat perception in some countries in CEE, Nordic region and South-Eastern Europe – notably Baltic States, Bulgaria, Poland and Sweden – has changed in a substantial way. This new threat perception is also likely to remain stable in the short-mid term, and will therefore influence defence policy also by supporting the quest for defence cooperation. In this regard, it should be noticed that increasing cooperation among the 31 states object of our analysis, particularly those member of EU and/or NATO, is generally perceived as an indication of commitment and solidarity among the states involved, thus somehow addressing the demand of reassurance by the countries more concerned about Russia's aggressive posture. Moreover, as discussed in paragraph 2.2, defence cooperation in some cases is instrumental to reduce dependency from Russian military supplies, particularly in CEE and South-Eastern Europe, again contributing to boost reassurance in the 31 countries analysed.

Russia is not the only driving factor influencing defence policies across Europe. First, France's decision to increase military spending is mainly due to January 2015 terrorist attacks in Paris, and the subsequent threat perception of Islamic terrorism – further enhanced across Europe after 13 November attacks. Second, Italy, Greece and countries located at southern and south-eastern EU borders are mostly concerned about massive migration flows from Middle East and North Africa (MENA). In 2015 the interconnected issues of maritime security, sea border control, search and rescue, and illicit traffics in the Mediterranean Sea have led EU to launch a military robust EUNAVFOR MED mission under CSDP umbrella. The non-conventional threats stemming from MENA are influencing defence policies of the 31 countries object of this analysis, mainly but not only in Western Europe and South-Eastern Europe. So far these threats have not turned to be a driving factor in terms of defence cooperation, but this may be eventually turn

out to be the case if the crisis in the MENA region escalates to a point requiring greater European military efforts within and beyond EU borders – as may be the case after 13 November Paris attacks.

The role of US and NATO in European security is also beyond the scope of this Report. Nevertheless, the effects on defence cooperation of the Alliance's renewed focus on article five "core task" should be considered. First, the pledge made at the 2014 Wales Summit – obviously influenced by Russian aggressive posture – has had a certain effect on defence spending. Second, the Readiness Action Plan and the VJTF, coupled with the "framework nation" concept, are boosting the Allied armies' cooperation in terms of training and exercise as well as their integration in organizational terms to rapidly mobilize and deploy units. The focus on readiness is increasing operational cooperation, but so far has not affected procurement cooperation in a significant way. However, the two aspects – operational and procurement – are intertwined, and spill over effects can take place both ways. This has been the case in the past for transatlantic defence cooperation – i.e. European procurement of US military equipment being facilitated by the interoperability needs of NATO operations – and continues to do so, for instance regarding Polish procurement of air and missile system or Czech multi-role helicopter orders. At the same time, the reduced American engagement in the security of Europe and its neighbourhood may leave room for greater intra-European cooperative initiatives within NATO remit. This is for example the case of the aforementioned operational cooperation of Germany with Denmark, the Netherlands and Poland.

A fourth driving factor for defence cooperation is a kind of institutional pressure occurring somehow by default in multinational and mini-lateral frameworks – and to some extent at bilateral level. On the one hand, the commitments taken by a certain European country *vis-à-vis* the others on a certain issue (i.e. the contribution to a Battlegroup) do exert a default pressure to deliver what is promised. The main reason is that such delivery, or the failure to deliver, would affect the perceived reliability of this state within a given institutional framework or group of countries. On the other hand, the fact a number of countries deliver a contribution does encourage the others to keep pace, as a matter of status and credibility within the club. At the same time, there is a bottom-up institutional pressure coming from the military where there are already established patterns of cooperation on concrete issues. However, such institutional pressure has strong limits, for example *vis-à-vis* diverging threat perceptions among countries participating in a certain multilateral framework, as is the case of Poland and Hungary within the V4.

A fifth driving factor for defence cooperation is defence industrial policy. Once again, industrial developments within EDTIB or the world defence market, and the exact ways defence industrial policy does influence MoD's procurement programmes, are beyond the scope of this Report. Yet two elements have to be kept in mind. First, the 31 countries analysed with substantial national DTIB want to maintain and enhance it also through national procurement plans, by adding a further layer of evaluation to a pure cost-effective approach to defence market. Conversely, those not having a substantial national DTIB are willing either to look for less expensive solutions off the shelf, or to strive to increase their industrial base through technology transfer

or a kind of industrial return. Such driving factor may enhance or undermine European defence cooperation. On the positive side, defence industrial policy is part of the rationale for mini-lateral cooperation like the one on EUROMALE among France, Germany and Italy, or the Franco-German cooperation on land systems.

As a whole, the 52 cases considered in light of the analytical framework show that there are some positive developments in terms of cooperation, but they are neither coordinated nor initiated at the EU level. As a result, the current picture of European defence cooperation is more a patchwork resulted by default than a framework built by design.