

TURNING STUMBLING BLOCKS INTO STEPPING STONES

GLOBSEC European Security Initiative

On standardisation of European military equipment





GLOBSEC EUROPEAN SECURITY INITIATIVE



GLOBSEC European Security Initiative builds on the expertise acquired and momentum of the GLOBSEC NATO Adaptation Initiative (GNAI) seeking to shape policy debates that decrease the imbalance in transatlantic defence capabilities. The primary objective of the GESI Initiative is to produce innovative and straightforward policy recommendations that empower Europe's defence capabilities and operational readiness for a wide spectrum of challenges. GESI mission is not to support the creation of parallel European military-political structures to NATO, but rather to propose an avenue for a new level of European defence competence.

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On the need of and paths towards collaboration to maximize standardisation of European military equipment

The past decade has had profound implications for European security – and consequently also for European defence policy. On the negative side of the coin, the continent has experienced the return of full-fledged geopolitical rivalry between Western powers and Russia. At the forefront of emerging challenges, cyber-attacks have started to demonstrate a range of different ways in which societies may become threatened and in which harm may be inflicted. New challenges have also emerged with regard to terrorism, migration, and extremism. However, on the positive side of the same coin, the sheer experience of these challenges has forced Europe – its political class and decision makers – to think more robustly about the development of an ambitious European defence policy. This piece is part of a series of policy papers representing the *GLOBSEC European Security Initiative (GESI)*, the overall aim of which is to propose an avenue for enhancing European defence competence, based on an increased and sustained emphasis on equipment build-up and training and exercises. Through enactment of these measures, the existing capability imbalance between the two shores of the Atlantic can be narrowed and gradually balanced over the long-term.

The purpose of this paper is to present the current state of play in terms of the EU's defence and security capacity and initiatives. Placing these current EU security and defence arrangements into dialogue with a vision for the future of the bloc, the paper proposes specific recommendations for mobilizing constructive change in the near future. The first section looks at the path walked thus far in terms of achievements and shortcomings. The second section discusses current plans and goals for cooperation and the final section outlines specific proposals that are required to get there expeditiously.

1. HOW FAR HAS THE EUROPEAN UNION GONE UP TO NOW?

The route to developing common defence and security capacities has been a long one and is still far from over. As a first step, Europe needs to competently utilize its defence assets that have been honed over previous decades of transatlantic defence cooperation. There are already examples where such attempts at standardisation (e.g. Smart Defence in NATO) have failed due to the indifference of key actors such as the United States and major European countries. Although NATO remains the *main player intown* for matters of European security, Europe's renewed appetite for defence policy investment constitutes a solid basis for a more present Europe within the transatlantic setting. This, however, as GESI foresees, will require closely coordinated political action as well as the strengthening of interoperability and standardisation of military capabilities at large. ***Any move towards the creation of duplicity (to NATO) constitutes an unnecessary waste of potential and precious resources.***

1.1 Problems with the current competition between national models

The European Union currently has a generally disjointed approach involving the proliferation of different national systems, none of which are actually mass-produced (with the exception of the Leopard 2). These systems often even have different life cycles. A representative example of this divergence within Europe is highlighted in the discussion over the past two decades regarding Rafale, Gripen, or Typhoon replacing F16s. Even though they are all capable aircraft, it is fair to say that in the Air Defence Role they are no more capable than the recently launched Block 70 F16s. In addition, the European Union has no coordinated approach with respect to training of its forces and maintenance of its machinery. The first necessary step that needs to be taken is a recognition of problems associated with the lack of, political will by the major national players (France, Germany, Italy, Spain and the United Kingdom, even post-Brexit). From this perspective, smaller countries are not the problem; the real issue remains with the big nations.

Standardising military equipment is indeed one of the key challenges facing European defence policy leaders and at the same time this is also ***a major source of potential future headway that could lead to a more globally competitive (and thus efficient) European defence market.*** Making European defence equipment more affordable and / or eligible for larger acquisitions around the globe would certainly boost the industry both economically and politically. The goal of achieving these targets is, moreover, further reinforced by the requirements of our armed forces, in reciprocal support with industrial interests, in needing to eliminate the deployment of inadequate or overpriced equipment that take their toll on Europe's capacities.

1.2 Protectionist attitudes within public procurement and their direct impact

However, to achieve its aims, ***Europe will need to overcome major stumbling blocks that have been stymieing any ambition of this kind for decades – national (defence) industrial protectionism and the fragmented nature of the European defence industry stemming from nations' divergent needs and ambitions.*** Without devoted and forward-looking political leadership on the 'old continent', the defence industry is unlikely to shift its preference from the

sub-optimisation of defence systems according to (purely) national requirements towards the overarching aim of developing deeper reach into the global market share.

Even as of today, the European Commission officially estimates that there is a major waste of financial resources occurring as a result of the lack of cooperation (or defence market consolidation) between EU nations. Some of the novel European defence initiatives - primarily the Permanent Structured Cooperation (PESCO), the European Defence Fund (EDF), the European Defence Industrial Development Programme (EDIDP) and even the Coordinated Annual Review of Defence (CARD) - are, nevertheless, aimed at encouraging a greater level of synergy-formation among European defence and security companies. It is difficult to precisely quantify the size of the boost that European industry might potentially gain from greater cooperation (e.g. standardization of the industry outputs at a later stage). The primary share of current losses in efficiency can be attributed to production (and product) inefficiencies, lack of competition (due to protections and guaranteed minimal orders from national governments), and a lack of economies of scale (due to an inability to match US and Russian competitors on various global markets) in the European defence industry. Another stifling factor is the timing of national requirements. Although there may be common requirements or shared national needs, there are cases where non-alignment of budgets hinders or delays collaborative programmes from working.

Around four-fifths ***of the annual value of the overall European defence procurement is executed on a purely national basis***¹. While this means a direct financial subsidization of major European Industrial Global players such as Airbus, BAE Systems, Leonardo and Thales, it also constitutes the main pillar of a traditional policy approach that has led to the costly duplication of military capabilities all around Europe. Unless European leaders engage in serious policy course corrections towards greater standardization of equipment across the board – i.e. naval, land and air forces – none of the European defence ambitions will amount to anything but rhetorical posturing.

1.3 An urgent need for standardisation

As an illustrative example, Europe lacks standardization of (relatively) simple processes such as ammunition certification (resulting in excess annual costs of 0.5€ billion or 0.24 % of the EU member countries' defence budget according to the Eurostat database²) to more sophisticated equipment such as fighter aircraft and "rare" capabilities (e.g. tanker aircraft). Europe operates 19 different combat aircrafts while the U.S. enjoys long-term mission and capability superiority with 11 different types. This gap is not surprising given the number of former Warsaw Pact aircraft still in service and in light of the fact that there are 6 major aircraft OEMs in Europe, each with their own final assembly lines. More worrying, however, is the issue regarding Tanker aircraft; at one stage, European Air Forces operated 42 aircrafts of 12 different makes – i.e. more than every 4th one being different. At the same time, U.S. armed forces have 550 of only 4 different kinds of tanker aircrafts. These numbers not only highlight the lack of standardization but also demonstrate the lack of operational capability in comparison with the US. However, for balance, it should be noted that the UK operates up to 14 Airbus Voyager Tanker Aircraft

1 European Commission (2016) The European Defence Action Plan – FAQs, European Commission – Fact Sheet, 20th November 2016, at http://europa.eu/rapid/press-release_MEMO-16-4101_en.pdf

2 Eurostat Database (2019) Government Expenditure on Defence, Eurostat, March 2019, at https://ec.europa.eu/eurostat/statistics-explained/index.php/Government_expenditure_on_defence#Expenditure_on_.27defence.27

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through leasing from the Air Tanker consortium and the French Air Force has received the first of 15 Voyager which are on order. Moreover, the Netherlands, Luxembourg, Germany, and Norway have joined the Multinational MultiRole Tanker Transport Aircraft Programme, itself encompassing a fleet of Airbus Voyager Aircraft. This is clearly an example where, with the right leadership and will, Europe could operate a common Air Tanker Fleet. This could help Europe find a synergistic approach between the needs of the armed forces and private ventures to ensure the best use of resources within the current environment.

Another example of European defence market fragmentation is illustrated in the example of the battle tanks. Currently, **while there are 17 different main battle tank systems in Europe, the U.S. aims to achieve all of its strategic objectives with a single system.** This level of differentiation constitutes a considerable challenge to a cost effective modality involving the long-term utilization of tanks; the **lack of system uniformity hinders the cost-saving potential of joint training, education, and maintenance activities among the armies of Europe.** Also, a system marked by this extensive degree of fragmentation contributes to an economy that is of insufficient scale and not sustainable, with most producers preparing systems for single-buyers (national armed forces and occasionally for a third-party outside Europe). The result of this practice has been uncompetitive European producers, relative high-costs on the procurement side, and squandered potential with regard to extensive pan-European military cooperation (in training, education, service, and maintenance). Noticeably, an impetus for the initiation of a change of these practices is coming from the industry itself. However, one must recognise that Europe is in this position owing to legacy equipment from the Soviet era that is still in use amongst many newer European NATO members. Scrapping this legacy Soviet era equipment should be a priority. It must be noted that many Central and Eastern European countries have Modernisation Programmes to replace aging Soviet-era equipment and meet the NATO 2026 mandate on interoperability. In this vein, Hungary's recent order of the highly capable Leopard 2A7+ at the same specification as the German Army should be viewed as a welcome step in the right direction.



2. CURRENT INITIATIVES AND PROJECTS ENHANCING COOPERATION

With regard to the future, the Franco-German KNDS Group has already demonstrated a potential path forward in unveiling its first joint project “The European Main Battle Tank (EMBT)”, an initiative based on the utilization of the German (Leopard 2A7 MBT) platform fitted with the French (Leclerc MBT) turret. The EMBT has successfully completed mobility and firing trials and although this project is only an early demonstration of a potential avenue forward, it represents significant strides towards creating a more integrated market. Until the new generation of EMBT is introduced on the continent (mid 2030s), European defence policy decision-makers have time to create incentives for greater European inclusion of suppliers into the development of a common (single) product. It is worth noting that 15 NATO/European armies continue to operate or have operated Leopard 1s and 2s in the past and it is almost certain that the UK and Italy will not develop replacements for their Challenger and Ariete MBTs. Consequently, answers to some of Europe's problems have clearly availed themselves.

The situation of European Air Force capability development is rather similar. Take the case

of the largest European defence project, the Future Large Aircraft Project, which involves the design, development, and production of the A400M aircraft intended to bridge the gap between tactical and strategic lift. Belgium, France, Germany, Luxemburg, Spain, Turkey, & the UK remain members of the consortium but Italy withdrew. Although the project has suffered from numerous political interventions, technical challenges, and management-related deficiencies (ultimately leading to excess costs of 10 billion euros and significant delays in individual capability certification), it is, in fact, an excellent aircraft which is now operationally proven. However, the central question of whether support can be sustained remains to be resolved. Time will tell if other European nations decide to buy A400M now that it is operationally tested and whether subsequent orders can be delivered at an economically viable price.

The same applies to the development of the Future Combat Air System (FCAS) as there are now 2 FCAS Projects in Europe. The Franco-GermanSpanish Project involves Airbus and Dassault, companies that unveiled a real size model of their Next Generation Fighter at the Paris Air Show in June 2019. Having been excluded from this project, the UK launched their own FCAS solution (Tempest) involving the UK Ministry of Defence, BAE Systems, Rolls Royce, Leonardo, and MBDA. In collaboration with the UK, the Swedish Government and SAAB are conducting a broader technology study that could lead to SAAB joining the Tempest consortium. Both consortiums are discussing the inclusion of start ups and SMEs but it could prove challenging to involve SMEs from non-western European nations unless those countries are willing to contribute financially to the project – it is always the case that “you need to pay to play.” The question is, “will Europe use the opportunity to enable both solutions to compete against one another and subsequently move forward with a single option that can compete directly with the US”? Or will the new generation of the European air combat system carry the burden of past generations and act more as a ***project-based subsidized platform for (particular) national industries rather than a platform for the integration (and consolidation) of the European defence market?***

Of a slightly smaller financial concern, Europe must also confront the lack of compatibility between various types of artillery, tanks, and forms of ammunition. Unlike the previously mentioned issues, within this area, the EU has been (up to this point) successful in stimulating debates regarding maneuvering out of this conundrum. This constructive direction is exemplified through the example of one of the first wave PESCO projects (entitled: Indirect Fire Support) aimed at harmonizing ammunition standards for artillery systems along with other technical measures to ensure full-interoperability of (11) existing European systems. To date, ten countries have joined the framework of the project that should deliver its first fruit in 2025.

It must be recognised though that in order for Europe to effectively deliver globally competitive products such as Typhoon, A400M, and Leopard Main Battle Tanks, reform of the Defence Industry is required. As a world leader in missile technology and with facilities in France, Germany, Spain, and the UK, MBDA can be cited as an emblematic example of what is possible. It must be noted that if Europe aims to compete with the US in the defence market, then it will need to invest resources and push the boundaries in developing technology. It will, furthermore, need to accept the risks and cost over-runs that will likely be incurred, as demonstrated by Typhoon and A400M.

Judging by the example of the aforementioned projects, it is apparent that the lack of inclusion of (non-Western European) SMEs into major European capability development projects and an inability to secure the participation of major NATO allies (the UK and US) in future European projects – executed through the EDF or PESCO – will harm attempts to develop a more competitive European defence market. Furthermore, there are risks involved in the current Brexit process, events that are destabilising existing partnerships and may bring the UK outside of the framework of European defence. Similar fears at the NATO level, with severe implications for the European context, concern Turkey. Its position in a complex region may prove to be crucial to making initiatives in the Middle East effective and even practically feasible.

3. WHAT NEEDS TO BE DONE

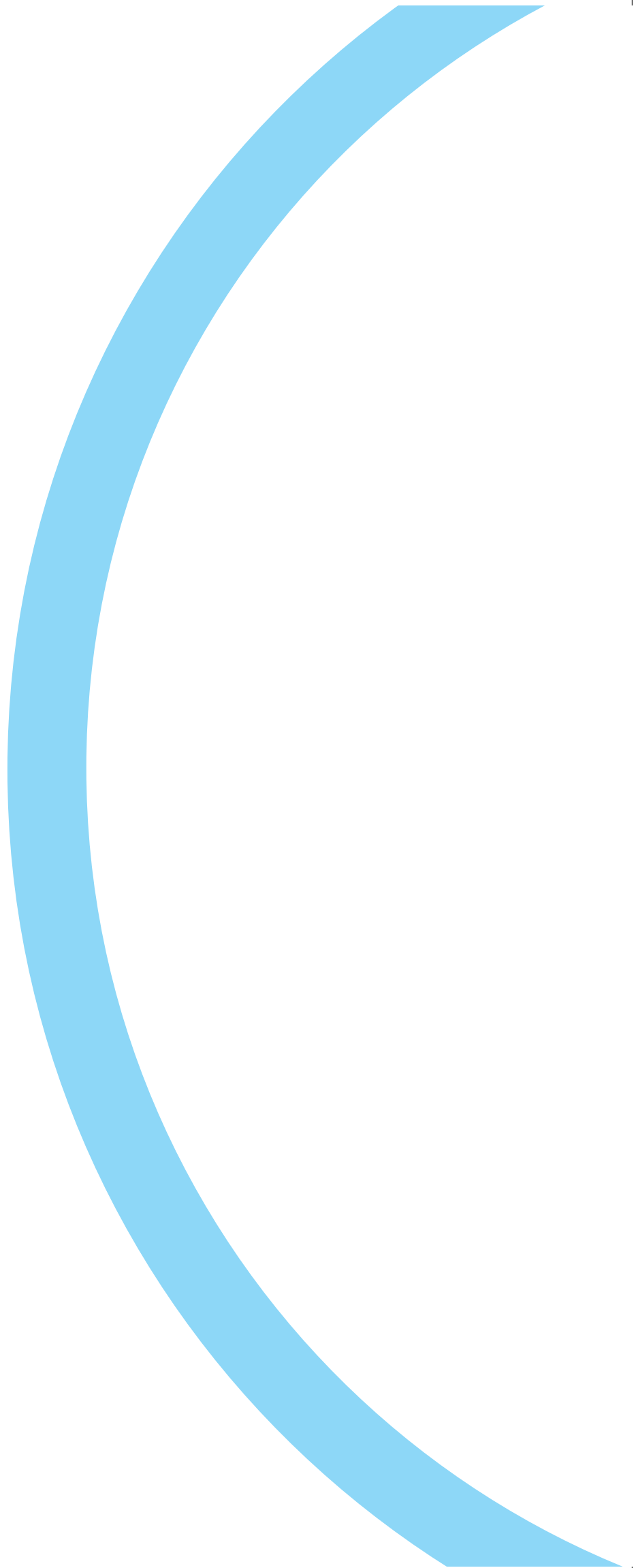
The ultimate goals of increased European cooperation must focus on achieving increased military efficiency. That is the primary goal on the basis of which our success will be judged. Without taking the first steps towards the necessary standardization and complete (assured) interoperability, European taxpayers will get “less bang for their buck” in the long-run and **European defence competence will ultimately continue to rely on US willingness to provide critical enabling capabilities**. Europe’s declared ambition to achieve greater strategic autonomy (expressed in EU Global Strategy of 2016) can only be achieved if Europe addresses the major stumbling block hindering achievement of its own legitimate objectives. Here, the referenced EU initiatives constitute a worthwhile avenue towards pursuing enhanced standardization and complete interoperability – PESCO (i.e. *Permanent Structured Cooperation*) through projects aimed at developing weapons systems with unified ammunition and radar systems, EDF (*European Defence Fund*) through support for critical defence research and development in the future, EDIDP (*European Defence Industrial Development Program*) through the interconnecting of SMEs’ and primes’ ventures, and CARD through the setting of goals related to achieving all of the previously mentioned initiatives.

Today, Europe seems to have already identified (non)standardization as a problem and is now testing different measures to address it. This initiative sees this process through the prism of cautious optimism and supports achieving this mutually shared goal.

CONCLUSIONS AND RECOMMENDATIONS:

- ▶ The European Defence industry has considerable capabilities and is focusing on innovation. The industry, however, is fragmented and driven by national-level interests and defence needs. The US defence industry, meanwhile, has the luxury of large defence budgets and a common customer (i.e. the Pentagon). Therefore, the US has arguably less domestic competition and greater government support (particularly for exports).
- ▶ European defence modernisation (particularly among Central and Eastern European countries) offers an opportunity to 'standardise' equipment and processes to provide larger economies of scale. However, Europe will need to jointly develop mechanisms that can ensure that there is no monopoly of the more technically advanced European nations (e.g. France, Germany, UK) and that these smaller countries are too allowed to participate and hence grow their domestic industrial-base.
- ▶ European consolidation can work and reap significant rewards, as Airbus and MBDA have demonstrated, but there needs to be industrial willingness backed up by governmental support and agreement on common requirements. The Airbus Voyager provides a good example and evidence that this can be achieved. The next larger aircraft programme (AJAX replacement – Next Generation Surveillance & Early Warning aircraft) will provide a further test to see whether Europe can partner together to offer a cost-effective alternative to strong American competitors.
- ▶ Consolidation on land platforms is occurring, for example, through KNDS with their EMBT project. Further effort is needed though to ensure that these collaborative ventures offer true innovation to develop next generation platforms with leap-ahead technology rather than simply being convenient partnerships to share markets and shrinking budgets.
- ▶ Future Combat Air will be the next major industrial battlefield with the UK Tempest and European FCAS concepts. The stakes are high, as Combat Aviation is viewed as constituting both critical and core technologies and skills for all involved nations. Therefore, collaboration will dilute and reduce these frictions between different actors and countries. On the other hand, Europe might not be able to afford two development programmes and proper analysis of potential consolidation should occur expeditiously to avoid squandering resources and time.
- ▶ We must not lose sight of the fact that standardisation is required not only to support and sustain the European Defence Industry but also to ensure greater interoperability between European and NATO Forces.
- ▶ European defence needs some quick wins and continued standardization of the Air Tanker Fleet would mean that this goal could actually be achieved.
- ▶ The Future European Main Battle Tank should continue under the leadership of KNDS, the joint venture between KMW and Nexter Defence Systems. Funding should be provided from the European Defence Fund and there should be an active campaign for European states to participate in the project.

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