THIRD COUNTRY PARTICIPATION IN EU DEFENCE INTEGRATION INITIATIVES:
How it works and how it is viewed by EU member states
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PROJECT
This report is part of the project Enhanced European Opportunity Partners in the EU’s Defence and Security Initiatives: Study case of Norway, funded by the Royal Norwegian Ministry of Defence.

PROJECT DESCRIPTION
Since 2014 European defence cooperation has made unprecedented and unexpected progress. The European Union (EU) has become more active in leveraging its tools to strengthen European defence cooperation. For example, through new EU defence initiatives such as Permanent Structured Cooperation (PESCO), the European Defence Fund (EDF), Capability Development Plan (CDP) and Coordinated Annual Review of Defence (CARD). However, not all EU Member States have made up their mind, and their views in such areas as the third-party access of NATO-allies, defence industrial interests, etc. and still being shaped and negotiated. Therefore, if Norway wants to avoid being left out from the EU’s defence integration dimension (for example from industrial arrangements, financial support mechanisms or intellectual property rights), it has to act now to secure itself a meaningful third-party access in the European Defence initiatives.

The goal of this project to understand the potential risks and opportunities in the area of defence for Europe and the its implications for Norwegian security and defence policy. What is more, to help both Europe and Norway become active partners and seek possible ways on how to work together across project in the future defence and security policy – both on the front of hardware-based capability development and operational readiness-oriented capability. To put it simply, the project will explore potential for meaningful third-party access in the European Integration framework and contribute to strengthening practical cooperation between Norway and the EU.

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THIRD COUNTRY PARTICIPATION IN EU DEFENCE INTEGRATION: 
HOW IT WORKS AND HOW IT IS VIEWED BY EU MEMBER STATES

As the European Union comes to terms with a changing strategic environment, hardly anyone disputes the fact that the EU needs to do more to provide for its own defence and security. At the same time, an assessment of EU defence capabilities and the range of threats confronting the EU underpins a shared understanding that a more robust European defence is only possible in cooperation with strategic allies and partners.

This cooperation must include more comprehensive and enhanced EU-NATO coordination but also participation of non-EU members in projects initiated within EU defence structures. While there is an emerging consensus on the need to include like-minded partners into some elements of EU defence integration and to ensure compatibility and complementarity with NATO, all the practicalities of this arrangement have yet to be specified.

What is the desirable level of participation of third countries in EU-driven initiatives? Which countries and entities should get access and to which processes? How can it technically be arranged? Does it necessitate financial contributions? How do you attract critical partners without including them in decision-making processes? What impact will it have on defence industries? These questions are all at the centre of ongoing discussions between Europeans and their allies.

This paper is part of the project Enhanced European Opportunity Partners in the EU’s Defence and Security Initiatives: Study case of Norway. Against the backdrop laid out above, the project aims to explore opportunities for meaningful third party access within the scope of the European integration framework.

The paper, the first in a series, aims to provide an overview of current modes of participation of third countries in EU defence integration initiatives, outline advantages and disadvantages of such inclusion, and map out the attitudes of different countries towards participation of third countries. The subsequent papers in this series will further assess different attitudes, examine the case of Norway and how the country can optimally participate in EU defence integration processes, and provide ideas on potential ways to structure cooperation with third countries. The mapping of attitudes towards EU defence integration, the assessment of the direction of European defence integration and perceptions of advantages and disadvantages presented in this paper are based on interviews conducted in spring-summer 2020 and authors’ own research.

DISRUPTOR OR AN ACCELERATOR OF COOPERATION? COVID-19 AND EUROPEAN DEFENCE

COVID-19 will indubitably impinge on the direction and scale of European defence integration and whether and how EU members cooperate with strategic allies. The impact will have two dimensions: economic and strategic. When it comes to economic aspects, a central issue concerns how different Member States (MS) will appraise the debate on third party access, particularly as it relates to funding. In terms of strategic implications, meanwhile, the pandemic has underscored an inherent link between economic and strategic considerations. This insight is exemplified by the case of the European Defence Fund (EDF), a tool that can enable the EU to exercise its economic power to pursue strategic priorities. In short, the EDF is an example of how the EU can reinforce its ability to act and combat future military crises and global threats.

There are two competing narratives on how the COVID-19 pandemic will impact European defence initiatives. The first, and probably more prevalent one, predicts less European defence. According to this scenario, MSs, as their political and objective priorities change in response to the health crisis, will put

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1 The project is funded by the Ministry of Defence of Norway
2 Based on 11 interviews conducted between 24/03- 24/06 2020 within the framework of the project: “Enhanced European Opportunity Partners in the EU’s Defence and Security Initiatives: Study case of Norway”. Countries covered (9): the Czech Republic, France, Hungary, Italy, Ireland, Poland, Slovakia, Spain, and the UK and EU-affiliated institutions.
aside their ambitions to develop a common European defence. Given the pressure to accommodate economic, social, and health priorities, both EU institutions and national governments are likely to engage with defence as a second-tier priority. Cooperation with third countries will, in turn, likely come under strain owing to a lack of attention conferred to European defence matters and an accompanying unwillingness to invest financial and institutional resources to develop ties with third countries.

A second plausible scenario starts with a similar premise: COVID-19 will have considerable implications on budgets and political and economic priorities. But in this case, Europeans realize that the global security and stability landscape has not improved. With new actors aspiring to achieve global power through hybrid means and with the U.S. increasingly preoccupied elsewhere, Europeans may recognize that the only way to enhance their security in an increasingly precarious world is to ensure that they have the capacity to defend themselves. With financial resources scarce, the pooling of resources and deeper integration of defence capabilities will become the only feasible way forward. Hence, European defence initiatives will, in fact, be elevated in priority.

THIRD PARTY PARTICIPATION IN EUROPEAN DEFENCE: HOW IT WORKS AND WHERE WE STAND NOW

European defence integration initiatives aim to strengthen the resilience and strategic autonomy of the European Union. They rely mainly on two pillars. The first is the European Defence Fund which is led and implemented by the European Commission through the DG Defence Industry and Space. It funds military research and co-finances military development. The 2021-2027 Multiannual Financial Framework (MFF) allocates 8 billion euros to the Fund, making it the largest item under the heading “Resilience, Security and Defence”.

The second, meanwhile, is the Permanent Structured Cooperation (PESCO), a MS-driven program aimed at the shared development of military capabilities. As of today, 25 EU MSs have joined (all in late 2017) and 47 projects have been launched. PESCO has no specific budget, instead drawing on the national budgets of MSs.

In addition to these two pillars, the European Defence Agency (EDA) runs the Coordinated Annual Review of Defence (CARD) to support MS cooperation and is part of the PESCO secretariat.

Source: European Parliamentary Research Service Briefing 2020
Regarding EU Common Security and Defence Policy (CSDP) missions, there are currently 6 ongoing military CSDP deployments and 10 civilian missions (another civilian mission is planned for 2020). But in general, there is little impetus for military crisis management or stability operations, reflected in the next MFF currently being negotiated. As of now, the allocation for military mobility is significantly lower than initially planned (-74%) (see chart above). The Commission proposed to slash the allocation to rescEU under the MFF by 11% (€136 million) and, at the same time, to reinforce it with €2 billion under NextGenerationEU.

Discussions concerning third country participation distinguish between various structures and pillars of European defence integration. Specifically, EDF, EDA, and PESCO have different rules and are at varying stages of adopting them. While rules on third country participation were established for the EDF and EDA in 2019, EU Member States have only just, in October 2020, come to agreement on them for PESCO. “Important agreement in COREPER today on participation of third states in #PESCO projects. It sends an important message to partners & allies. It will further consolidate PESCO as framework for #EUdefence cooperation” tweeted Josep Borrell, High Representative for EU Foreign and Security Policy / Vice President of the European Commission (HR/VP). He was referring to the accord reached at the Permanent Representatives Committee under the auspices of the German Presidency of the EU Council.

Broader framework and CSDP

The EU has included third party participation in its projects (mostly missions) essentially since the inception of the European Security and Defence Policy (ESDP) (1999), subsequently (2009) renamed Common Security and Defence Policy (CSDP). The European Global Strategy (EGS) of 2016 highlighted the need to cooperate with third parties in implementing EU Foreign and Security Policy Priorities. Traditionally, third party participation was confined to other countries participating in ESDP/CSDP missions and to cooperation between the EU and other international organisations, particularly NATO, the United Nations and the African Union.

In recent years, however, the EU has adopted a more inclusive approach extending beyond CSDP operations. The EU Council’s Conclusions adopted in May 2017 called for enhanced cooperation with third parties to pursue the EGS goals. The Council also called for the involvement of third parties in responding to external conflicts and crises, developing the capabilities of partners and ‘protecting the Union and its citizens’.

Following these decisions, cooperation of third parties in the CSDP context has expanded to include the purviews of terrorism and migration, hybrid threats, cyber security and resilience. Third party participation under these schemes, however, can take on a diverse range of orientations. They can, for example, involve partners of ‘necessity’ – e.g. EU cooperation with Egypt, Libya and Turkey combating illegal migration and terrorism – and partners of ‘choice’, like Norway or the US, with which the EU shares similar values and perceptions of security interests.

The establishment of the EDF in 2017 and subsequently PESCO in 2018 have put the issue of enhanced cooperation with ‘partners of choice’ on the agenda. This topic, however, remains a contentious matter since the possibility of third party participation in these frameworks could also pave the way forward for questions of access to EU resources (to which 7 billion euros have been allocated) and, even more controversially, enhanced access to the EU armaments market.

8 Josep Borrell, Twitter, 28 October 2020 https://twitter.com/JosepBorrellF/status/1321526714699040707?s=20
**European Defence Fund (EDF)**

According to the regulation adopted in April 2019, the EDF primarily restricts eligibility for their grant schemes to applicants that are based in the EU and are not controlled by a non-associated third country or a non-associated third country entity. But the regulation includes provisions for derogations allowing third party participation under certain conditions.

Members of the European Economic Area (EEA), notably, are eligible to participate in the framework of cooperation under the EEA agreement.

In the case of third countries, non-EU firms are not permitted to receive funds, obtain access to classified information or freely use intellectual property developed in the supported programmes. Moreover, the entities that are based in the EU but which are subsidiaries of non-EU entities will be required to provide special guarantees prohibiting parent company access to the implemented programmes and products.

**Third country applicants should demonstrate that:**

- “the control over the applicant will not be exercised in a manner that restricts in any way its ability to perform and complete the action;
- the access by non-associated third countries or by non-associated third country entities to classified and non-classified sensitive information relating to the action will be prevented; and the persons involved in the action will have national security clearance issued by a Member State or associated country;
- the results of the action shall remain within the beneficiary and shall not be subject to control or restrictions by non-associated third countries or other non-associated third country entities during the action and for a specified period after its completion;”

In practice, the regulations make access to EDF difficult for non-EU companies or their EU subsidiaries or European partners linked with them through their shareholding structure. A provision stipulating that the outputs of research and essentially the intellectual property rights should remain within the EU is particularly contentious, especially in discussions with U.S. partners, rendering third party participation prohibitive.

The viability of these rules, nonetheless, has been given a recent lift as witnessed by the selection process for projects that will be financed by two precursor programmes – the Preparatory Action on Defence Research (PADR) and the European Defence Industrial Development Programme (EDIDP).

The June 2020 announcement of the results of an EDIDP (the capability development precursor of the EDF) call for proposals revealed that 16 defence industrial projects and 3 disruptive technology projects were given the green light to receive funding. The winners included four participants controlled by entities from Canada, Japan and the U.S.

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The EDF, therefore, is open to third parties but leaves space for companies to assess whether it is worth investing in the projects without having much control over them and their outcomes.

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10 European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing the European Defence Fund, 13 June 2018, art. 10 “established in the Union or in an associate country, have their executive management structures in the Union or in an associate country, and are not controlled by a non-associated third country or by a non-associated third country entity”. See Article 10 of the Regulation [https://eur-lex.europa.eu/resource.html?uri=cellar:03540883-6efd-11e8-9483-01aa75ed71a1.0001.03/DOC_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:03540883-6efd-11e8-9483-01aa75ed71a1.0001.03/DOC_1&format=PDF)

11 Ibidem, paragraph 39.

12 Ibidem. See Article 10 of the Regulation


European Defence Agency (EDA)

The EU has also established modes of third party participation in defence projects with third countries in the form of the European Defence Agency. These are defined by Administrative Agreements (AA) that the EU has signed with Norway, Switzerland, Serbia and Ukraine. Of these partners, Norway is by far the most engaged and integrated as it has actively participated in a number of projects and has even placed a staff member at the EDA headquarters.15

For the time being, the AA have not yet encompassed initiatives that fall under the EDF and PESCO umbrellas. The expected negotiated post-Brexit terms of engagement between the UK and EU Defence, however, may open up possibilities for comprehensive third country participation that includes the EDA, EDF and PESCO through the extension of AA. This level of access, as proposed, could be confined though to countries that respect the rule of law and share EU values. Broadening cooperation of third countries would, furthermore, place on the participant the obligation to adopt EU intellectual rights regulations (as Norway has already done) and abide by the rulings of the European Court of Justice in the areas of joint defence projects. 16

Permanent Structured Cooperation (PESCO)

As PESCO projects have mushroomed in quantity - currently there are 47 under way - questions concerning the participation of like-minded states have become more and more pressing. In particular, the US administration, pressured by US defence companies, has actively lobbied in favour of third party inclusion in defence projects.

Two years on from the initial proposals put forward by the European External Action Service in September 2018 and later by a group of countries led by the Netherlands, Belgium and Luxembourg and by Finland in November 2019, EU Member States agreed on establishing the general conditions under which third country entities could be exceptionally invited to participate in individual PESCO projects on 27 October 202017. It is noteworthy especially due to the fact that defence was not a key priority of the German Presidency of the EU 18.

According to the draft agreement (similar to the above-mentioned Finnish proposal), third parties would be allowed to participate if their inclusion were deemed to provide ‘substantial added value’ to respective projects being carried out and when such participation would not lead to ‘dependencies on third state’ (for example in armament procurement, capabilities and technology or the use and export of arms)19 . Any third country participant need also to share ‘the values on which the EU is founded’ and ‘respect the principle of good neighbourly relations with Member States’.

Agreement of the entire bloc is, therefore, conditional on acceptance of a fairly restrictive approach towards participation, a standard that indubitably satisfies only the closest ‘partners of choice’ like the United States, Norway and the UK. The doors for Turkey or China will remain closed. Leaving open the possibility for Turkish participation was, in fact, a sticking point as some countries, including Greece and Cyprus, have indicated wariness and concern about the issue. According to their point of view, the Finnish proposal had not been sufficiently exclusionary on the matter20.

In order to join a PESCO project, a country outside the bloc must submit a request to the lead country of the respective project. Both the Council and HR/VP must be notified, with the Council charged with officially approving participation. According to the new agreement, non-EU companies that are based in the EU but are controlled by or maintain their main headquarters outside the EU will only be able to join a PESCO project after 31 December 2025 and following unanimous approval of the Council.

15 For example see a list of countries engaged in the following EDA document: https://www.eda.europa.eu/docs/default-source/documents/conditions-for-participation-and-evaluation.pdf
16 See: L. Béraud-Sudreau, UK participation in the EDA and the new EU defence package in the context of Brexit, IISS/DGAP, June 2018.
18 Ibidem.
20 Question marks over third country participation in EU military projects, Euroactiv, 8.11.2019
It is notable that neither PESCO nor the EDF alter the EU’s existing rules on defence procurement\(^{21}\). At the same time, the participation of non-EU countries in PESCO projects does not automatically imply that third country entities will necessarily have access to EU financial instruments like EDIDP.

While final consensus among the 25 participants of PESCO had proven notoriously difficult, both Norway and the UK are, nevertheless, members of the European Intervention Initiative (E2I) and the UK is one of the founding members of the Organisation for Joint Armament Co-operation (OCCAR). Although these two organisations are significantly more limited in scope than PESCO, they provide a possible alternative route of cooperation for like-minded nations.

<table>
<thead>
<tr>
<th>EUROPEAN DEFENCE FUND</th>
<th>EUROPEAN DEFENCE AGENCY</th>
<th>PERMANENT STRUCTURED COOPERATION (PESCO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted eligibility for grant schemes to applicants that are based in the EU and are not controlled by a non-associated third country or a non-associated third country entity</td>
<td>Administrative Agreements with Norway, Switzerland, Serbia and Ukraine</td>
<td>Inclusion of third parties if they add ‘substantial value’ to respective projects and cooperation does not create ‘dependencies on third state’</td>
</tr>
<tr>
<td>Derogations for third parties that are members of EEA</td>
<td>Obligation to share the values on which the EU is founded</td>
<td>Obligation to share the values on which the EU is founded and respect the principle of good neighbourly relations with Member States. Application request to the project’s lead country and passing the invitation process.</td>
</tr>
<tr>
<td>Non-EU firms are not permitted to receive funds</td>
<td>Obligation to adopt EU intellectual rights regulations</td>
<td>Obligation to abide European Court of Justice’s rulings on joint defence projects</td>
</tr>
<tr>
<td>EU based entities that are subsidiaries of non-EU based entities are required to provide special guarantees</td>
<td></td>
<td>Double seal of approval: the Council and the EU’s chief diplomat must be notified, with the Council formally approving participation.</td>
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**ATTITUDES TOWARDS THIRD PARTY PARTICIPATION IN SECURITY AND DEFENCE STRUCTURES – DIFFERENT CATEGORIES OF PARTNERS AND MEMBER STATES**

Most EU MSs and the EU institutions are generally inclined to support third party participation in CSDP and PESCO projects. The matter has acquired heightened urgency since Brexit, not least because of the links between the defence industry in the UK and the EU. In this vein, there is palpable support for creating a mechanism that would enable the UK to maintain its engagement in European security following the full implementation of Brexit. Norway, another like-minded state closely aligned with the EU, is usually put in the same basket as the UK. A difference between Norway and the UK, however, lies in their attitudes towards cooperation with the EU. While Norway has been traditionally open to cooperation with the bloc based on EU rules, the UK is yet to solidify its approach (but will in all likelihood take a harder line than Norway).

As the EU debates opening up collaboration with third countries, it is becoming increasingly apparent that one path forward for overcoming the resistance of some MSs – as discussed below – could be to differentiate the shape and form of relations that the EU establishes with different partners. It is likely that after Brexit materializes (the EU will probably be restrained from making any exceptions before 2021), the EU will create three or even four categories of partnership, each marked by different privileges such as access to the EU internal market and possibly – though more controversially – access to some EU funding.

The first category would consist of the most privileged partners, those with de facto associated status (‘partners of choice’). This includes like-minded partners such as Norway (with which the European Defence Agency already has an Administrative Agreement) and possibly the UK, requiring a yet forthcoming expression of interest from London.\(^{22}\) Countries in this category would enjoy access to the EU market and its programmes but, as non-EU members, would be excluded from decision-making processes.

A second category would include less privileged partners like Turkey, itself a NATO member state and still an official candidate for EU membership. In the past, Turkey has participated in a number of CSDP missions and there is no reason to cease this cooperation in the future. Turkey’s participation in collaborative defence projects with Russia and China, however, is a security impediment to its full-fledged inclusion as a European partner.

Access for companies from the United States could constitute a third category, with many businesses in the country fearing exclusion from EU markets on account of PESCO’s terms. Any such collaboration would most likely be rather shallow, however, as a primary rationale for launching PESCO in the first place was to boost the EU Defence industry. European companies have indeed struggled to compete with American companies in Europe, let alone the US where EU companies are generally excluded.

A fourth and probably only symbolic opportunity for collaboration would be availed to regional partners – like the African Union – and would enable ad hoc cooperation on missions of mutual interest as has been the case, for example, in South Sudan and Chad.

As of today, however, the EU is still approaching the issue of third country participation under a uniform framework without clear differentiation. This, in turn, has contributed to opposition, for different reasons, against various partnership bids, including Turkish and/or US participation. With third party participation requiring the unanimous consent of all MSs, the stalemate has yet to be resolved despite several proposals being put on the table (e.g. proposals by Finland and the EEAS).

Overall, MSs can be clustered into four categories reflecting their attitudes towards third country participation:

\(^{22}\) For a proposal of UK participation see: L. Béraud-Sudreau, UK participation in the EDA and the new EU defence package in the context of Brexit, IISS/DGAP, June 2018
1. In favour

The Scandinavians and Nordefco members: Denmark, Finland and Sweden

The Benelux states: Belgium, Luxembourg and the Netherlands.

Eastern flank nations: the Baltic States (Estonia, Lithuania, Latvia), Poland and Romania in addition to Czechia and Slovakia (although these latter two countries are not considered Eastern flank nations).

These supportive positions are underlined by patterns of regional cooperation (Nordefco partners favour Norway’s participation and the Benelux countries have close links to the UK). The Eastern flank countries, meanwhile, tend to exhibit Atlanticist and Anglophile predispositions.

The Benelux and Scandinavian countries and smaller countries more generally are inclined to support an autonomous European defence industry but think it is impractical. According to governments in these countries, it is better to purchase necessary capabilities, cooperate with US companies and maintain close strategic relations with the US even while developing smaller-scale European projects.

Poland, Slovakia and Czechia are generally proponents of non-EU member participation in future European defense cooperation projects. This perspective, in fact, holds true for nearly all EU MSs without long-term diplomatic disputes with a NATO member.

- Slovakia is particularly open to inclusive rules on third party participation and supports speedy reconciliation on this matter.
- While not enthusiastic about European defence initiatives, Poland has taken a pragmatic stance towards third party participation. Recognizing that the country can benefit from the European Defence Fund, Poland has avoided obstructing the different European initiatives.
- Czechia doesn’t have a fixed position and has indicated a willingness to follow the lead of bigger countries, like Germany and France, on this matter.

2. In favour but...

France, Germany, Italy and Spain

These countries have robust defence industries and/or are home to multi-national defence corporations (e.g. Airbus) who stand to be primary beneficiaries from the European Defence Fund. Airbus and the French-led MBDA are indeed in direct competition with US defence companies and are therefore lobbying in favour of PESCO maintaining an exclusionary format and preferences for the EU defence industry.

These countries, however, also depend on cooperation with British and to a lesser extent Norwegian partners (a considerable part of Airbus production, for example, is based in the UK). It could, consequently, be expected that these countries would simultaneously advocate in favour of British and Norwegian third party participation and express reluctance towards US involvement.

France, Germany and Spain are proponents of a more ‘industrial’ approach, as opposed to ‘open competition’, when it comes to the European defence sector. They are vocal advocates of the ‘European money for European companies’ principle. This positioning has reverberated in the debate over third party access. In principle, these countries are not opponents of third party access but they are concerned about opening the door to companies in the United States and the UK and consequently denying lucrative contracts to industry in the EU27. This possibility has led to some pushback from industrial lobbies against third country participation (e.g. witness discussions on Galileo with the UK).

It is important to note, however, that even between and within these four countries there are different concerns and levels of enthusiasm regarding third party access. While France, for example, has generally staked out a restrictive position towards third country participation, Paris isn’t necessarily opposed to cooperation with third countries. It is, furthermore, noteworthy that EU strategic autonomy and the defence industry constitute an integral component of France’s defence strategy. The country wants to
be independent (primarily from the United States) and develop its own capabilities. For this not to be cost prohibitive though, it needs a market to which it can export its goods at a competitive price point (i.e. affordable enough for others to buy it). The EDF, therefore, was established to enable these goals to be achieved.

Spain looks at cooperation with third countries more favourably, open to third party participation with those that are EEA members and contribute to the EU budget.

Italy’s stance, meanwhile, would permit third party participation in decision-making processes for the specific projects that third countries join, support and fund while foreclosing participation in PESCO governance as a whole.

3. Reluctant/Against

Greece, Cyprus and Austria

These countries vehemently oppose Turkish participation, with Cyprus and Greece, together with Turkey, effectively blocking NATO-EU cooperation. Austria has indicated more flexibility on third country participation.

4. Indifferent/No position

Bulgaria, Croatia, Hungary, Ireland and Slovenia

These countries have essentially not staked out a fixed or vociferous position. They are likely to align with the opinion of the majority. Ireland is, however, unlikely to take a position that would run contrary to US business interests. Bulgaria and Croatia, meanwhile, are also likely to swing in favour of third party participation. Hungary and Slovenia, though, may opt to join the Austrian camp.

WHY ENHANCE THIRD PARTY PARTICIPATION?

There are three fundamental reasons why the EU would benefit from enhancing the incorporation of third parties (especially ‘partners of choice’) in its defence integration initiatives. These factors are related to 1) geopolitics, 2) the consequences of Brexit and 3) regional patterns of cooperation.

Geopolitics not only explains why the EU launched EDF but also why PESCO is more buoyant than expected.

The European security environment, undoubtedly, has deteriorated in recent years. Against this backdrop, it is worth recalling, however, that ESDP/CSDP’s initial purpose at launch (1999) was to spread peace and security to other parts of the world rather than to enhance the security of an EU area believed to be free of threats.

The EU Security Strategy of 2003 indeed focused specifically on vulnerable parts of the world and positioned the EU as a ‘humanitarian agent’ that could contribute to bringing peace and stability to others. No longer a safe haven that can freely choose where it wants to intervene, the EU is facing challenges to the East – from a resurgent Russia - and to the South – from terror networks and illegal migration. This is all happening at a time when the EU can’t merely fall back on US security guarantees anymore. The election of Donald Trump, in particular, was a wake-up call to those who fervently believed that that the defence of Europe could be essentially outsourced to the United States. It is also clear that, even if Trump were to leave the political stage, US sentiment has already turned against an unconditional investment in European security in the future. The EU, sooner or later, will need to provide for its own security. And this is a development that would be facilitated by cooperation with like-minded countries, including Norway and the UK, with the British military, together with France, able to contribute the most capable forces in Europe.

With regard to Brexit, while the UK’s decision to leave the EU will weaken the Union as a whole, the greatest damage will be to EU defence capabilities, with the UK representing nearly 30% of all EU defence assets. It is, therefore, imperative to the EU’s own interests to preserve UK engagement in European security as much as feasible. Norway, meanwhile, is already, in fact, more intrinsically linked with the EU – and it will continue to be part of the single market – than the UK, which wants to leave the customs union. Both Norway and the UK, though, share the same values as the EU, underlined by the British Prime Minister’s statement that the UK is leaving the EU but not Europe.

A third factor is centered on the fact that several neighbouring allies, including particularly the UK and Norway, are linked to EU partners by agreements on regional or bilateral cooperation. The UK has always closely worked with France in the defence sphere and the Lancaster Agreement has strengthened this cooperation since 2010 when France decided to prioritise closer defence ties with the UK over the development of CSDP. Norway, meanwhile, cooperates closely with other Scandinavian countries in the framework of Nordefco, which remains the most developed regional defence format in Europe.\footnote{Minister of Defence Frans Bakke-Jensen, New steps towards a stronger Nordic Cooperation on Defense, Government Norway, 20 November 2019. \url{https://www.regjeringen.no/en/aktuelt/new-steps-for-a-stronger-nordic-cooperation-on-defense/id2677909/}}

Cooperation with third countries, nonetheless, has both advantages and disadvantages.

**Arguments in favour and against third country participation**

**Advantages:**

- Third countries contribute relevant capacities for military operations (be it equipment, human resources, etc...), research and development, technological know-how for the development of equipment, and industrial capabilities needed to reach economies of scale and implement robust development projects.

- Numerous third country defence companies (e.g. British and Norwegian) already work closely with EU partners, facilitating the development of additional European defence capabilities and the creation of supply chains.

- Strategic political benefits accrue when working closely with neighbours and non-EU NATO allies. This applies primarily with respect to cooperation with the UK but also to a lesser extent with a prosperous and industrialized country like Norway.

- The involvement of NATO allies in EU defence cooperation avoids potential alienation of these partners and consequently aids in safeguarding NATO unity.

- Defence cooperation can have a spill-over effect to other areas like crisis management coordination.

- The participation of third countries may lead to a more competitive European defence industry market.

**Disadvantages:**

There are three central arguments - strategic, economic, and legal - against including third countries into EU defence initiatives.

- **Strategic:** Third party cooperation might water down defence integration initiatives with outside involvement not necessarily contributing to fostering EU strategic autonomy. If the EU’s goal is to first and foremost enhance EU defence capabilities and develop its strategic autonomy, then incorporating third parties (e.g. participants from the US or Norway) that excel in defence might not be the most prudent strategy. As of now, the case of PESCO illustrates the fact that many projects falling within this framework often serve national interests, rather than pan-European ones, an outcome that will need to change.
Economic: there is a clear sensitivity towards utilizing precious European financial resources for the support of projects that are not developed solely in Europe but also in, for example, the United States and the UK. This stance, “European money for European projects”, has been articulated by France in advocating against transatlantic projects. Third party involvement, moreover, exacerbates the disadvantages faced by the defence industries in small member states that are not competitive enough to rival well established companies in powerful third countries like the UK and US.

Legal: The Galileo case underscores the legal pitfalls - when security is too dependent on a third country, the decision-making process can be hindered. Another problem that arises concerns the application of different legal frameworks to the same set of circumstances (e.g. military trade regulations of the US and UK).

MEMBERSHIP IN THE EEA AND CONTRIBUTION TO EU BUDGET AS POTENTIAL DETERMINANTS OF THIRD PARTY ACCESS TO EUROPEAN DEFENCE INTEGRATION

Membership in the European Economic Area, contributions to the EU budget and adoption of the European Acquis are often brought up as factors that should determine the access of third countries to European Defence integration. There is no agreement yet, however, between European stakeholders regarding whether these conditions are the appropriate criteria for participation.

Brexit was undoubtedly, an important trigger for discussions on third country access, with Brexit negotiations not only revealing the opinions of MSs about third country participation in EU defence but also functioning to place third parties all into “one basket” (without differentiations between Norway, the United Kingdom and the United States). Compared to before, there is now an official European position specifying that a single standard should apply to all third countries.

There is considerable opposition, however, to this stance within the EU. An alternative approach envisions differentiation between third countries in terms of their participation in EU defence integration. An emphasis on a one-size-fits-all approach and the politicization of discussions on PESCO have worsened the scope of cooperation for Norway, a country that otherwise would have continued enjoying a relatively uncontroversial privileged position.

The prevailing consensus identifies a pay-to-play approach as a guiding principle in determining access to the EDF and other defence projects in Europe. While membership in the EEA or application of the EU acquis would not be a major factor in EU defence decisions (membership in NATO being at least as important), the financial contributions to the EU budget and/or equipment programmes and operations are likely to be a more important factor. This does not mean, however, that third countries would be required to contribute to the EU MFF.

Regarding PESCO, the primary requirement should be the establishment of trust in military cooperation. The fact that Norway is a NATO member, for example, helps in this regard. Membership in the EEA, meanwhile, facilitates the industrial components of defence cooperation and is therefore also beneficial. Application of the EU acquis similarly simplifies cooperation. Even without membership in the EEA or the comprehensive application of the EU acquis, respect of the rules set by EDF could be sufficient.
STRUCTURING THE FRAMEWORK OF THIRD COUNTRY ARRANGEMENTS

The EU could choose to either implement a systemic approach to structuring third party cooperation or rely on ad hoc arrangements. A systemic approach would be premised on the design of a structural framework that institutionalizes cooperation with third countries. This could be done, for example, through EU defence committees or potentially a third country committee. A pitfall of this approach is that it is subject to the types of criticisms conventionally lobbed at the EU: the creation of more structures risks overcomplicating and over-bureaucratizing the matter to the detriment of efficiency and the optimization of outcomes.

An alternative model envisions a set of ad hoc arrangements within a general loose framework for specific projects or missions.

A European Security Council also still remains a viable option. The Council would include EU institutions, MSs (potentially not all of them) and relevant third countries. The Council would meet once or twice per year to discuss security measures. The European Security Council would not, however, be only a tool for the EU to demonstrate its level of pro-active involvement (and not only reactive posture) but also function to allow for a clear assessment of security threats the EU is facing.

CONCLUSION

While the impetus for European defence integration is undeniable, it will not necessarily translate into enhanced capabilities for Europe to provide security for the continent. Developing politically sound, organizationally efficient and industrially complementary relations with like-minded countries, though, will serve as integral steps in this direction. The EU’s capacity to achieve strategic autonomy indeed largely depends on its ability to reach out to non-EU countries.

Those in favor of including third countries will need to bridge points of contention with those who are against. This means addressing the strategic, economic and legal disadvantages associated with the inclusion of non-members.

The EU is still evaluating the type of institutional structure that will best accommodate its defence and security aspirations and reflect practical realities on the ground. The institutional framework that emerges will need to take into account an increasingly more flexible and differentiated Europe incorporating numerous formats, structures, agencies, solidified institutions and ad hoc arrangements. This complexity will require considerable more trust among MSs and a significantly more developed strategic culture in Europe.

Developing a competent and capable European defence will take time. Scrutinizing and deciding on the ways the EU can best cooperate and coordinate with its allies and partners, though, is a necessary and critical first step to accelerate progress towards this aim.