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**Research Report**

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## Europe without Defence

The States of Europe Have to Re-evaluate the Interrelationship between Political Sovereignty, Military Effectiveness and Economic Efficiency

*Christian Mölling*

NATO's operation in Libya has revealed significant deficiencies in European defence. It is not only that Europe's defence capability is chronically underdeveloped and the USA's support is dwindling. The resources that would allow European states to deal with these deficits are likewise shrinking dramatically. The defence budget crunch has strategic consequences. Unlike the "usual" underfinancing of European defence establishments in the last decade, budget constraints are now changing the aims and means of defence policy abruptly, substantially and in a long-term perspective. If Europe does not halt the rapid depletion of its defence resources, both the structure of its armed forces and its defence industry base will be turned upside down. At the end of this process, we will be left with a Europe that is incapable of defending its strategic interests outside its borders.

On 6 July 2011, Italy wrote military history: for economic reasons it ordered its aircraft carrier back from NATO's operation in Libya; the first time that a modern nation state has withdrawn military equipment from an ongoing operation due to lack of money. Behind this is a new paradigm in Europe's defence policy: the defence-economic imperative, that is, the absolute primacy of making savings. At the same time, the style of cuts – i.e. rapid, drastic and permanent – has made defence budgets a strategic factor themselves. Beyond security interests and risks, financial constraints are already crucial not only for the amount and type of resources available. They also determine the military objectives

Europe's states pursue. Europe is faced with the choice to either organise its defence more effectively or to renounce its defensive capability.

### Europe's defence decadence

Europe's states, now as in the past, continue to determine unilaterally the capabilities and structure of their armed forces. This counteracts the efforts of the EU and NATO to reduce isolated initiatives and increase efficiency through greater cooperation. The pursuit of national agendas has caused three chronic problems:

With regard to the provision of capabilities, a number of initiatives and

mechanisms (NATO Capability Initiative, EU Headline Goal) have raised the awareness of capability deficits in EU and NATO member states. It is only seldom, however, that the states can agree on the extra resources necessary to close these gaps.

In addition, the EU and NATO have hardly any influence over the production and procurement of defence equipment. These are driven by national, technological, industry-specific and structural policy considerations, instead of on common European or transatlantic defence policy goals.

The greatest deficit is the deep separation of capability provision and defence equipment. Although Europe's armies deploy the same capabilities regularly in joint operations, that is, under identical operational conditions, mostly they develop and produce them nationally. Defence equipment institutions such as OCCAR (Organisation Conjointe de Coopération en matière d'Armement) are only poorly linked to the EU or NATO; the conceptual bases for capability development and armaments diverge. Therefore state expenditure on capabilities is also not invested effectively.

### **Libya operation reveals capabilities gaps**

NATO's operation in Libya is only the most recent example of the persistent deficiencies described. Europe's dependency on the USA, which has thereby come again to light, is just a foretaste of the time when the USA shifts its security policy emphasis to Asia and will no longer be available as before for European security issues.

The Libya campaign has seen a shortage of reconnaissance means and aircraft. Poland and the Baltic states were unable to take part in the operation because they simply did not have the equipment. Above all, the Europeans did not have the C41STAR global electronic interface that collates all information and connects the weapons systems with each other. Without this interface that only the USA possesses at

present, Europe is to a great extent blind and deaf militarily. Approximately 90% of the military actions in Libya would not have been possible without Washington's help.

### **Clashing problems and shifting paradigms**

The loss of European defence capability is no longer a scenario for the distant future. Neither one European state on its own, nor Europe as a whole, are currently capable to project military power beyond a distance of barely 1000 kilometres, e.g. to Libya.

The disastrous state of European defence capability now clashes with the effects of the financial crisis. What that means is already evident, three years on from the start of the crisis, in the rapid cutting back of capabilities. What is not known, however, are the long-term consequences.

### **The defence-economic imperative: 20 years of austerity ahead**

Even the early consequences of the 2009/10 financial crisis rapidly resulted in massive resource cuts in the defence sectors of many European countries. The largest cuts, at up to 30%, affect primarily smaller states such as Bulgaria. Most medium-sized states are cutting their budgets by 10 to 15%; large states like Germany and Great Britain so far have done so by less than 8%. There are, however, exceptions such as Sweden or France, whose budgets have so far been spared.

In the medium-term, however, no state will be able to protect its defence sector from savings measures, as demands on the public purse in Europe are an enormous long-term burden. In addition, fresh indebtedness due to the crisis continues to grow, meaning that the risks of being over-extended are increasing for states and finance systems. Further debt reduction is indispensable.

According to European Commission estimates, the EU states have to dedicate

1% of their GDP for the next 20 years to repayment alone in order to reduce debts to the level before the 2008 financial crisis. At present this would equate to 120 billion euros a year. Additionally, savings would have to start immediately and the crisis must not worsen.

The prognoses for the next few years do, however, give rise to fears of insufficient growth. Financial resources to service and reduce debts will most probably be generated through further budget cuts. Due to contractual commitments, only little can be saved in equipment and personnel in the short-term. Both areas have to be supported via fresh debts or from other budgets. Demographic change and the dwindling justification for armed forces will increase the pressure in the medium-term to reduce the defence budget and distribute savings to other budgets.

### **First repercussions: rapid reduction in military capabilities**

The savings measures the defence ministers have decided upon in the last 12 months are already above and beyond the “usual” underfinancing of defence establishments. Great Britain and Germany, two of the three largest European troop providers, have curtailed their defence policy ambitions and will keep fewer soldiers ready to deploy in future. France is very likely to follow in 2012. The traditional maritime power, Great Britain, took its aircraft carrier out of service overnight; brand new naval reconnaissance aircraft were immediately destroyed. The Netherlands mothballed their newly upgraded battle tanks.

### **Risk: a Europe without defence**

A further weakening of capabilities and even larger capability gaps can already be envisaged. If Europe further ignores the consequences of the defence-economic imperative, it will run the danger of losing its operational military capability through

an unguided structural shift in the armed forces and defence industry.

At the outset, European states saw the financial crisis as an opportunity to burn off the “superfluous fat” in their armies, persistent since the times of the Cold War, and thus strengthen Europe’s military muscle. They reacted to the crisis as ever, though: with national reductions without consulting their allies.

This recipe for action is, however, no longer fit for purpose, and will even be damaging to the military health of Europe. States are only thinning out their equipment, and are not reducing the tasking spectrum they wish to cover and their specific specialisations. This will result if anything in military muscle being weakened. In some areas, such as fighter aircraft, new fat is even being laid down.

### **Structural reduction in three waves**

Continuing cuts will hit Europe’s defence capability in three waves. First of all, military capabilities will reduce, then defence industry capacities and, finally, technological competence. The beginnings of this can already be seen. The more visible the misery becomes, the less Europe can make headway against it. Which capabilities it will possess in 20 years’ time will be decided in the next three to five years. After that Europe could have made so many cuts that cooperation will no longer be possible due to the lack of capability.

### **First wave: 27 bonsai armies**

In the first wave, 27 bonsai armies will be formed in Europe over the next five years. Due to national savings efforts, first existing troop formations will become smaller and then their capability spectrum will narrow. In Germany, France and Great Britain there will be miniature versions of armies. Though covering almost the whole capability spectrum, these tiny armies will hardly offer serious military power any more. The small and medium-sized states,

however, already find themselves in a race to the bottom. They unilaterally relinquish entire areas of capability and are relying on states still possessing such capabilities within the EU and NATO when required. Capability gaps tend to expand further, rather than narrow, with this type of unintended role specialisation.

In addition, a modernization gap is opening up. Larger states are upgrading their military in slower time, but are doing so continuously. However, several medium-sized and smaller countries are forced to postpone the further development of their armed forces. Many states can therefore only afford to make marginal contributions to joint operations within the framework of the EU or NATO. Thus their possibilities for also taking part in security policy decisions via their own military participation, and thus in the formation of common security policy, are reduced. In this way, gaps in capability and modernisation are also eroding solidarity.

### **Second wave: defence industrial exodus**

In the second wave, within five to ten years, the defence industry will leave Europe. Budget cuts will prevent Europe's states from setting up large, new defence projects. However, whilst the European market is shrinking, all the others are growing, e.g. in Asia and South America. For this reason, industries based in Europe will try to increase access to these new markets via collaboration, exports and moving production. European firms will then be part of a globalised defence industry and will compete with each other even more than is the case today. The result will be increased dependencies on non-European partners and supplier countries. In the face of this, concern about internal European security of supply with defence goods will become a side issue. The preliminaries to this development can already be observed: states are cancelling orders. Not only exports, but also the transfer of technology to the new markets, are increasing. European firms are

increasingly buying themselves into these markets.

### **Third wave: losing technological leadership**

In the third wave, in 10 to 20 years, consequences will become visible in Research and Technology (R&T). Europe will have to relinquish its technological lead, piece by piece, because fewer and fewer new technologies are being developed for defence applications. R&T investments are, unlike the means for equipment or personnel, not tied into long-term future defence budgets. For this reason they might fall more easily victim to abruptly appearing compulsive savings measures.

### **The hour of the defence ministers**

The defence-economic imperative is forcing the states of Europe to radically re-evaluate the interrelationship between political sovereignty, military effectiveness and economic efficiency. Defence ministers should base decisions on such a systematic and joint review regarding pooling and sharing in the EU, and in NATO with an eye on the 2012 Chicago Summit and smart defence. If they do not manage to do this, in a few years time finance ministers will take over their armies – as bankruptcy assets.

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