

PESCO – NA POTI K EVROPSKI VARNOSTNI IN OBRAMBNI UNIJI ALI ŠE EN SPODLETEL POSKUS EVROPSKE SKUPNOSTI?

PESCO – ON THE WAY TO A EUROPEAN SECURITY AND DEFENCE UNION OR ANOTHER DEAD END?

Povzetek V članku sta predstavljena razmeroma celovit pregled dejavnikov, ki so pripeljali do Stalnega strukturnega sodelovanja, in dejanski politični postopek, vključno s pravnimi določili, ki so omogočili notifikacijo v EU in Sloveniji, ter s pogoji, ki bodo morali biti izpolnjeni, da bo PESCO uspešen. Vse od druge svetovne vojne si je Evropska skupnost prizadevala oblikovati tesnejše vezi na področju obrambe. Eden glavnih prebojev se je zgodil decembra 2017, ko so članice EU po več kot šestih desetletjih usklajevanja in dogovarjanja aktivirale nekatere manj vidne člene Lizbonske pogodbe ter tako vzpostavile stalno strukturno sodelovanje na obrambnem področju. Glavni namen Pesca sta nadaljnja integracija in poglobitev sodelovanja na varnostnem in obrambnem področju. S priključitvijo Pescu so države članice potrdile svojo pravno zavezujočo odločitev, da bodo izboljšale učinkovitost na področju koordinacije in sodelovanja, obrambnih investicij, postavitve zmogljivosti in operativne pripravljenosti. Najpomembnejši dejavniki, ki bodo prispevali k uspešnosti Pesca, so ohranjanje obrambnih in varnostnih vprašanj visoko na evropski politični agendi in izpolnjevanje prevzetih obveznosti.

Ključne besede *Stalno strukturno sodelovanje, Evropska unija, Slovenija, obrambna industrija, obrambni proračuni.*

Abstract This article aims at providing the reader with a fairly comprehensive overview of the conditions that have led to PESCO and the actual political process of, including the legal provisions for, getting PESCO notified in the EU and in the Republic of Slovenia. Also, the authors analyse the conditions that need to be met for PESCO to be successful. Ever since the Second World War, the European Community has been struggling to form closer ties in the area of defence. One of the major breakthroughs took place in December 2017, when member states activated some of the less publicised articles of the Lisbon Treaty and thus established a permanent structured cooperation in the area of defence. The main purpose of PESCO is to

further integrate and strengthen cooperation in the field of security and defence. By joining PESCO, member states have confirmed their legally binding commitment to improve efficiency with regard to coordination and cooperation, military investment, capability development and operational readiness. For PESCO to be successful, it is crucial that the EU keeps defence and security issues high on the European political agenda and that member states fulfil their commitments.

Key words *Permanent Structured Cooperation, European Union, Slovenia, defence industry, defence budget.*

Introduction The acronym PESCO has been a "buzz word" since its inception in December 2017. While most people understand that it stands for Permanent Structured Cooperation, many still have difficulties comprehending why PESCO is the most important development in the area of European defence since the failed European Defence Community Treaty. This article aims at providing the Slovenian and the broader audience with a fairly comprehensive overview of the conditions that lead to PESCO and the actual political process of, including legal provisions for, getting PESCO notified in the EU and in Slovenia, and conditions that need to be met for PESCO to be successful.

The article starts with a historical overview of the European defence integration. Throughout the six plus decades, the trend of improving cooperation among European countries in the field of defence has mostly been slow but positive. The pace changed with the emergence of new threats and recent developments in the global geopolitical environment. The crisis in the Middle East and North Africa (MENA) region following the Arab Spring, the re-emerging Russian threat, recent terrorist attacks in several European countries, the Brexit and some of the emerging American policies have provided a much-needed push and shifted momentum in favour of closer integration that led to PESCO.

The section of the article titled Shifting gears attempts to look beyond official EU definitions and various common interpretations to explain what PESCO is. That explanation is upgraded with the analysis of the decision-making process for notifying PESCO within the legal frameworks of the EU and Slovenia. It is important for strategic leaders to understand this process as they will be responsible for the implementation of PESCO.

Authors conclude with the potential risks and the conditions that need to be fulfilled in order for PESCO to be successful. These include internal factors (interconnection and timing of defence tools, such as CARD, EDF, CDP and project realisation) and external factors (complementarity with NATO and economic interests of member states).

1 THE ROCKY ROAD OF THE EUROPEAN DEFENCE INTEGRATION

Soon after the inception of the European Coal and Steel Community, its members began pursuing the idea of common European defence structures. The idea matured with the proposed "Treaty Establishing the European Defence Community", that among other provisions called for a European army with 40 divisions, a common budget, joint procurement and common institutions (EPSC Strategic Notes, 2015, p. 7). The treaty was never implemented because in 1954, the French Parliament failed to ratify it.

Since then, the effort to revive the idea of a common defence structure has been gaining and losing momentum. With the expansion of the European Community and the increased number of member states, the potential for further defence integration diminished. Furthermore, the establishment of NATO supplanted the need for a common European defence structure.

1.1 From Petersberg tasks to the Common Security and Defence Policy

It was only after the fall of the Iron Curtain and the beginning of the Balkan wars that members of the European Community, in this case the Western European Union (WEU), put defence back on the political agenda. With the Petersberg Declaration, signed in 1992, the WEU members agreed to engage in humanitarian and rescue tasks, as well as peacekeeping and crisis management. The Declaration established a framework for the EU civilian and military missions and operations (EU External Action, 2016).

The following 15 years showed very slow progress in the area of common defence. Perhaps the most important event was the Saint-Malo summit between Tony Blair (UK Prime Minister) and Jacques Chirac (French President) in December 1998. The meeting signalled a change in position by the UK, once a strong opponent to closer European defence integration. The Saint-Malo Joint Declaration on European Defence paved the way for the creation of the Common Security and Defence Policy (CSDP) at the European Council meeting in Cologne in June 1999.

1.2 Gaining momentum

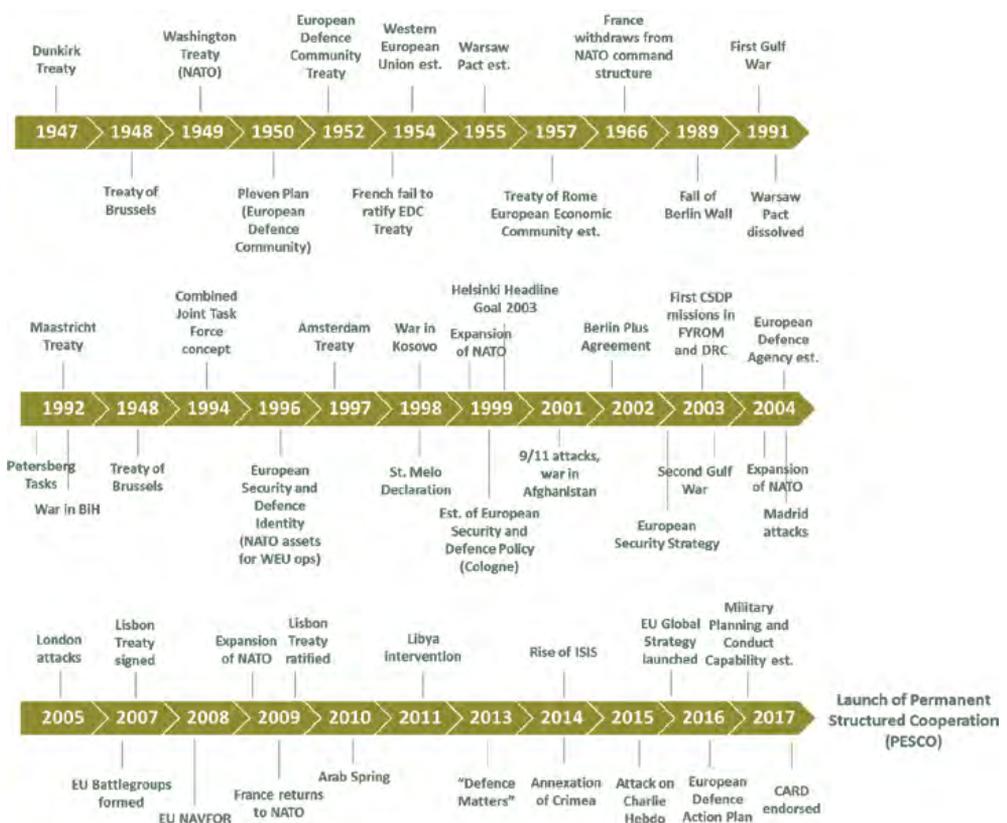
In the following years, the momentum was carried on via:

- the Helsinki Military Headline Goal for 2003 of setting up a corps level force of about 60,000 strong, deployable within 60 days and sustainable for a year (Helsinki European Council Conclusions adopted in 1999);
- Berlin Plus Agreement, which formalised the EU-NATO relationship (March 2003);
- the development of the European Security Strategy (published in December 2003);
- Treaty of Lisbon, which expanded the Petersberg tasks, created the European External Action Service and the position of the High Representative for Foreign

Affairs and Security Policy, as well as a framework for the Permanent Structured Cooperation (signed in October 2007, entered into force in December 2009).

However, it was the actual security threats that significantly shifted the pendulum towards stronger cooperation and consequently created conditions for the implementation of the structured cooperation. From the unrest in Egypt, Libya and Syria to terrorist attacks and the migrant crisis that shook the foundations of the EU and facilitated Brexit, member states finally realised that the area of defence had been neglected for far too long and that it was time to act. After more than 60 years, the efforts to establish a common European defence structure came to a full circle with the establishment of PESCO in December 2017.

Graphics 1:
European defence integration timeline (EPSC Strategic Notes, 2015, p. 7 with additional events added by the authors)



2 SHIFTING GEARS

While in the period before 2014, the EU progress in the area of defence had been slow, it has since gained significant momentum. The following factors have been regarded as the major reasons:

1. *Crisis in the MENA region following the Arab Spring in 2010.* The resulting conflicts, especially in Libya and Syria, have created conditions for millions of refugees and displaced persons to come to European countries, overwhelming the border security and demonstrating the inability of the EU members to protect the Schengen Area. Vague EU policies regarding the movement of migrants and refugees are still creating divisions among Europeans. In addition, operations in Libya have shown critical shortage of strategic enablers and poor readiness of fixed and rotary wing assets (EPSC Strategic Notes, 2015, p. 3).
2. *Re-emergence of the Russian threat following the Russian Federation's annexation of Crimea and subsequent actions in the Donetsk and Luhansk area.* Russian activities in Ukraine, which shares borders with four EU members, again brought conventional war to the doorstep of the EU. Close economic ties and dependence of certain EU members on Russian energy sources further complicate the situation. The prospect of a large-scale war on the EU's eastern flank contributed to the reversal of decreasing defence budgets in many EU member states and set the course for closer cooperation in the area of defence.
3. *Threat of terrorism in Europe.* Since 2015, there has been a sharp increase in both the number of attacks and deaths caused by terrorism in Europe (2015 Paris, Charlie Hebdo, 2016 Brussels, Nice, Berlin, 2017 Stockholm, Paris, Manchester, Barcelona and London). With the downfall of ISIS, the threat of terrorist attacks has not diminished. European extremists who fought in Syria and Iraq are returning to their home countries.
4. *The British decision to leave the European Union.* The British have long been considered a show-stopper for European cooperation in the area of defence. That changed to a degree with the failure of the EU to prevent the war in Kosovo and the Saint-Malo Declaration in 1998. However, it was the Brexit Referendum in June 2016 that eliminated one of the major obstacles, the traditional British opposition, for closer EU defence integration.
5. *Election of Donald J. Trump as the President of the United States of America.* One of the pillars of Trump's presidential campaign was the "America First" policy (Glasser, 2018). Since 2016, he has often publicly criticised NATO members of freeriding and bandwagoning, taking advantage of the USA military spending while shining away from own responsibilities and cutting down defence budgets. Trump's threats of the USA not honouring Article 5 of the North Atlantic Treaty have had a strong echo among EU leaders, especially those geographically close to the Russian Federation.
6. *Increased defence budgets of the Russian Federation, China, and Saudi Arabia.* These countries have significantly increased their defence budgets while European countries have been cutting defence costs. Furthermore, cyber-attacks are becoming a common occurrence, instability in the MENA region is becoming

a breeding ground for the ISIS type organisations, etc. It seems that the time of relative peace following the fall of the Iron Curtain is slowly coming to an end.

The above-mentioned reasons have tipped the scale in favour of what Jean-Claude Juncker has called "the Sleeping Beauty of the Lisbon Treaty" – the Permanent Structured Cooperation.

3 WHAT IS THE PERMANENT STRUCTURED COOPERATION (PESCO)?

To truly understand what PESCO aims for, one needs to know how the main actors in the EU reached the consensus to establish it. Once the UK, with its predominantly Euro-Atlantic focus, was out of the picture, it was mostly up to France and Germany to determine how the EU would progress in the area of defence (Working group no. 5 – Eurocorps, 2018, p. 6). After Brexit, both countries will claim about 50 percent of military and industrial capabilities within the EU (Major, 2018). The French, in favour of strong expeditionary forces, advocated for a smaller, exclusive cooperation focused on building operational capabilities. This is a more pragmatic approach that would circumvent EU's tedious bureaucratic processes. The Germans, on the other hand, preferred an inclusive approach and saw the advance of the European defence based on the development of a robust European defence industry.

Despite two opposite approaches and without a solid compromise, there was enough political will to establish PESCO. The official definition is that "Permanent Structured Cooperation is a treaty-based framework and process to deepen defence cooperation among participating member states to develop capabilities and increase their operational availability" (EU External Action, 2018). While this statement seems fairly straightforward, the interpretations of it vary: they extend from another half-hearted EU attempt to advance cooperation in the area of defence to an emergence of a European army.

The simple explanation is that PESCO is a structured (not an *ad hoc*) cooperation established by a treaty (and therefore, it is legally binding). It is the driving force behind the EU's long-term goal to establish a European Security and Defence Union. This goal will be achieved by advancing along the following parallel lines of effort via common projects:

- Transforming the EU's defence industry and procurement system, thus increasing the effectiveness of military spending;
- Significantly reducing the number of different weapons systems, vehicles and other military equipment, which will increase interoperability and substantially reduce costs;
- Significantly improving operational capabilities of member states to include the revival of the EU Battle Groups (EUBG) and actually deploying them to operations;

- Integrating PESCO, European Defence Fund (EDF) and Coordinated Annual Review on Defence (CARD) under the Common Defence and Security Policy (CSDP).

Even though interpretations of PESCO differ, there is a common theme throughout the studied literature, that is, the importance of increased investment in the area of defence. By joining PESCO, member states have willingly taken on an additional pressure to invest more and better in defence. What was supposed to be an "exclusive" group of the capable and willing now includes nearly all of the EU members. For a change, there is also a mechanism to sanction states.

In addition to very general goals that could enhance European defence capacity, there are specific commitments linked to PESCO. These are included in the binding Common Commitments and grouped according to a common theme (five areas set out by Article 2 of Protocol No. 10 and twenty common commitments stated in the Notification):

- *Funds*; members are to regularly increase defence budgets in real terms, raise investment expenditure to 20 percent, increase number of strategic projects and link them to EDF funding, increase research and development expenditure to 2 percent, and establish regular review of commitments.
- *Improve national defence apparatus*; implement and completely support the CARD, close identified capability gaps, increase involvement of EDF in multinational procurement, agree on requirements for all capabilities, jointly use existing capabilities, and increase efforts in the area on cyber defence.
- *Enhance availability, interoperability and flexibility of member states' forces*; make available strategically deployable formations in addition to EUBG, create a common database with records of available and rapidly deployable capabilities, review national decision-making processes and shorten them, fully support CSDP operations, substantially contribute to EUBG, simplify and standardise cross-border military movement, optimise the existing multinational structures (EUROCORPS, EUROMARFOR, etc.), and increase funding of CSDP operations and missions.
- *Work within NATO to overcome shortfalls perceived in the framework of the Capability Development Mechanism (CDM)*; close capability gaps identified in CDM and CARD to increase EU's strategic autonomy and strengthen the European Defence Technological and Industrial Base (EDTIB), use a collaborative approach to close national capability gaps, and take part in at least one strategically relevant PESCO project.
- *Develop joint or European equipment programmes in the framework of the EDA*; use EDA as the European forum for joint capability development, consider Organisation for Joint Armament Cooperation (OCCAR) to manage projects, avoid overlap and make European defence industry more competitive, and make sure acquisition strategies have a positive impact on the EDTIB.

In the long-term, PESCO is a part of the EU's goal to fundamentally transform member states' approach to defence integration. Starting point is implementation of common projects and integration of other EU defence tools (CAP, CARD, EDF, etc). Gradual progress will occur under a comprehensive CSDP and in a complementary manner with NATO. The end goal is a European Security and Defence Union.

4 THE EU'S LEGAL FRAMEWORK LEADING TO PESCO

PESCO roots back to the ideas of closer and enhanced cooperation in EU policy-making laid down in the 1992 Maastricht Treaty and the 2001 Nice Treaty. However, the Lisbon Treaty's key articles that enabled the establishment of PESCO in December 2017 were already included in the draft Constitutional Treaty in 2003 (Article I-41(6), Article III-312 and a dedicated protocol), which the French and the Dutch voters rejected in 2005. After the re-thinking period of two years, the Lisbon Treaty was signed in 2007 and successfully entered into force two years later. It incorporated largely unchanged provisions on PESCO from the Constitutional Treaty, now governed by Articles 42 (6),¹ 46² and Protocol No. 10 of the Treaty on the European Union (TEU).

¹ »Those Member States whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions shall establish permanent structured cooperation within the Union framework. Such cooperation shall be governed by Article 46. It shall not affect the provisions of Article 43«.

² 1. Those Member States which wish to participate in the permanent structured cooperation referred to in Article 42(6), which fulfil the criteria and have made the commitments on military capabilities set out in the Protocol on permanent structured cooperation, shall notify their intention to the Council and to the High Representative of the Union for Foreign Affairs and Security Policy.

2. Within three months following the notification referred to in paragraph 1 the Council shall adopt a decision establishing permanent structured cooperation and determining the list of participating Member States. The Council shall act by a qualified majority after consulting the High Representative.

3. Any Member State which, at a later stage, wishes to participate in the permanent structured cooperation shall notify its intention to the Council and to the High Representative. The Council shall adopt a decision confirming the participation of the Member State concerned which fulfils the criteria and makes the commitments referred to in Articles 1 and 2 of the Protocol on permanent structured cooperation. The Council shall act by a qualified majority after consulting the High Representative. Only members of the Council representing the participating Member States shall take part in the vote. A qualified majority shall be defined in accordance with Article 238(3)(a) of the Treaty on the Functioning of the European Union.

4. If a participating Member State no longer fulfils the criteria or is no longer able to meet the commitments referred to in Articles 1 and 2 of the Protocol on permanent structured cooperation, the Council may adopt a decision suspending the participation of the Member State concerned. The Council shall act by a qualified majority. Only members of the Council representing the participating Member States, with the exception of the Member State in question, shall take part in the vote. A qualified majority shall be defined in accordance with Article 238(3)(a) of the Treaty on the Functioning of the European Union.

5. Any participating Member State which wishes to withdraw from permanent structured cooperation shall notify its intention to the Council, which shall take note that the Member State in question has ceased to participate.

6. The decisions and recommendations of the Council within the framework of permanent structured cooperation, other than those provided for in paragraphs 2 to 5, shall be adopted by unanimity. For the purposes of this paragraph, unanimity shall be constituted by the votes of the representatives of the participating Member States only.«

For years, there have been requests for the EU member states to use the existing instruments, some of which, like PESCO, have remained unexploited until recently. The 2016 Global Strategy for the European Union's Foreign and Security Policy already urged for more cooperation between member states in security and defence, which "might lead to a more structured form of cooperation, making full use of the Lisbon Treaty's potential" (Global Strategy, p. 48). In October 2016, the EU foreign ministers decided on the most important strategic priorities for implementing the EU Global Strategy. Among them, security and defence are one of the priorities with the aim to strengthen the Common Foreign and Security Policy (CFSP) and CSDP. While NATO remains the primary framework, a more credible European defence is essential for EU's internal and external security. Therefore, "an appropriate level of ambition and strategic autonomy" is required for Europe's ability to promote peace and security within and outside its borders while translating objectives enshrined in the Treaties into action.

European Council Conclusions in June 2017 put PESCO at the forefront of strengthening EU security and defence as well as in the context of global geopolitical challenges (e.g. fighting terrorism, hybrid threats, economic volatility, climate change, and energy insecurity), with the aim to reach new levels of ambition defined in the EU Global Strategy. The heads of states and governments decided that within three months, member states would agree on a common list of criteria and commitments, together with concrete capability projects, in order to start this cooperation. In November 2017, 23 EU member states, with the exception of Denmark,³ Ireland, Malta,⁴ Portugal and the UK⁵, notified the High Representative Frederica Mogherini and the Council of their intention to join PESCO. The notification ceremony took place in Brussels on 13 November 2017 and was the first formal step to establish PESCO.

On 11 December, the Council adopted a decision establishing PESCO at the Foreign Affairs Council. After dealing with some domestic difficulties, Ireland and Portugal joined PESCO before it was formally established in December 2017, bringing the number up to 25. At the same time, member states participating in PESCO adopted a Declaration on PESCO Projects, which welcomed the political agreement identifying an initial list of seventeen projects to be undertaken under PESCO. The projects cover areas such as training, capability development and operational readiness in the field of defence. On 14 December 2017 the European Council welcomed on the highest political level in its Conclusions the establishment of ambitious and inclusive PESCO and stressed the importance of quickly implementing the first projects as well as called on the participating member states to deliver on their national implementation plans.

³ Denmark has remained out because it has had an opt-out from EU defence cooperation since 1992.

⁴ Malta is concerned that certain aspects of PESCO might be in breach of the neutrality clause of its Constitution. However, Malta has indicated that it might revise its position once it sees how PESCO is implemented in practice.

⁵ UK's decision is understandable since it is expected to leave the EU in 2019.

On 6 March 2018, the Council formally adopted the first set of projects and the project members for each of them⁶ as well as a Recommendation which set out a roadmap for the further implementation of PESCO. Each participating member state is required to annually communicate their National Implementation Plan (NIP), informing the other participating member states on how it is contributing to the fulfilment of the binding commitments it has undertaken. These NIPs form the basis of the assessment process, as described in the Council decision establishing PESCO. Each year, the High Representative will present a report on PESCO to the Council. On this basis, the Council will, also annually, review whether the participating member states continue to fulfil the more binding commitments listed in Section 3. In line with the Recommendation on the Roadmap, the participating member states will submit their NIPs every year in January. Based on the assessment done by the PESCO Secretariat, the High Representative will present the annual PESCO report to the Council in spring, in view of the Council's review of the fulfilment of the commitments by the individual participating member states.

On 25 June 2018, the Council adopted Conclusions which highlighted the significant progress in strengthening cooperation in the area of security and defence and a Decision establishing the common set of governance rules for the PESCO projects. The Decision includes an obligation to report on progress to the Council once a year, based on the roadmap with objectives and milestones agreed within each project. The European Council Conclusions from 28 June 2018 called for the fulfilment of the PESCO commitments and further development of the initial projects and the institutional framework, in a way that is fully consistent with CARD and the revised CDP adopted within the European Defence Agency (EDA). Each year, the process to generate new projects will be launched in view of updating the list of projects and their participants. An updated list of PESCO projects and their participants, including a second wave of projects,⁷ is expected by November 2018.

⁶ *The agreed-upon projects are:*

1. European Medical Command; 2. European Secure Software-Defined Radio (ESSOR); 3. Network of Logistic Hubs in Europe and Support to Operations; 4. Military Mobility; 5. European Union Training Mission Competence Centre (EU TMCC); 6. European Training Certification Centre for European Armies; 7. Energy Operational Function (EOF); 8. Deployable Military Disaster Relief Capability Package; 9. Maritime (semi-) Autonomous Systems for Mine Countermeasures (MAS MCM); 10. Harbour & Maritime Surveillance and Protection (HARMSPRO); 11. Upgrade of Maritime Surveillance; 12. Cyber Threats and Incident Response Information Sharing Platform; 13. Cyber Rapid Response Teams and Mutual Assistance in Cyber Security; 14. Strategic Command and Control (C2) System for CSDP Missions and Operations; 15. Armoured Infantry Fighting Vehicle / Amphibious Assault Vehicle / Light Armoured Vehicle; 16. Indirect Fire Support (EuroArtillery); 17. EUFOR Crisis Response Operation Core (EUFOR CROC).

Slovenia as a member participates in two projects (Military Mobility and Network of Logistic Hubs in Europe and Support to Operations) and as an observer in five projects (Cyber Rapid Response Teams and Mutual Assistance in Cyber Security; European Union Training Mission Competence Centre; Cyber Threats and Incident Response Information Sharing Platform; Indirect Fire Support and EUFOR Crisis Support Operation Core).

⁷ *For the new package of projects, Slovenia, together with Austria, Croatia, Czech Republic, Hungary and Slovakia, proposed a new project called CBRN Surveillance as a Service (CBRN SaaS) with the aim to develop capabilities to identify CBRN threats.*

5 SLOVENIA'S PATH IN JOINING PESCO

The decision-making process regarding EU affairs in Slovenia is regulated with the Cooperation between the National Assembly and the Government in EU Affairs Act and in subsection 2a (Procedure of dealing with EU affairs) of Chapter IV (Acts and procedures) of the Rules of Procedure of the National Assembly.

On 13 November 2017, during the Foreign Affairs Council in the configuration of foreign and defence ministers, Slovenia signed the Notification. Before the actual signing, on 9 November, that is, during 155th Governmental session, the Slovenian Government adopted the decision to join PESCO at the very beginning and to inform the National Assembly's Committee on Defence and the Committee on Foreign Policy about its decision. The next day, the decision was discussed at a closed common session of the Committee on EU Affairs (148th session) and the Committee on Foreign Policy (99th session) under the first item on the agenda – Meeting of the Foreign Affairs Council, Brussels, 13 November 2017. The record of the session was not made public; however, taking into account that three days later, the Minister of Foreign affairs signed the Notification, we can rightly assume that both parliamentary committees supported the Government's decision.

Furthermore, on 17 November 2017, during its 149th session, the Committee on EU Affairs discussed the Government's positions on the meeting of the General Affairs Council on 11 November 2017, which included a draft agenda of the meeting of the European Council in December. The draft agenda announced defence as one of the main topics. At the committee session, the representative of the Ministry of Foreign Affairs explained that the heads of states and governments were to get acquainted with the establishment of PESCO and that they would discuss the progress made regarding the EU-NATO cooperation. After a short discussion, the members of parliament adopted the proposed positions with unanimity.

Additionally, a common session of the Committee on EU Affairs (153rd session) and Committee on Foreign Policy (101st session) was held on 8 December 2017, where three points of the agenda were discussed (Meeting of the General Affairs Council, Brussels, 12 December 2017; Meeting of the European Council, Brussels, 14 and 15 December 2017; and the Meeting of the Foreign Affairs Council, Brussels, 12 December 2017). The documents included positions of the Foreign Minister and Prime Minister, adopted a day earlier at the 159th governmental session, to be presented at the meetings in Brussels. The public part of the session (only the first point) shows that all three points on the agenda included PESCO. Due to the public part of the session and the fact that the Prime Minister supported the establishment of PESCO at the December European Council, it is apparent that the committees took note of the Government's positions and supported them.

During its 60th urgent session on 29 January 2018, the Committee on Defence discussed the only item on the agenda – Explanation and Implementation Plan for

meeting the criteria and commitments of the Republic of Slovenia for inclusion in the Permanent Structured Cooperation in the field of security and defence of the European Union. The Government discussed and adopted the NIP during its 158th session on 30 November 2017. At the end of the committee's session, the members of parliament unanimously, with 10 votes for and none against, adopted two decisions (Sklepa 60. nujne seje Odbora za obrambo):

1. As it is apparent from the presentation itself at the Committee's meeting and in the documents, the aim of the cooperation is to strengthen security and defence in the territory of EU member states. Insofar as PESCO will be set up in such a way that the cooperation of the member states will bring added value to the integration and strengthening of security of the European Union, the Committee on Defence supports such cooperation.
1. Committee on Defence suggests to the Government to keep it fully and regularly informed on the progress of Slovenia's integration in PESCO.

6 WHAT NEEDS TO HAPPEN FOR PESCO TO WORK?

PESCO has great potential to change the way the EU member states organise their defence cooperation, in a structured way with a permanent, long-term perspective based on the accountability of the participating member states who have made more binding commitments to one another (PESCO Secretariat, 2018, p. 18). However, PESCO's ability to improve the participating member states' capabilities and enhance the deployability of their forces will depend on their ability to "keep the freshly awoken Sleeping Beauty from snoozing" (Nováky, 2018, p. 100). More specifically, a successful PESCO requires the implementation of specific internal and external factors. Firstly, regarding the internal factors, (1) the participating member states must do more than the minimum required to fulfil their binding commitments; (2) PESCO's implementation must be monitored rigorously at the national and EU levels and sanctions must be implemented when necessary; (3) PESCO needs to be synchronised with other relevant tools; (4) projects must produce results. Secondly, external factors which need to be taken into consideration are: (1) keeping complementarity with NATO in mind at all times; (2) coordination of national and economic interests; (3) fulfilling binding common commitments listed in Section 3.

6.1 Internal factors

i. Fulfilment of conditions, regular control and sanctions

It is paramount to preserve the core aspect that differentiates PESCO from previous defence cooperation initiatives, that is, the binding nature of the common commitments member states have signed up to. The way PESCO is implemented and monitored should unambiguously reflect this binding character. Hopefully, it will trigger a change of thinking of the EU decision-makers where the "European collaborative approach" should be considered "as a priority" (Commitment No. 16), with a view of ensuring more common planning, harmonised requirements, joint capability development and a common use of forces in the future (PESCO Secretariat, 2018, p. 18).

As Biscop (2018, p. 165) argues, developing a culture of compliance is crucial. For now, it seems that the mechanisms in place to ensure that member states will actually live up to their commitments are built on the NIPs. NIPs were presented at the PESCO launch and are foreseen to be updated on an annual basis. They outline how each of the member states intends to meet its overall commitments and the more specific objectives to be fulfilled at each phase. In order to also have a "stick" to sanction noncompliance, the Notification states that "as a last resort, the Council may suspend the participation of a member state who no longer fulfils the criteria, given beforehand a clearly defined timeframe for individual consultation and reaction measures, or is no longer able or willing to meet the PESCO commitments and obligations, in accordance with Article 46 (4) TEU". At the end of the day, the real question that arises is still whether the Council will be willing to suspend the participation of a member state that systematically fails to meet its commitments.

ii. **Interconnection and timing of tools (CARD, EDF, CDP)**

PESCO, as part of a comprehensive defence package, is closely connected to the CARD, EDF and CDP. According to official data (European Union External Action and PESCO Secretariat), these initiatives are planned to be complementary and mutually reinforcing tools supporting member states' efforts in enhancing defence capabilities. PESCO is embedded in and is a part of a logic sequence of efforts, starting with the definition of capability priorities and development of capability projects corresponding to the EU priorities identified by EU member states through CDP, also taking into account the results of the CARD. CARD, run by the EDA, through systematic monitoring of national defence spending plans, will help identify opportunities for new collaborative initiatives. The EDF, on the other hand, will provide financial incentives for member states to foster defence cooperation from research to the development phase of capabilities including prototypes through co-financing from the EU budget. The foreseen budget in the period 2021-2027 will be EUR 13 billion (EUR 4.1 billion for direct financing competitive and collaborative research projects and EUR 8.9 billion for common capability projects through co-financing prototype development).

Having in mind that PESCO is only one "tool of Europe's new defence toolbox and should be mutually reinforcing with CARD and EDF" (De France, 2017, p. 13), member states also need to focus on the coherent development and timing of PESCO, CDP, CARD and EDF. While each of these initiatives has its specific added value, they must all complement each other in a coordinated manner, leading to increased output of European defence, based on capability priorities agreed by the member states.

We can agree with several authors (De France, 2017; Lindstrom, 2018) who claim that the fulfilment of criteria by participating states should be assessed by an accountability mechanism. In this sense, the formation of CARD, although being conceived as a stand-alone initiative, could provide an adequate venue to report the fulfilment of the annual milestones and ensure effective coordination as well

as transparency. While recent official documents highlighted the voluntary nature of the review, this should not apply to PESCO participating states. In fact, CARD should rather represent an obligatory monitoring and assessment system in order to effectively support the achievement of the agreed list of common goals and binding commitments. In the end, the power and potential of these instruments lie in their complementarity and enforceability.

In conclusion, the challenge we observe is that the above-described tools and instruments are maturing at different rates. The CARD process will not be fully implemented until 2019. The EDF will not reach full funding levels until after 2020. As a result, the full extent of these benefits will not be visible till after 2020. Other developments in 2019, such as the ongoing Brexit process, European Parliamentary elections, and the end of the current European Commission's mandate, are likely to impact the progress (Lindstrom, 2018, p. 6).

iii. Project realisation

In order for the PESCO puzzle to be successfully completed, it is essential for member states to agree on strategically relevant projects. These projects must address common capability shortfalls. However, it currently seems that the division between strategically relevant and less relevant projects is not clear. In our opinion, this needs to be taken into consideration when planning and adopting the next package of projects. The multinational character of projects should nevertheless encourage member states to do their share of the project and assist with timely realisation. Additionally, some projects, even if they do not necessarily address capability shortfalls, will surely have positive results in the short-term and "will serve to demonstrate the value of PESCO to political leaders and publics alike, and help to keep the momentum going" (Biscop, 2018 p. 165). Another incentive to actually complete the projects, for the first time in the history of collective EU defence initiatives, is the EDF or, as Biscop (2018, p.163) puts it, "a new pot of common funding", which represents the "carrot" of PESCO.

6.2 External factors

6.2.1 Complementarity with NATO

Many past attempts for more Europe in the defence field have been faced with the NATO-first reflex mixed with the lack of political will. However, times seem to have changed and with greater transparency based on the Joint Declaration on EU-NATO Cooperation, this logic is no longer as relevant. "Washington, strategically pivoting to Asia, is now pushing for defence integration in Europe, seeing it as part of a stronger and more mature transatlantic alliance. The United States expect fair burden-sharing and more responsibility for Europe's security from European partners, because a stronger European defence will contribute to a stronger NATO" (EPSC Strategic Notes, 2015, p. 5).

In order to avoid unnecessary and expensive duplication of efforts as well as to achieve a more effective defence spending, close coordination and cooperation between PESCO and NATO should be developed. According to the Notification "a long-term vision of PESCO could be to arrive at a coherent full-spectrum force package – in complementarity with NATO, which will continue to be the cornerstone of collective defence for its members". As European governments assure, the establishment of PESCO is about reciprocity in dealing with common challenges. The Notification also emphasises that "enhanced defence capabilities of EU member states will also benefit NATO /.../ and respond to repeated demands for stronger transatlantic burden-sharing".

Last but not least, although taken forward in the EU framework, PESCO is developing capabilities which remain owned and operated by member states, who can choose to make them also available to NATO operations. Then, PESCO will deliver more usable, deployable, interoperable and sustainable set of capabilities and forces of the member states and will therefore also contribute to reinforcing the European contribution to NATO (PESCO Secretariat, 2018, p. 20). While for the above-mentioned reasons, some deconfliction may be necessary, PESCO will never fully replace NATO as a collective defence force. As Togawa Mercer boldly states, "at least as it stands now, PESCO is far from a NATO-slayer. There is a good chance that, /.../ it has a modest role to play. And the reason for its modesty is simple. There is one thing that PESCO and the EU lack that is central to NATO's success: the United States".

6.2.2 Economic interests

One of the reasons why the European defence sector has stayed fragmented until recently is in the fragmentation of military cooperation and conservative defence industry policies. On the one hand, Europe is the second largest military spender, but on the other hand, it is far from being the second largest military power. For decades, the EU has been unable to agree on more intense integration in the area of defence on the political level, let alone to motivate the industries to cooperate. This political fatigue combined with defence budget cuts have led to the point of aging technologies, a patchwork of bilateral and multilateral cooperation, growing shortfalls in capabilities at one place and duplication of capabilities at another, absence of new significant armaments programs, and lack of interoperability. In 2013, 84 % of all equipment procurement took place at national level, thereby depriving countries of the cost savings that come with economies of scale. It is estimated that the lack of coordinated spending "at the cost of more than the half of that of the US, Europeans obtain only a tenth of the capacity" (EPSC Strategic Notes, 2015, p. 3).

Europe's defence industrial landscape is characterised by a mix of large transnational firms and nationally-based companies. This will not change in the near future. But how can one engage small and medium-sized enterprises, in particular those located in smaller countries and experiencing great difficulties in becoming suppliers to

prime defence companies located in larger member states?⁸ In this regard, PESCO will need to enhance competitiveness and innovation in the defence industry. In particular, CDF will need to aim at stimulating European collaborative research and development projects, while at the same time strengthen the EDTIB. Finally, for the EU to significantly improve its capabilities and address current shortfalls, member states will still need to spend more on defence and come to an agreement as to where to invest in order for the stakeholders within the defence industry to gain trust and start cooperating.

Conclusion The European Union's defence matters have gone through a long process of numerous attempts to develop and intensify cooperation among member states in the area of security and defence. The momentum has gained significant strength, in general through the establishment of the PESCO, and specifically through the approval of the list of first seventeen common projects. In the long-term, PESCO, integrated with CDP, CARD and EDF, aims to achieve the EU's ambitious goal of establishing a European Security and Defence Union. Nevertheless, it will take political will to keep defence matters at the top of the EU agenda, increase defence investments, enforce mechanisms to sanction noncompliance, achieve complementarity with NATO, and change conservative defence industry policies.

As for Slovenia, the Government needs to stay committed to the decision and the realisation of the projects which, if rightly promoted, could benefit the Slovenian economy. The fact that joining PESCO was a national decision and not a project of one or two ministries needs to find an echo with the current and future governments. It is important to keep in mind that when it comes to security and defence matters, the Slovenian public is more inclined to support activities within the EU framework rather than NATO. Taking that into account, the Slovenian Presidency of the EU in the second half of 2021 will be a great opportunity to advance PESCO.

Nevertheless, at this stage, PESCO needs to remain within an intergovernmental framework. Not only is participation in PESCO voluntary, but decisions are taken by unanimity, which leaves the member states' sovereignty untouched. To the European defence, PESCO is what the Maastricht criteria are to the euro: a *sui generis* institution of European law because, as the name suggests, it is intended to organise (structure) something that already exists (cooperation) on the basis of enduring principles (permanently). The purpose of the process is to go beyond mere "cooperation" and achieve "integration" (European Parliament, 2017, p. 9). Thus, only time will tell whether with PESCO, the EU has put defence cooperation and integration on a fast track or that it again chose the slow, rocky road.

⁸ Keeping in mind the goal of any member state to get as much of its national industry involved the newly proposed CBRN SaaS project envisages possibilities for the participation of Slovenian enterprises. Five companies have shown interest: Institute IOS (having developed a very light sensor for organophosphates), Arctur d.o.o. (with its Gamma4 sensor), C-Astral d.o.o (with the possibility to ensure different air platforms), Em-tronic d.o.o (with different decontamination solutions) and Guardiariis d.o.o (with simulation solutions for training). The foreseen budget for 2019 and 2020 is EUR 5-6 million, with the expectation for EDF to finance 55%, and the rest is to be divided among participating states.

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