

#34

PeSCo

THE GREEK PERSPECTIVE

By

Yvonne-Stefania EFSTATHIOU

Research Analyst, International Institute for Strategic Studies (IISS)

November 2018

*The views expressed here are solely those of the authors.
They do not reflect the views of any organization.*

Policy Paper

ABSTRACT

This paper will examine Greece's national perspective with regards to the Permanent Structured Cooperation on defence and security (PeSCo). Government ministries and the domestic defence industry have been eager to contribute and participate in the development of the new European defence initiative and lead capability development projects. The government's objectives and expectations are three-fold; the development of a common European defence, as envisioned in article 42(2) of the Lisbon Treaty, the fulfilment of the EU's level of Ambition to act autonomously when necessary, as well as the enhancement of its national defence industrial base. Greece and its domestic defence industry are keen on linking the initiative with the European Defence Fund (EDF), as European funding would benefit project development. According to the Greek perspective, the Coordinated Annual Review of Defence (CARD) should also be connected with PeSCo, in an attempt to take advantage of synergies and ensure a level of transparency. The country is willing to include third parties in the process on a case-by-case basis, in line with emerging EU rules and procedures¹.

Keywords: PESCO, Common Security and Defence Policy, European Defence and Industrial Base, CARD, EDF, third-party participation, Greece.

NATIONAL PERSPECTIVE ON PESCO: WHAT EXPECTATIONS?

The national approach on PeSCo is widely shared across the Ministry of Defence (MoD), the Ministry of Foreign Affairs (MFA), and the national defence industrial base. According to Greece's perspective, PeSCo is expected to contribute to the EU's defence and security through the gradual development of a common European defence, as stipulated in Article 42 (2)¹ of the Lisbon Treaty. Greece envisions that a strong common European defence would in turn be beneficial to the state's national defence and security. At the same time, Athens expects that PeSCo will contribute to the development of new national means and capabilities to the benefit of NATO, based on the "single set of forces" principle.

PeSCo is, indeed, perceived as a step towards a common defence union on the way to meaningful European defence integration. In the short term, however, Athens does not anticipate PeSCo to lead to a breakthrough in relation to that vision. Instead it expects it to provide a comprehensive and inclusive framework, promoting European defence integration and contributing to the collective effort to enhance the EU's global role. Greece

¹ [Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community \[2007\] OJ C306/01](#)

argues that for PeSCo to have an impact, member-states should focus on the fulfilment of the EU's Level of Ambition and especially on the protection of the EU's territory and its citizens. For the near future, it is important to nurture a culture of shared purpose, trust and common objective among PeSCo participants. Greece expects PeSCo projects in the short term to concentrate on crisis management beyond the EU's borders in line with the objectives of CFSP².

PeSCo is also perceived as a means to help achieve strategic autonomy, in other words the fulfilment of the Union's level of Ambition as defined in the EU Global Strategy, by providing a structured framework along with previous EU defence initiatives. Although government officials acknowledge that it will take a long time for PeSCo to have a meaningful impact on Europe's strategic autonomy, Greece has been keen to participate and lead capability development projects. In fact, Greece leads two projects from the first round adopted in March 2018 and in additional three from the second batch adopted in November 2018. Athens also participates in another nine projects in total. Measured in terms of project activity, Athens is among the top five most active member states and in the top three PeSCo member states leading projects, following France and Italy which lead seven projects in total and Germany which leads six³.

Finally, Greece, and in particular the MoD, underline how the initiative would offer opportunities to develop the domestic defence industry and exploit the economies of scale that large productions yield when procuring military equipment. Given that the participation of SMEs in the process is encouraged and incentivised, the government aims to create opportunities for them so they can benefit from any funding available through the European Defence Fund (EDF) or the European Defence Industrial Development Programme (EDIDP). The connection between the EDF, EDIDP and PeSCo is professed as a positive and integral part of the capability development projects. Yet for Greece, PESCO is not only a mechanism to jointly develop capability projects but also technology, interoperability and operational capabilities.

Although the defence industry supports PeSCo and is welcoming opportunities to get involved in collaborative projects, it remains sceptical regarding the extent to which the domestic defence companies would ultimately be included. Industry representatives argue that most of the large defence firms are unfortunately on the verge of collapse. The major defence companies, like the Hellenic Vehicle Industry (ELVO) and the Hellenic Defence Systems, are close to going bankrupt, risk liquidation or being sold because they are not financially viable. The national defence industry primarily focuses on the domestic market and aims to develop and maintain a defence technological and industrial base, capable of supporting the requirements and readiness of the Hellenic armed forces. Given the absence of credible large national companies to lead on capability projects, the

² General Directorate of National Defence Policy and International Relations (GDNDPIR), 2017. Η Ελλάδα και η Διαρθρωμένη Συνεργασία ΕΕ στον τομέα της ασφάλειας και άμυνας

³ [Permanent Structured Cooperation \(PESCO\) updated list of PESCO projects - Overview - 19 November 2018](#)

industry expects it to be harder for the national SMEs to get involved, even though the EDF encourages their participation through additional funding (10%).

ASSESSMENT OF THE DIFFERENCES BETWEEN PESCO IN THE LISBON TREATY AND THE DECEMBER AGREEMENT ON PESCO

Greece was satisfied with the manner in which permanent structured cooperation, as outlined in Article 42 (6) of the Lisbon Treaty,⁴ was interpreted by the Joint notification to the Council and the High Representative of the Union for Foreign Affairs and Security Policy⁵. Article 42 (6) calls “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 [to] establish permanent structured cooperation within the Union framework”. From a national perspective, this inclusive approach was thankfully integrated in the Joint notification. According to Greece, member states which are willing and able to contribute should be included, and PeSCo should not be a privileged states’ club. At the time of writing, with the exception of Denmark and Malta, and excluding the UK in light of Brexit, PeSCo would involve all European Union member-states. Greek officials believe that the inclusive approach would result in benefits, such as a division of labour among participants, but are also conscious that a large number of participating states may slow down the projects’ progress.

The structure and the binding commitments provided by the PeSCo framework are positively regarded as features setting PeSCo apart from previous attempts in the field of European security and defence and are expected to contribute to its eventual success. Therefore, the institutionalisation of PeSCo within the Union framework through the involvement of the High Representative and the European Defence Agency, as stipulated in Protocol 10, is a desirable development. While Greece is keen on national governments maintaining control of the projects, since it regards this as a condition for success, Athens does view a degree of institutionalisation as being useful because of the higher degree of transparency and project evaluation this might bring about.

With regards to third party participation, Athens acknowledges that the incorporation of third-party states would increase the pool of participating states investing in cooperative projects and would bring additional expertise that member states otherwise may lack. Greece is still in the process of evaluating the conditions for participation, arguing that third country involvement should be examined on a case-by-case basis and on its own merits according to EU rules and procedures.

Although the know-how that third countries may bring should not be overlooked, the criteria to involve third parties should be primarily political and decided upon with

⁴ [Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community \[2007\] OJ C306/01](#)

⁵ [Notification on Permanent Structured Cooperation \(PESCO\) to the Council and to the High Representative of the Union for Foreign Affairs and Security Policy](#)

reference to European security interests, according to Greek officials. During interviews with Greek government officials, they raised a number of questions for consideration. These questions revolved around the participation of non-European states, focusing on the identity of those cooperative projects and whether they would truly be the product of European efforts, as well as on strategic autonomy and the extent to which it could be attained if gaps in know-how are not addressed through technological development but instead through external injections. Overall, Greece is in favour of a case-by-case approach, where third-party participation may be restricted due to security concerns and do not have decision-making powers. Participation may extend beyond the geographical borders of Europe to incorporate allies and states with which Athens has enhanced military ties, like for example the US.

WHAT TYPE OF PROJECTS FOR PESCO?

According to Greece, PeSCo projects should focus on addressing capability shortfalls on the European and national levels. Projects should draw upon the Capability Development Plan (CDP) and national priorities, which provide a full capability picture that would support decision-making processes and contribute to increased coherence between member states' defence planning. The Coordinated Annual Review on Defence (CARD), if treated with the necessary attention and honesty by all member states, has the potential to highlight areas of synergies and therefore smart spending to advance the continent's defence. From a Greek perspective, for PeSCo to succeed it is important for it to be based on commitment and transparency about national defence priorities and progress in meeting them.

The Hellenic defence industry supports the restricted industry-driven approach that involves national ownership of the projects and highlights that participation in PeSCo projects is their main priority and concern. Indeed, the defence industry's dominant interest is to participate in industrial development and procurement projects at a cross-border level, responding to the needs dictated by the member states. Despite the institutionalisation of PeSCo and the bureaucracy that might slow processes down, Greece is supporting a structured approach that involves binding commitments for participating states. Athens appears to be optimistic with regards to the ability of the PeSCo framework as currently designed to deliver against its national ambitions.

In the first round of projects, Greece was one of the leading countries in terms of participation. More specifically, Greece is leading on two projects entitled *Upgrade of Maritime Surveillance* and *Cyber Threats and Incident Response Information Sharing Platform*. It also participates in seven more projects that mainly focus on maritime security (*Maritime (semi-)autonomous systems for mine countermeasures, Harbour and Maritime Surveillance and Protection, Amphibious Assault Vehicle* and *Light Infantry Vehicle*) as well as on operational capabilities (*Network of logistic Hubs in Europe and support to operations, Military Mobility, European Training Certification Centre for*

European Armies and Deployable Military Disaster Capacity Package). In November 2018, Greece took the lead on three additional projects (*Helicopter Hot and High Training (H3 Training)*), *Joint EU Intelligence School and One Deployable Special Operations Forces (SOF) Tactical Command and Control (C2) Command Post (CP) for Small Joint Operations (SJO) – (SOCC) for SJO*) and signed up to participate in two more. Given the long time required to develop capabilities, Athens argues that it is too early to evaluate the impact and output of the first round of projects. For the present, PESCO and its projects are nurturing a culture of collaboration and cooperation as well as working on the mechanisms to deliver the agreed projects.

Despite the fiscal challenges that the country has been facing, Greece remains one of the five countries within NATO and the EU that spend 2% or more of their GDP on defence, second only to the US on this measure⁶. Greek real term spending on defence, however, has been declining and most of its budget is devoted to pensions and personnel expenses (78%)⁷, rather than defence investment in research and development (R&D) or procurement.

Although the political will is in place, Athens is in a challenging situation. The country is in the process of modernizing its stored P-3B Orion aircraft to strengthen its maritime-patrol and anti-submarine-warfare capability and enhance its surveillance capability in eastern Mediterranean Sea. Athens is also bolstering its rotary-wing transport capability and is upgrading most of its F-16 Block 52 fleet to Viper configuration. Among its priorities remain the procurement of multipurpose frigates and a new fighter aircraft. Nevertheless, officials suggest that when considering its participation in PeSCo projects, national defence planners have taken into account the current budgetary constraints. In fact, the country argues that is in a position to meet its commitments to its national armed forces, NATO as well as the EU.

Greece was one of the main proponents of the Common Notification, calling for the gradual implementation of PeSCo's criteria and commitments. For Athens the division into phases (2018-2020 and 2021-2025) was necessary in order to achieve concrete and measurable goals. Moreover, it suggests that contributions of each member state should be proportionate to their means and abilities.⁸

Industry representatives argue that their participation in the cooperative projects would be difficult, as Greece lacks large defence companies to drag national SMEs into the process. In their opinion, their involvement depends on Greece being at the forefront of the projects' development. Alternatively, industry representatives suggest a carrot and stick approach, where the EDF rewards projects that draw upon several state's SMEs capabilities, rather than those which predominately belong to the leading state. For the

⁶ The Military Balance Plus, International Institute for Strategic Studies

⁷ The Military Balance Plus, International Institute for Strategic Studies

⁸ Hellenic Republic Ministry of Foreign Affairs. 2017, Common Security and Defence Policy (CSDP)

initiative to work, there should be dedicated national funding and the political will to support it, otherwise they expect results to be very limited.

LINKS BETWEEN PESCO, THE EDF, CARD, AND FNC

Participation in PeSCo projects is seen as an investment in Greece's defence, since collaborative projects could attract European funding through the EDF and EDIDP while also reducing costs due to economies of scale. According to Greece, capability development quite naturally leads to connecting PeSCo with the EDF. Although the two are acknowledged to be distinct and separate there is a clear connection between them. For Athens, PeSCo is viewed as the vehicle to promote European defence and develop the continent's defence industrial base, while the EDF is perceived to be the financial fuel that would drive it.

The expectations generated by the EDF have been, indeed, significant for PeSCo. After the interim common funding for preparatory action on defence research and technology (€90 million) and development of military equipment (€500 million) until 2020, the Commission's proposal for the next Multiannual Financial Framework for the 2021-27 period channels around €13 billion in total to the EDF.⁹ Although common funding will neither benefit all projects under the PeSCo umbrella nor cover all their associated costs, Athens expects some returns for its domestic industry. Despite the industrial-economical dimension of the EDF, Athens argues it should also serve the national capability and operational needs of the member states.

With the European Commission committing funds for defence purposes for the first time, Europe seems to be making progress on its goal to reach 'strategic autonomy', at least up to a point. The EU may have such autonomy in terms of political decision-making, but making further strides on the operational and industrial-base fronts will not only require additional funding but also agreed strategic priorities¹⁰. Greece suggests that the EDF develops concrete and coherent project eligibility criteria, taking into consideration the capability priorities as defined at the Capability Development Plan (CDP). Consequently, the Annual Coordinated Review on Defence (CARD) should also be connected with PeSCo. CARD, if treated with the necessary attention and transparency by all member states, has the potential to highlight areas of synergies and therefore result in smarter defence spending by participating member states.

Finally, Greece is in favour of a closer EU-NATO cooperation in order to avoid unnecessary duplication and advance the continent's security. Nevertheless, the country believes it is important to focus on the Joint Declaration and the respective common set of proposals. For Athens, PeSCo and all other EU initiatives aiming to strengthen European security and

⁹ [European Commission, COM/2018/321 on A Modern Budget for a Union that Protects, Empowers and Defends the Multiannual Financial Framework for 2021-2027](#)

¹⁰ [Efstathiou, Y., 2018 European defence spending gets a boost from the EU](#)

defence should contribute to the development of new national means and capabilities that will also benefit NATO.

CONSEQUENCES OF PESCO AND OTHER EFFORTS REGARDING THE CSDP ON THE GOVERNANCE OF THE CSDP

During the Hellenic Presidency of the Council of the EU (1st semester of 2014), the country organised several activities in the field of the CSDP, such as informal meetings, seminars and workshops with an emphasis on issues in maritime security and surveillance, enhancement of military capabilities, cyber-security and sustainability of the defence sector¹¹. Greece remains actively focused on the task of further enhancing the CSDP, aiming to ensure the Union's strategic autonomy, enhance the latter's role as a credible international security and stability provider, as well as in effectively preventing and addressing crises.

Greece is a main supporter of the CSDP, contributing to the development of European military and civilian capabilities for crisis management. It leads, as a Framework Nation, an EU Battlegroup; HELBROC, with the participation of Cyprus, Bulgaria, Romania, Ukraine and Serbia¹². Concerning the enhancement of the Union's military capabilities, Greece has made available its Headquarters in Larissa for the conduct of autonomous EU military operations. The Larissa HQ is one out of five candidate European Operational Headquarters¹³, which could be activated in support of CSDP Operations/Missions, whenever they may be needed.

With regards to the capability development and operational dimension of PeSCo and its impact on CSDP governance, Greece argues that it is too early to draw conclusions. In general, from a Greek point of view, PeSCo governance is dependent on the member states' political will to meet their commitments as well as on their attitudes towards the CSDP.

IMPACT AND COHERENCE OF PESCO ON SUBREGIONAL INITIATIVES

Due to its geostrategic position, being the eastern border of the European Union and at the south bordering the Mediterranean, North Africa and the Sahel, Greece participates in a number of initiatives like the *Mediterranean Dialogue* and the *Union for the Mediterranean* and holds the chairmanship of the *South-East Europe Defence Ministerial*

¹¹ [Hellenic Republic Ministry of Foreign Affairs, 2017, Common Security and Defence Policy \(CSDP\)](#)

¹² [Hellenic National Defence General Staff, 2014, Ceremony Celebrating the Readiness Status of the EU Battle Group HELBROC](#)

¹³ [European External Action Service, 2015, Common Security and Defence Policy, EU OPERATIONAL CENTRE Horn of Africa & Sahel \(EU OPCEN\)](#)

Coordination Committee until 2019, which do not though envision capability development or operational capabilities¹⁴.

Greece welcomes bilateral initiatives that promote European defence and security, such as the European Intervention Initiative (EII) launched by France, but it argues for giving PeSCo a chance before diverting attention. Efforts to address security and defence concerns should be dealt through existing European institutions and initiatives avoiding duplication and encouraging cooperation at a regional and institutional level. Yet complementary initiatives, such as the EII, that enhance and complement existing mechanisms, rather than distracting from them, are welcome.

CONCLUSION

Greece is keen on being part of the inner circle of PeSCo driven by the conviction that the framework would have a positive impact on the continent's defence and security, its pursuit for strategic autonomy and its national defence industry. Athens is actively participating in PeSCo projects, leading two projects from the first round and additional three from the second. One should expect Greece to remain heavily involved in PeSCo, pursuing ambitious projects that aim to further European defence.

The country is in favour of the inclusive approach of the Joint Notification on PeSCo and recognises the merit of third state participation in principle. Nevertheless, it wants to see it being implemented within an EU governance framework and tied to meeting European security interests. PeSCo should be linked with CARD and EDF, as the initiative would benefit from synergies arising from better harmonisation and alignment of national defence priorities. EU-level funding is judged to have the potential to assist in the development of capabilities and the national defence industry. ■

¹⁴General Directorate of National Defence Policy and International Relations (GDNDPIR), 2017. Ανάλυση Προεδρίας/Γραμματείας Επιτροπών Πρωτοβουλίας Χωρών ΝΑ Ευρώπης "Southeastern Europe Defence Ministerial(SEDM)" από την Ελλάδα

#34

Policy Paper

PeSCo: THE GREEK PERSPECTIVE

BY

Yvonne-Stefania EFSTATHIOU / Research Analyst, International Institute for Strategic Studies (IISS)

November 2018

The views expressed here are solely those of the authors. They do not reflect the views of any organisation.

ARES GROUP

The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

CONTACT [Pilots]:

Jean-Pierre Maulny, Fabien Carlet, Pierre Colomina, Olivier de France, Sylvie Matelly

ares@iris-france.org

+33 (0)1 53 27 60 60

www.iris-france.org/ares

#AresGroup