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ARMAMENT AND TRANSATLANTIC RELATIONSHIPS

The Baltic States Perspective

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They do not reflect the views of any organisation.*

Comment

ABSTRACT

This paper analyses the position of Baltic states on new European defence initiatives such as the EDF or PeSCo through the prism of their defence relations with the US. It argues that due to the unstable security environment and still prevailing military imbalance in the region which favours Russia over NATO, the transatlantic link is paramount for security in the Baltics. The growing disagreements between the partners on both sides of the Atlantic might place the Baltic states between a rock and a hard place, dissuading them from engaging further in European defence.

Keywords: *Baltic states, transatlantic link, European defence.*

INTRODUCTION

The Baltic states' position on new initiatives within the European defence such as the European Defence Fund (EDF) and the Permanent Structured Cooperation (PeSCo) are mostly driven by two lines of argumentation. The first one derives from a strong pro-Atlantist position stemming from the need to keep the US committed in security in the region. The security environment in the region is very much affected by Russia's aggressive behaviour and the immense military imbalance favouring Russia over NATO despite NATO's reinforcements after the occupation of Crimea. The high concentration of military capabilities in the region, the political will to use them, and the decision-making and reaction speed of the Russian armed forces make the US military power the only instrument able to ensure credible deterrence in the region either through NATO or on a bilateral basis. Former Lithuanian President Dalia Grybauskaitė stressed on several occasions that the continuous presence and military equipment of the US troops is the strongest deterrence measure.¹ Therefore, the US military presence in the region becomes paramount for the security of the Baltics. Kairi Talves, Chief Scientific Officer at the Estonian Ministry of Defence, observes that "European security is built on the transatlantic alliance and strong transatlantic link is the highest national security priority for Estonia".² The same prioritisation exists in Latvia and Lithuania. The European Union (EU) is only granted a secondary role in their defence strategies. The second line of argumentation is related to the Baltic defence industry being small in size, young, niche-oriented, focused mostly on dual-use products, and essentially private.

Over the past several years, the usual scepticism of the Baltic states towards the EU Common Security and Defence Policy (CSDP) has however been replaced by pragmatism, with a certain degree of willingness to give it a chance. Yet, disagreements between the US and European allies over a number of issues including trade and international policies, and more specifically regarding the participation of third parties in PeSCo and in the EDF, are putting Baltic states between a rock and a hard place. This might bring scepticism back

¹ The Focus of the US Is on Security of the Baltic States, President of the Republic of Lithuania, 1 September 2017, <https://www.lrp.lt/en/press-centre/press-releases/the-focus-of-the-u.s.-is-on-security-of-the-baltic-states/28352>

² Interview with Kairi Talves, Chief Scientific Officer, Defence Investment Department, Ministry of Defence of Estonia, 30 September 2019.

to the Baltics regarding European defence which was fading over the last years and limit their participation in these initiatives.

IS THERE A PLACE FOR THE US IN PESCO AND IN THE EDF?

It might be argued that due to the changes in the international strategic environment and also to innovations within the European defence, the Baltic states saw new value added in PeSCo, in particular as a framework to develop new capabilities needed to address hybrid threats. Lithuanian Defence Minister Raimondas Karoblis has noted that “purposeful enhancement of the EU capabilities for countering cyber threats has to become the EU defence policy priority.”³ Therefore Lithuania eagerly jumped into the first round of PeSCo projects proposing to the Council a project on Cyber Rapid Response Teams and Mutual Assistance, which is considered an important platform to strengthen cyber capabilities both on the national and European levels. Until the disagreements between the EU and US, the EDF was seen as a positive innovation, as the opportunities to benefit from the European Commission funds in the area of defence are particularly relevant to small states with limited defence budgets. One of the Baltic states’ requirements regarding the regulation of the EDF was to ensure competitive, innovative, non-discriminatory and fair distribution of money (e.g. fair competition vs. direct awards). As defence industry companies in the Baltics are mostly SMEs, they stress the need to create a favourable environment for them to benefit from EDF. Formerly, the main obstacles preventing these companies from participating in European defence projects were the lack of knowledge and experience, high administrative costs, relatively small overall profits (due to their small size), and the protectionism of big states defence industries. Another important aspiration of the Baltic states is to create opportunities to take part in PeSCo projects for non-EU members (the US, Eastern Partnership countries etc.). Since the US defence industry is not so much intertwined with the defence industries of the Baltic states, and small niche-oriented Baltic companies operating in the field of defence can flexibly “plug in” as well into many European companies, this requirement is

³ Defence Minister Urges EU to Step Up Capacities Against Hybrid Threats, Lithuanian Tribune, 19 May 2017, https://lithuaniantribune.com/defense-minister-urges-eu-to-step-up-capacities-against-hybrid-threats/?utm_source=rss&utm_medium=rss&utm_campaign=defense-minister-urges-eu-to-step-up-capacities-against-hybrid-threats

driven more by political calculations.

The unstable security environment and their small size force Baltic states to judge all components of their security pillars (NATO, the US and the EU) in a complex way. The Netherlands led a military mobility project which creates a framework for the approximation of necessary legal procedures and infrastructural adjustments around Europe in order to ensure smooth and rapid movement of military reinforcements. This was considered a priority project for the Baltics, as their security depends on the rapid and smooth military reinforcements from their allies. It should be noted that military mobility is primarily perceived as a support to NATO and a framework for the US reinforcements. However, for the time being military mobility aims are scattered among a number of various formats and institutions (PeSCo, the European Defence Agency, Connecting Europe Facility member states), whereas PeSCo due to varying threat assessments in Europe and a different degree of interest in this project, has recently become rather a political forum for discussions. It might be argued that the success of this project might become a litmus test for PeSCo in general in the Baltics if it does not create added value for their security and bring back the previous scepticism towards European defence. Due to the high dependency on the US military presence in the region, Baltic states might be less willing to get involved in European defence if the disagreements between the US and Europe deepen.

DEFENCE PROCUREMENT: WHICH ROAD TO CHOOSE?

Due to limited resources, Baltic states have to rely on the “opportunity based” method guiding their defence procurements, which is driven by their limited budgets, the needs of armed forces, and availability of products for a certain price on the market. Price is often the most important criterion. A big share of defence procurement is also organised through the NATO Supply Procurement Agency (NSPA). Along with price, another important criterion to mention is political judgement. Defence acquisitions create political links with the producing states for many years and the effectiveness of these links is taken into consideration. Although directive 2009/81/EC setting the requirements for the fair competition is thoroughly applied in most cases, which should ensure a fair access

to the Baltic market for European providers, it is common to find exceptions either through Art. 346 TFEU, or using other formats such as international cooperation through OCCAR. For instance, a EUR 386 million contract with the German producers ARTEC for the acquisition of 88 Boxer infantry fighting vehicles in Lithuania was organised on the basis of international cooperation through OCCAR.

The US is one of the major providers of various defence systems in Lithuania. A big share of defence acquisitions from the US are made in the framework of the US military aid. Similar trends might be observed in Latvia, where the US defence industry imports are estimated around 80-90% of the national procurements annually.⁴ In Estonia the picture is more diverse. The price/quality ratio of US products is one of the major factors in procurement decision-making, but at the same time political calculations are also at play. Links with US companies are considered to enhance the US commitment to the security of the region. Recent trends in defence developments in the region might signal that political calculations might play an even bigger role in the future. An article written by former Lithuanian Defence Vice-Minister Giedrimas Jeglinskas and retired General Ben Hodges urges Lithuania to use the window of opportunity and enhance trilateral (American - Lithuanian - Polish) military cooperation which might be the extension of the already signed Joint Declaration on Advancing Defence Cooperation between the US and Poland.

They call the new initiative “Plus” and argue that it could evolve in “values-based and interests-assured regional strategy, which would encompass military and defence, economic and investments, energy and environment, education, and cultural initiatives”.⁵ Although this initiative is not formalised at the moment and could be judged more as potentially politically-oriented, aiming at a closer integration with the US and Poland in the area of defence would also set requirements for interoperability, which would involve coordination on acquisitions, and buying systems that can be plugged into the American ones. In 2018, the Latvian government had already approved a EUR 175 million Black Hawk purchase, and Lithuania is about to sign a contract for the acquisition of six Black

⁴ Interview with Elina Egle Chairwoman of the Board of Federation of Security and Defence Industries of Latvia, 7 October 2019.

⁵ Hodges B., Jeglinskas G., Kosciuszko’s Legacy for the World of Tomorrow, 15 min, 20 June 2019, <https://www.15min.lt/en/article/foreign-affairs/kosciuszko-s-legacy-for-the-world-of-tomorrow-529-1162898?copied>

Hawk helicopters for approximately EUR 300 million.

CONCLUSIONS

Strong emphasis on the US as the main security guarantee is becoming a great challenge in the face of intensifying disagreements on both sides of the Atlantic over a number of issues in international politics, defence but also trade, which might become one of the major factors in Baltic consideration to participate in PeSCo and the EDF. The fears of the US withdrawing from Europe and the consequences of Brexit have already resulted in the increased interest in additional defence cooperation formats. All three Baltic states have joined the UK Joint Expeditionary Force (JEF), and Estonia also takes part in the European Intervention Initiative (EII) led by France. Closer defence cooperation has also evolved at the regional level both in the NATO framework (Lithuania with Poland, Germany) but also outside it e.g. a Polish - Ukrainian - Lithuanian brigade. Faced with deepening disagreements between the US and Europe, Baltic states might seek closer partnerships with other European countries, possibly also within the structures of the CSDP. But due to the specificity of their security environment, it would be unlikely for the Baltic states to choose the EU over the US. Further involvement of the Baltic states in the CSDP will also depend on the general dynamics in the EU, as well as the implementation of already existing PeSCo projects. One of the major tests could become the implementation of the military mobility project. The divergent threat assessments of Eastern and Southern EU members and the unwillingness to invest in defence are serious challenges, which might hamper the success of this project. Further deliberations on the new concepts such as strategic autonomy and the European army, which might have a negative impact on the transatlantic link, might also be the reason of the return of scepticism towards the CSDP in the Baltic states. ■

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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.

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