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NATIONAL EXPECTATIONS REGARDING THE EUROPEAN DEFENCE FUND: The Danish perspective

By

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They do not reflect the views of any organisation.*

Comment

ABSTRACT

Despite its opt-out on defence matters, Denmark supports the establishment of the European Defence Fund (EDF) and expects Danish businesses to fully take part in it. In accordance with its vision of European security, Denmark does not regard the EDF as a budding European Union (EU) defence planning process but rather as a Defence Internal Market capacity building mechanism and an instrument of industrial development.

Keywords: *European Union, Denmark, European Defence Fund, EDF, opt-out, NATO*

Denmark supports and has a certain vision for the European Defence Fund (EDF):

- It believes the EDF is first and foremost a tool for enhancing *defence industrial competition* and economies of scale in Europe—as opposed to seeing in the EDF an embryonic European defence union.
- It believes *small and medium sized enterprises* and projects—as opposed to big flagship projects—are key to Danish and European innovation and industrial development.
- It is not ready to fight for a sizeable EDF budget, believing that the overriding priority is to encourage *budget discipline* at the EU level and hence to limit the size of EU budget.
- It is supportive of *Europeanization without political discrimination* and would like all non-EU NATO allies to belong to the European security architecture, broadly conceived. It is satisfied with EDF provisions for the inclusion of third countries—such as the United States or Norway—but would be opposed to any attempt to draw wider political implications hereof, such as building a European Defence Union from the EDF core.

DENMARK'S DEFENCE OPT-OUT VS. THE EDF

When the Maastricht Treaty of 1992 created the European Union, Denmark failed to ratify the treaty by referendum and only joined in 1993 once four so-called treaty “opt-outs” had passed in another referendum. These four opt-outs remain in force.

One of the opt-outs concerns all EU “decisions and actions” as related to questions of defence.¹ By virtue of this opt-out, Denmark cannot participate in EU defence mechanisms, such as the EU Military Committee and its Military Staff, the European Defence Agency (EDA) or in Permanent Structured Cooperation (PESCO) initiatives.

¹ Meaning decisions by the EU Council that (a) are rooted in treaty (TEU) article 26(1) or articles 42-46 and (b) have defence implications.

Likewise, the opt-out prevents Denmark from joining EU missions with defence implications—and it is thus currently opting out of six ongoing EU missions.²

Denmark participates in the EDF, though, because the EDF's legal basis is the crosscurrent of EU industrial, research, technological, and space policies (articles 173, 182, 183 and 188 TFEU). Thus, the European Commission's Directorate General for Defence Industry and Space (DEFIS) will be in the lead of developing EDF annual work programmes, assisted by the Directorate General for Research and Innovation, the European Defence Agency, and the European External Action Service, among others. All this speaks in important ways to the prism through which Denmark views the EDF, as a tool for fostering competition, growth, and employment.

DANISH DEFENCE INDUSTRIAL POLICY IN ACTION

Denmark aims to pursue national defence industrial action through the EDF in a number of respects. First, it has designated its Ministry of Industry, Business and Financial Affairs as the lead negotiator in the standing up phase of the EDF (until January 2021). The Ministry of Defence is involved as a partner but will not be the national lead until the EDF is in process (post-January 2021).

Second, it has argued through the pilot phases of the EDF, beginning in 2017, with the PADR research programme, and continuing in 2019 with the EDIDP industrial development programme, that all actions should be explicitly designed to reinforce an emerging Defence Internal Market. It has been opposed to “flagship projects” that draw political attention but engender no or limited competition, just as it has opposed direct awards that, again, do not contribute to competitiveness. Thus, in November 2019, Denmark submitted a note to the Council on Competition in the European Defence Fund, emphasising its attachment to the principle of competition and regretting the fact that 27 % of EDIDP funding were awarded “without a prior competitive call.”³

² EUFOR ALTHEA BiH in Bosnia-Herzegovina; EU NAVFOR Somalia; EUTM Somalia; EUTM Mali; EUNAVFOR MED Op Sophia; EUTM RCA in the Central African Republic.

³ *Competition in the European Defence Fund: Information from the Danish delegation*, Brussels, 21 November 2019, <https://club.bruxelles2.eu/wp-content/uploads/fondsdefenseconcurrancenotedk@ue191121.pdf>.

Danish priorities are instead to support broad requests for proposals that encourage new alliances among small and medium-sized enterprises (SMEs), both within and outside traditional defence markets. For sure, Danish priorities thus align with the Danish defence industrial landscape. However, the government is making a wider case in arguing that for Europe as a whole SMEs will be superior in delivering disruptive innovation and capacity building.

Thirdly, and following from this alignment of interest and principle, Denmark has promoted a number of EDF technology areas that would benefit Danish industry, such as advanced information technology, mobility technology for terrain modelling and testing, energy storage and efficiency, intelligence, surveillance, and reconnaissance technologies for complex battle spaces, robots and swarm systems, and maritime supremacy, including in extreme environments such as the Arctic.

Finally, it has sought to mobilize the full range of Danish companies and research institutions that could benefit from EDF participation. Thus, the government established a broad-based advisory group chaired by the MoD to develop a “national plan of action”, that was finalized in late 2019, and whose purpose is to mobilize Danish commercial and research interests in respect to the EDF.⁴

Such a plan is all the more important as the Danish opt-out tends to create significant confusion—abroad, where European partners may mistakenly think that Danish companies and research institutions cannot participate in EDF consortia, when in fact they can (just as they can participate in PESCO projects), and at home where companies and institutions tend to take a limited interest in EU defence affairs, when in fact they should be concerned with implications hereof. The Danish government is thus tracking (private) Danish participation in PADR and EDIDP consortia and is constantly reminding both the Commission and the European Defence Agency, which supports the Commission in some EDF respects, that these Danish actors should be participating on par with actors of other EU countries.

The Danish government is aware of this confusion following from the Danish opt-out and is trying to mitigate the cost to Danish industry and society. It is likewise aware of the

⁴ The author of this policy paper participates in the advisory group.

wider EU effort to create a stronger fit between the EU's Capability Development Plan (CDP) (since 2008), its emerging Coordinated Annual Review on Defence (CARD) (since 2019), PESCO, and EDF, all of which could make for an integrated European defence planning system. However, on account of the opt-out and wider political reservations, Denmark does not participate in CDP and CARD and it does not invest political resources in sorting out and furthering the intricate links in the EU defence construction. Denmark is not seeking to weaken these links, it should be emphasized, but it is focusing its efforts on furthering the defence planning process and architecture provided by NATO.

ISSUES AND PROSPECTS

There are no indications that the Danish government will begin to support some of the "defence union" or "strategic autonomy" themes that the former European Commission and some EU member states have promoted. Denmark is too invested in transatlantic relations and too dependent on them for its own defence. For all intents and purposes Danish territorial defence begins along the NATO Baltic frontier to Russia, and there is no credible alternative to NATO's collective defence guarantee in this respect. Moreover, Denmark's is an open, trading economy: its maritime business ranks no. 12 by fleet tonnage on a global scale, and it has a natural inclination to back a security architecture that covers the global commons in addition to the European continent.

In recent years, in light of the Trump administration's political criticism of Europe and ongoing burden sharing debate, the Danish government has warmed to the idea of enhanced European defence cooperation, though largely as a means to rebalance transatlantic relations. The right-wing minority government of 2015-2019 had, by 2018, begun considering options for reversing the Danish defence opt-out by another referendum on the matter, but this incipient movement ran into the change of government, in June 2019. The new Social Democrat-led minority government has effectively killed debate on European defence. Its governing programme of 25 June 2019, entered with supporting left wing and centrist parties makes no mentioning of defence, be it in a NATO or EU context. To the contrary, and as borne out by subsequent policy, government priorities for the EU are climate policy, the fight against tax havens,

development for Africa (to help counter prospective largescale immigration), and no doubt soon post-Corona reconstruction.

The EDF remains, therefore, a mechanism to advance European industry, and the inclusion of Denmark's otherwise privileged transatlantic partners—the United States, Canada and the United Kingdom —must take place on regular market terms. The United States is thus considered a standard “third country” - as defined by the EDF Regulation - that should not enjoy European government subsidies. Depending on EU-UK partnership negotiations that will run through 2020, the UK could end up in the same position. The Danish political drive to subsidize the EDF is also not strong. As it is well known, Denmark belongs to the “frugal fours” club in the negotiations over the EU's coming Multi annual Financial Framework. There is no indication that the lead actors on the Danish side, the Ministry of Finance and the Prime Minister's Office, are paying special attention to defence or EDF issues—perhaps even to the contrary.

In matters of EU and defence, Denmark's position is Gaullist in character: Denmark has a lot of political sensibility tied to sovereignty, and while Denmark is all for practical - economic and industrial - cooperation, high matters of defence are best left for governments cooperating on a case-by-case basis outside institutions with a federalist flavour. It is a peculiar vision but nevertheless one on which Denmark has delivered substantially: it has committed to a culture of “military activism” that has brought its troops to operational frontlines and led to close partnerships with the United Kingdom and France. Thus, Denmark has been militarily active not inside but alongside the EU in Mali and off the Somali coast, and Denmark joined the informal French-led European Intervention Initiative from the outset in 2019.

Denmark has a Gaullist reservation concerning the defence implications of the political vision of “EU strategic autonomy” but it also has a European vision of sorts, which is to promote the vibrant and coordinated activism of European nations in the context of transatlantic partnership. The vision excludes EU defence policy but does comprise a competitive defence industrial base and extensive cooperation among the countries willing and able to lead from the front in operations. Hence, Denmark will for the foreseeable future support the EDF as a Defence Internal Market capacity building mechanism and in parallel support the informal, operations-anchored defence

cooperation that France has encouraged with EI2 and which the United Kingdom as a non-EU country will favour as well. ■

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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.

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