



International Structured Cooperation – Why, how and to what extent?

MS&D 2018: Preparing for future challenges

Hamburg, September 7, 2018

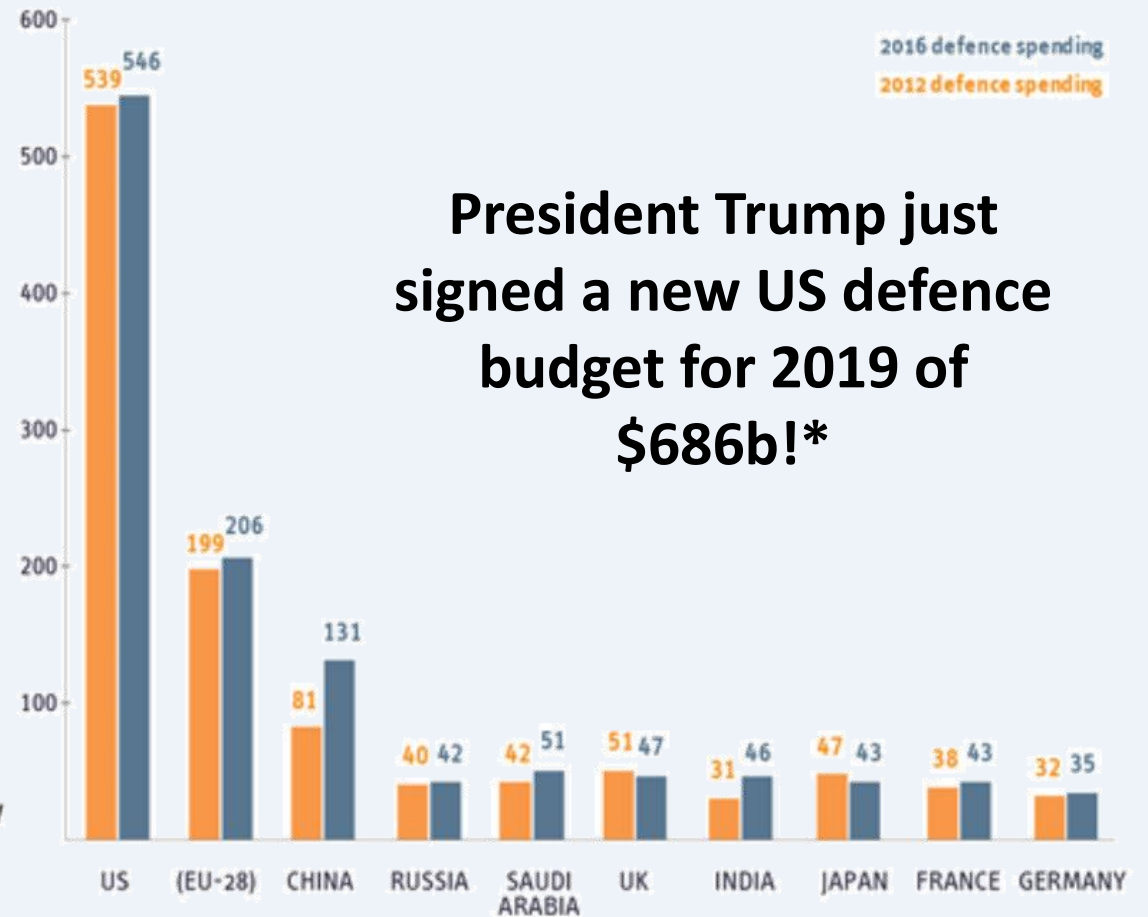
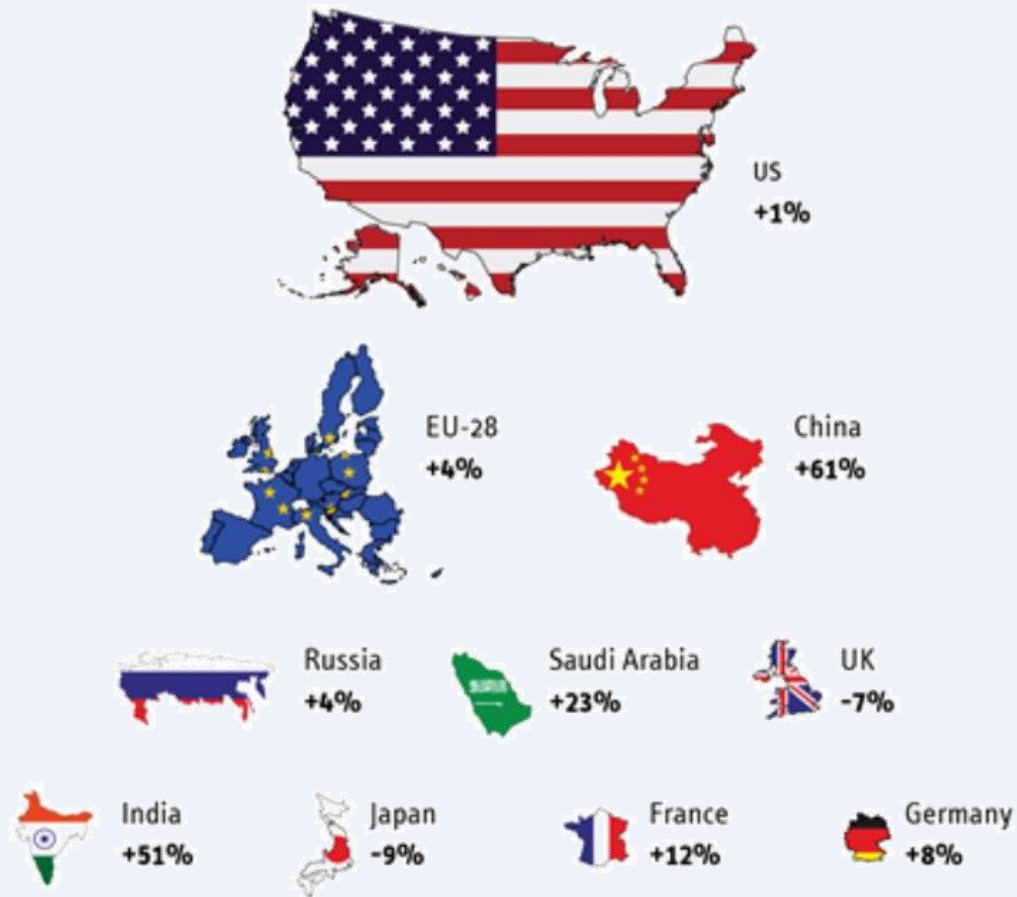
Dr Hans C. Atzpodien, Managing Director
Federation of German Security & Defence Industries e.V.

Security Challenges and European as well as Transatlantic Reactions

- 1. Military Spending from a global perspective**
- 2. Game Changers of the last 30 years with major impact on European Security**
- 3. Germany's as-is-situation and reaction**
- 4. NATO Responses**
- 5. European Union Responses**

Military Spending from a global perspective

World Military Expenditure I - 2012 vs. 2016

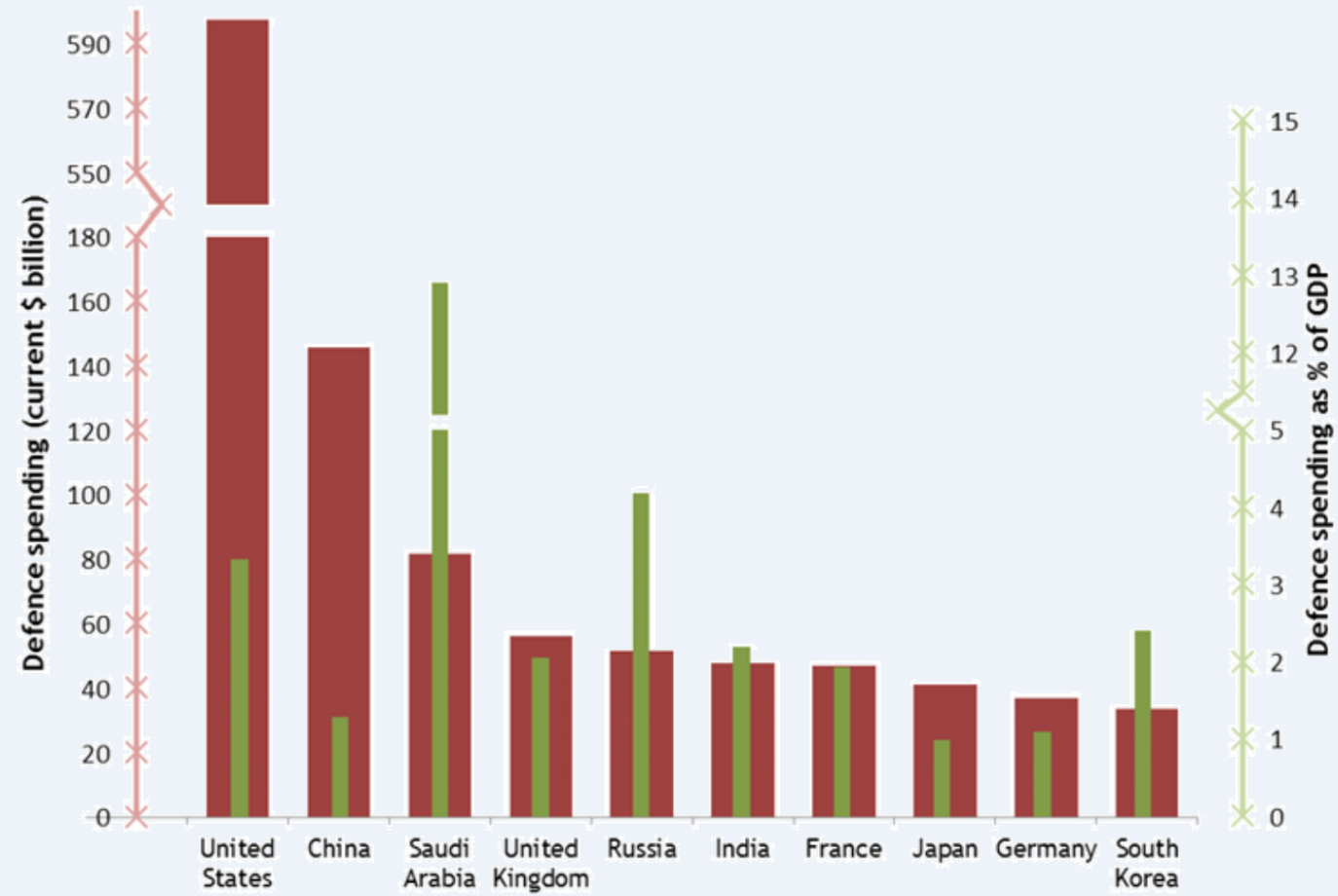


President Trump just signed a new US defence budget for 2019 of \$686b!*

Source: IISS Military Balance 2017

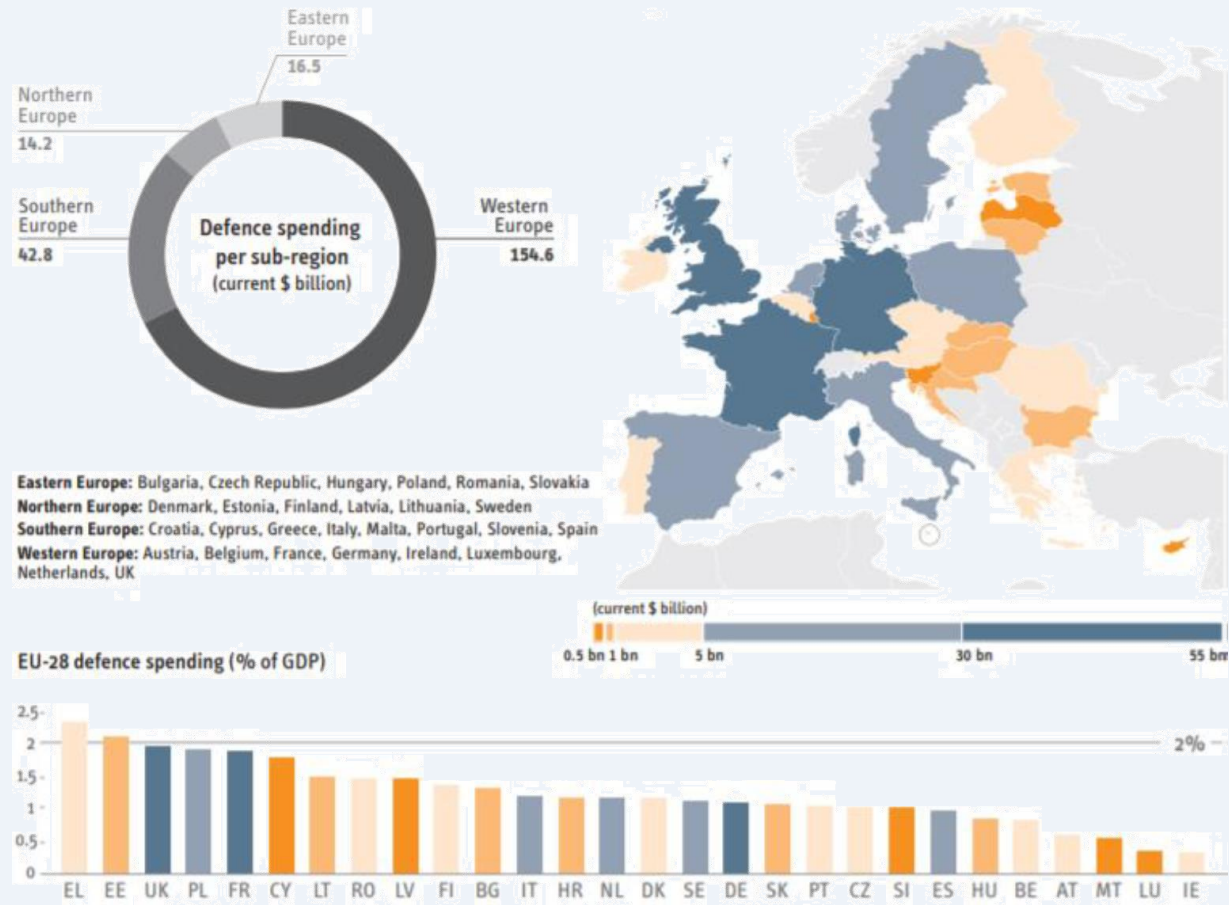
*(Base budget + Overseas Contingency Operations (OCO)/Other Budget)
<https://www.defense.gov/News/SpecialReports/Budget2019.aspx>

World Military Expenditure II - % of GDP



Source: IISS Military Balance 2016

Total EU-28 Defence Spending 2016



Source: EUISS

Game Changers for European Security of the last 30 years

Major Game Changers of the last 30 years



Most significant for Europe's Security as a whole - Annexation of Crimea in 2014

Breach of the Budapest Memorandum (1994) regarding the acknowledgement of Ukraine's borders and breach of the CSCE Final Act (1975)



Further consequences from Annexation of Crimea - US reaction

US-Nuclear Posture Review, February 2018

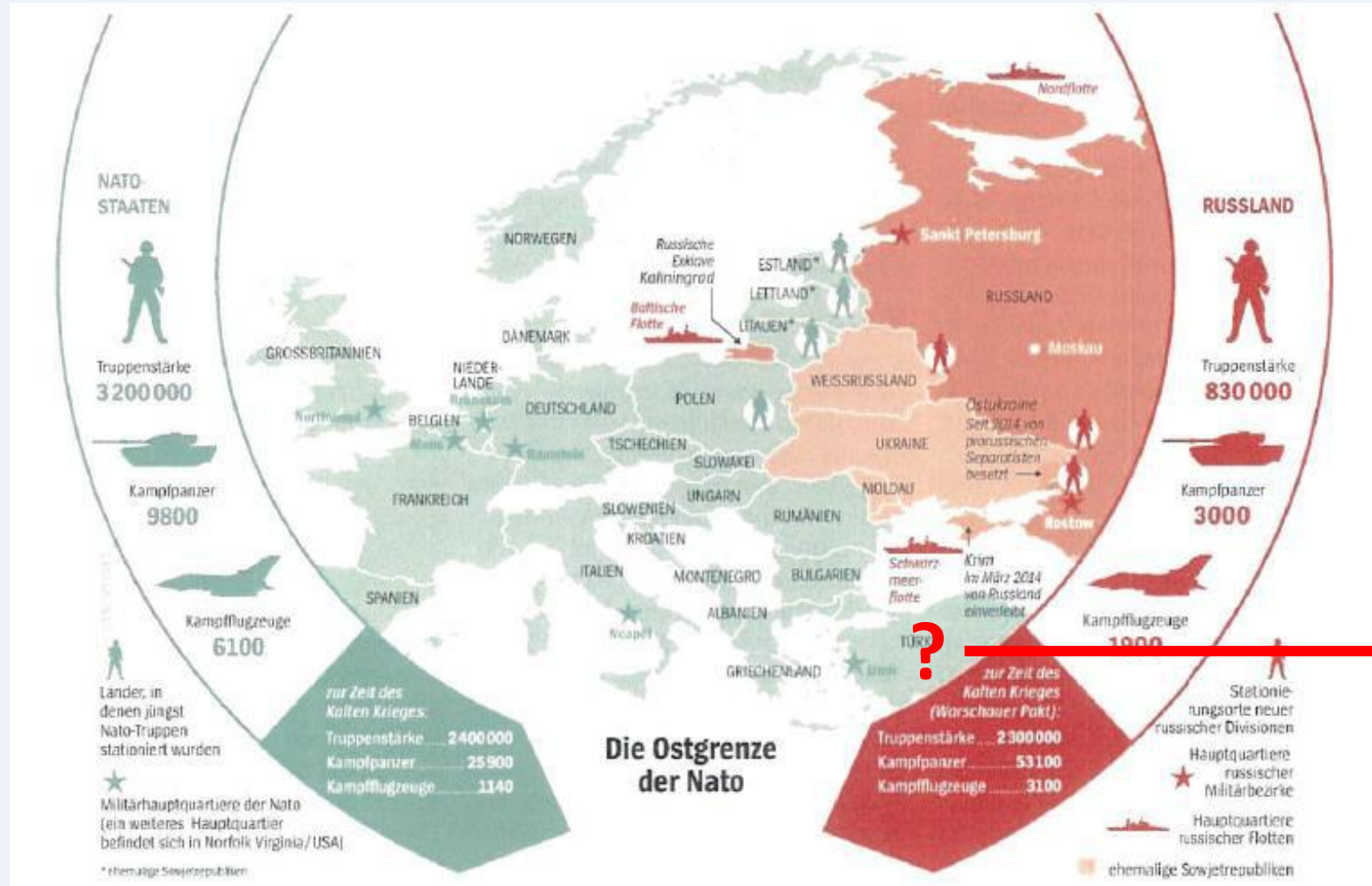
Secretary of Defence Jim Mattis, Preface:



“Even more troubling has been Russia’s adoption of military strategies and capabilities that rely on nuclear de-escalation for their success. These developments, coupled with Russia’s seizure of Crimea and nuclear threats against our allies, mark Moscow’s decided return to Great Power Competition.”

Source: US Nuclear Posture Review 2018

Revived Challenge to NATO - Defence of NATO's eastern border



Source: Spiegel

Conclusion: Europe in 2018 is under massive pressure! What are the answers?



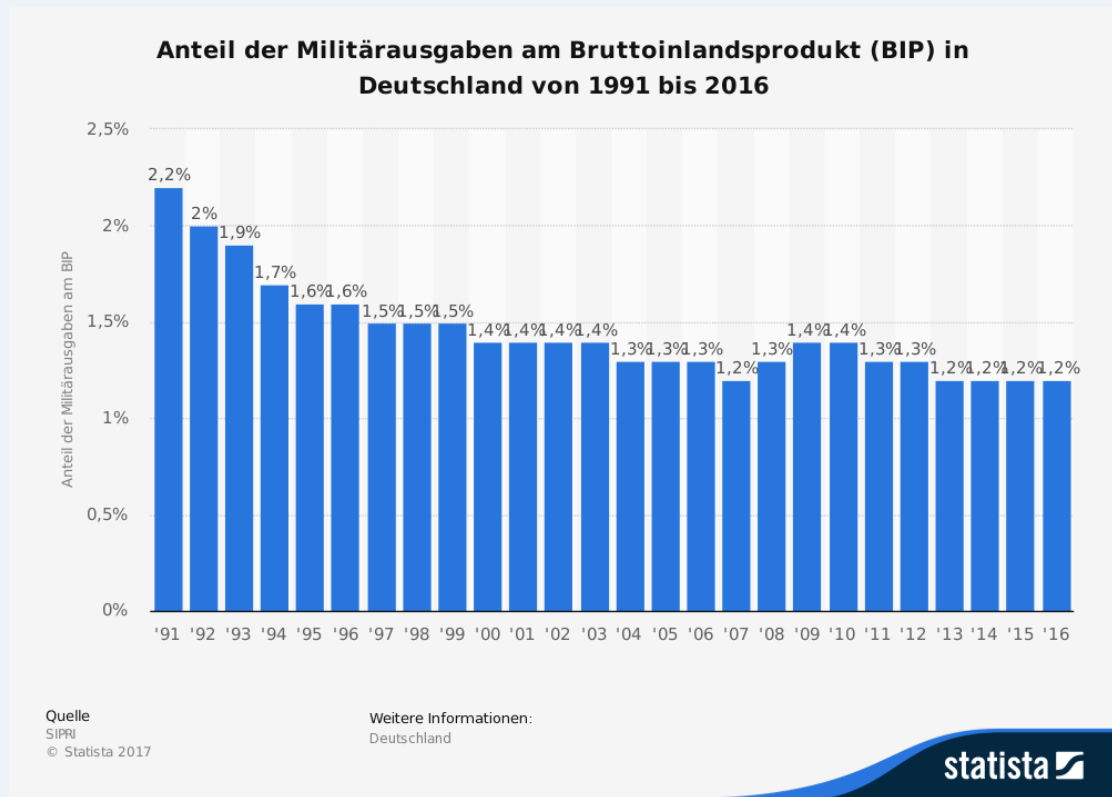
Germany's as-is-situation and reaction

Jan. 2017: Germany not really fit to defend itself!

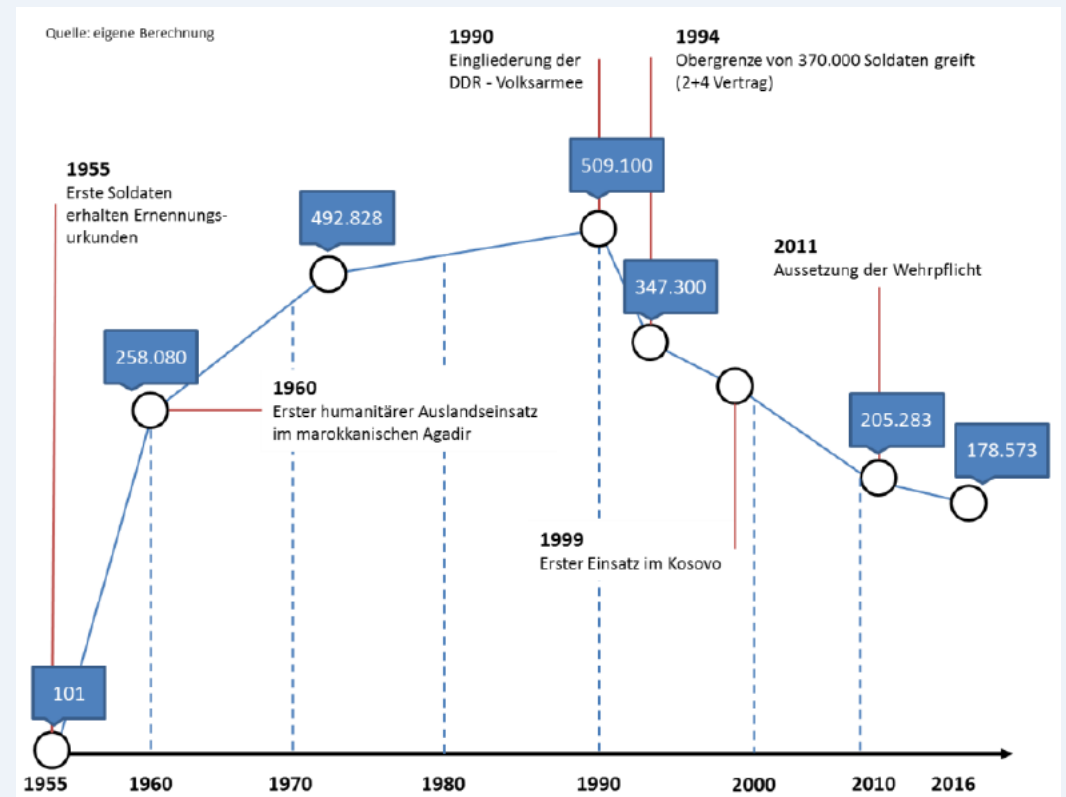


Germany's Reduction of Defence Spending - Armed Forces (1990-2016)

“Peace dividend” ...



Reduction of armed forces ...



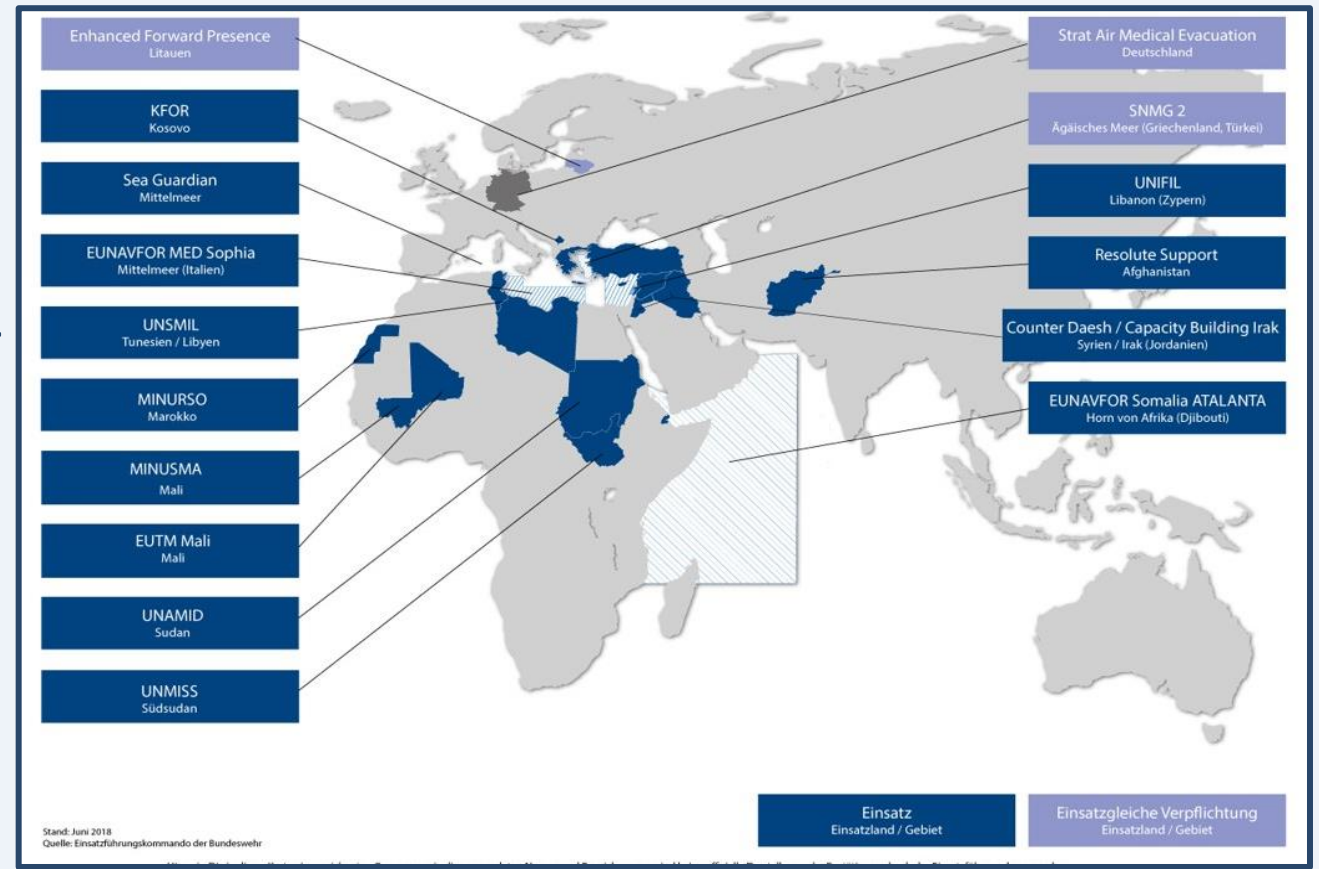
Until 2014 downsizing of Bundeswehr - focused on international missions

Berlin, 22nd of June 2018

German Ministry of Defence:

“About 3,600 Bundeswehr soldiers are currently involved in international missions together with soldiers of other allied nations.”

Deployment Locations of German Armed Forces



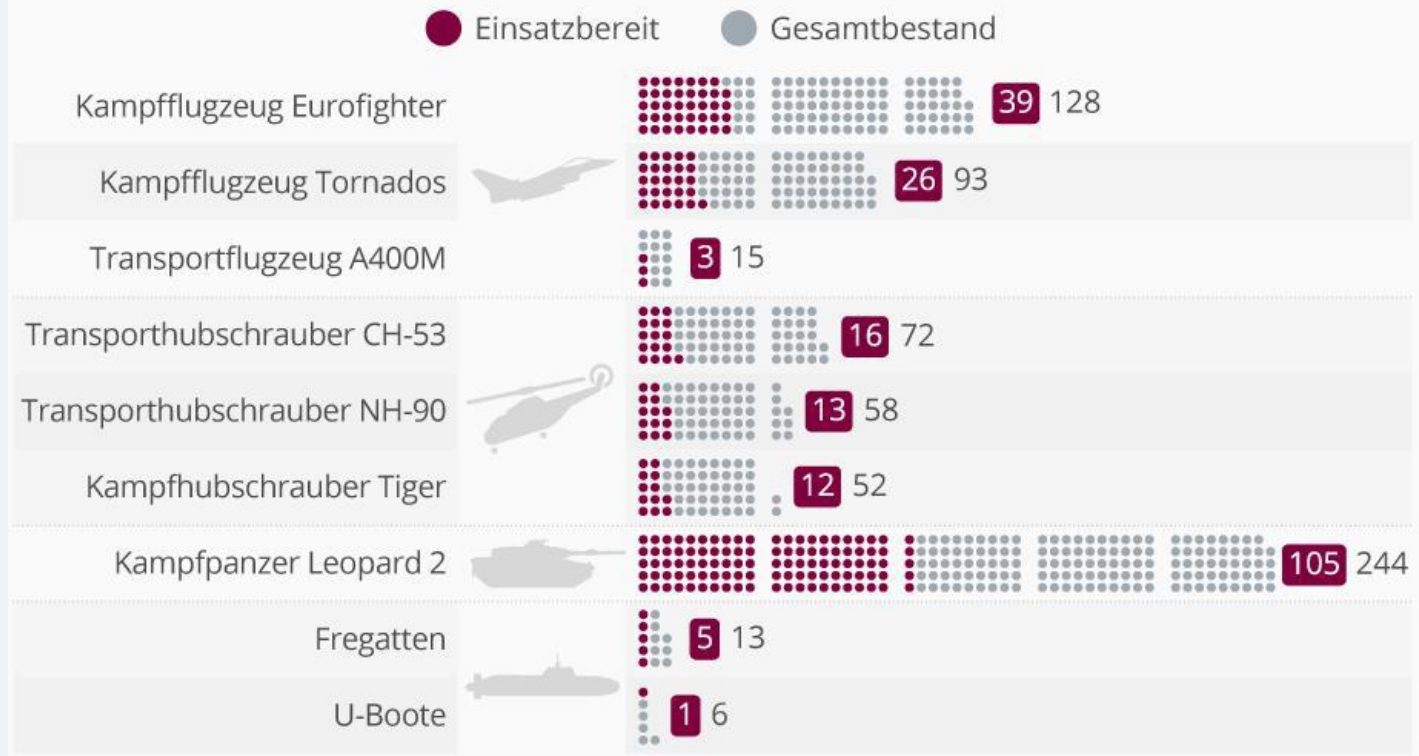
Source: Bundesregierung, BMVg

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Availability of Bundeswehr equipment - not fit for purpose!

Bundeswehr: Materiell sehr bedingt Einsatzbereit!

Anzahl der im Jahresmittel einsatzfähigen Waffensysteme der Bundeswehr 2017



Bericht zur materiellen Einsatzbereitschaft der Hauptwaffensysteme der Bundeswehr 2017
 Quellen: Bundeswehrverband, Augen Geradeaus!



Source: Statista

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 Sicherheits- und Verteidigungsindustrie e.V.

Current Personnel of Bundeswehr

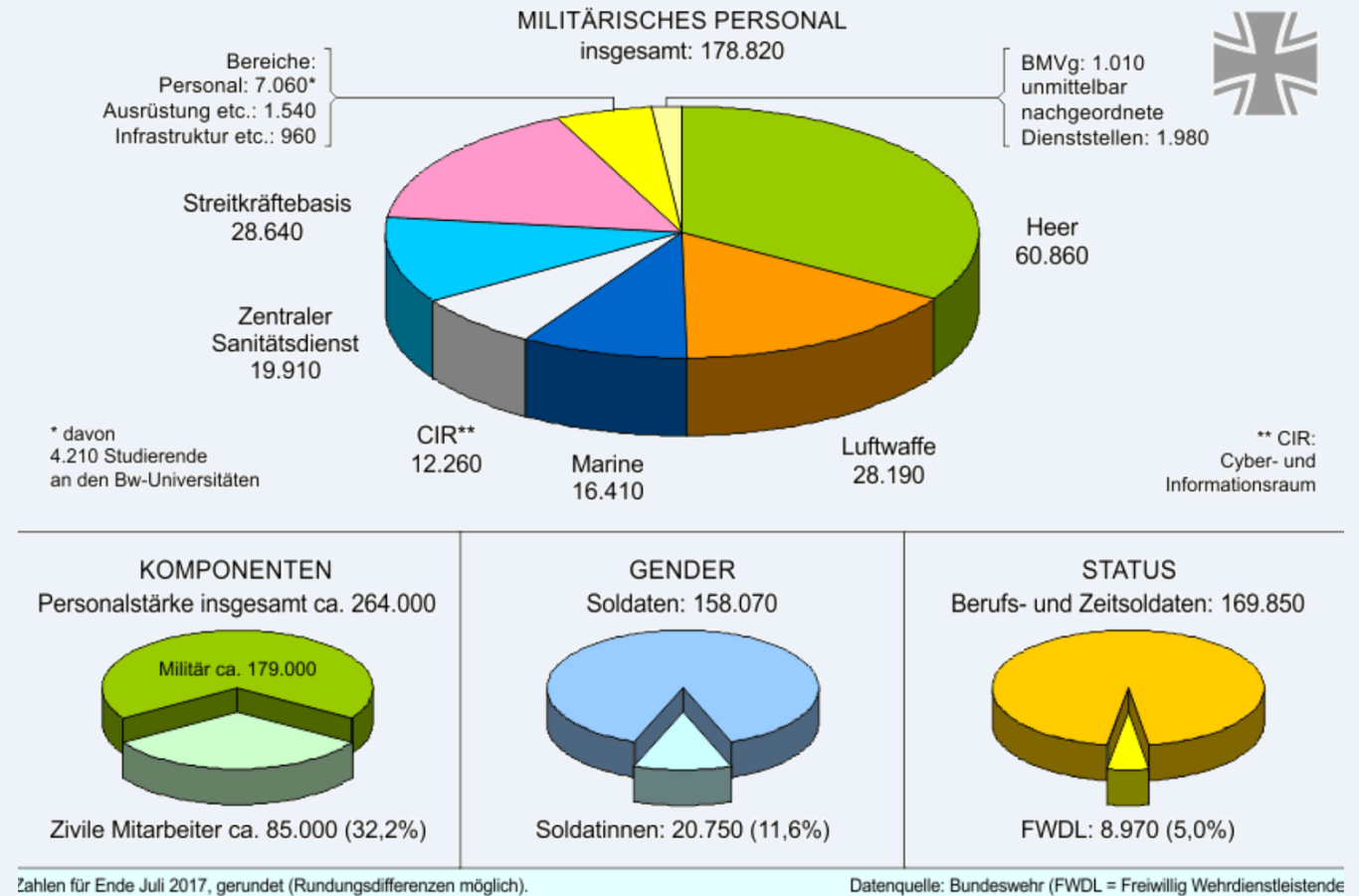
NATO Art. 5 defence commitment:

2014 (NATO):

Very High Readiness Joint Task Force
(VJTF – up to 2,700 German soldiers)

2016 (NATO):

Enhanced Forward Presence
(EFP – Germany committed with
military equipment)



Source: Bundeswehr 2017

NATO Defence Spending (in % of GDP) – Germany's intended increase of defence budget

Germany:

Defence budget in 2017

= 37,4 bn €

= 1,22% of GDP

Defence Budget in 2018

= 38,5 bn €

= 1,24% of GDP

Defence Budget in 2019

= 42,0 bn €

= 1,31% of GDP

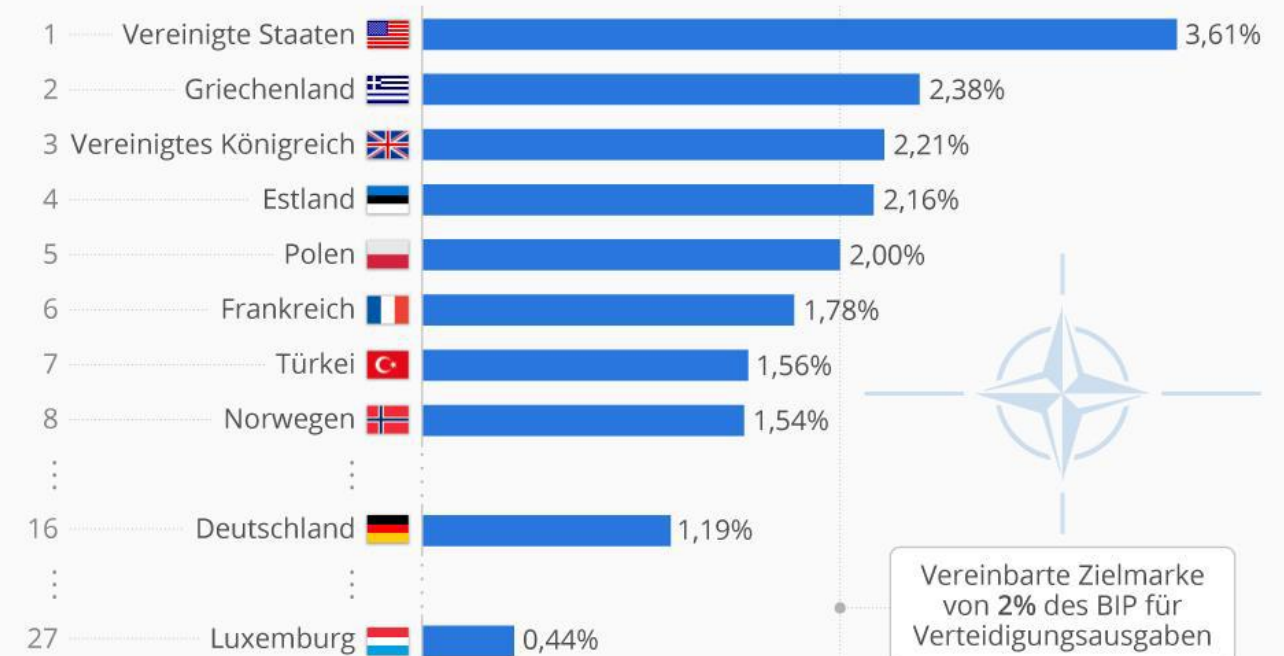
German Government now considering an increase up to 1,5% until 2021

Source: Statista

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NATO-Ausgaben im Überblick

Verteidigungsausgaben ausgewählter NATO-Mitgliedsstaaten als Anteil am BIP 2016



Die NATO hat 28 Mitglieder, allerdings unterhält Island keine Streitkräfte.
Quelle: NATO



NATO Responses

Reaction of NATO to the Annexation of Crimea

NATO Wales Summit Declaration 2014:



“We agree to reverse the trend of declining defence budgets, to make the most effective use of our funds and to further a more balanced sharing of costs and responsibilities. [...] Allies currently meeting the NATO guideline to spend a minimum of 2% of their GDP on defence will aim to continue to do so. Likewise, Allies spending more than 20% of their defence budgets on major equipment, including related Research & Development, will continue to do so. Allies whose current proportion of GDP spent on defence is below this level will:

- halt any decline on defence expenditure;
- aim to increase defence expenditure in real terms as GDP grows;
- aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO’s capability shortfalls.”

NATO Summit in Brussels 11th and 12th July 2018



NATO Summit Declaration

“We face a dangerous, unpredictable, and fluid security environment, with enduring challenges and threats from all strategic directions; from state and non-state actors; from military forces; and from terrorist, cyber, and hybrid attacks.”

President Trump in his Brussels press conference on July 12, 2018

“Prior to last year, where I attended my first meeting, it was going down — the amount of money being spent by countries was going down and down very substantially. And now, it’s going up very substantially. And commitments were made. Only 5 of 29 countries were making their commitment. And that’s now changed. The commitment was at 2 percent. Ultimately, that’ll be going up quite a bit higher than that.”

European Union Responses

Defence Initiatives of the EU

„It is the most basic and universal of rights to feel safe and secure in your own home. Our Union should provide that for Europeans.”

Jean-Claude Juncker, President of the European Commission, June 2017



Treaty of Lisbon, „Amending the Treaty on European Union and the Treaty establishing the European Community, signed at Lisbon”, **13th December 2007**

- Establishing a **High Representative** of the Union for Foreign Affairs and Security Policy
- Establishing a Common Security- and Defence Policy (**CSDP**)
- Coordinating, strengthening and supporting **national defence investments**
- Combining of **resources**
- Reduction of **capability intersections**, supporting **standardization** and **interoperability**
- Supporting **innovation**, economies of **scale** and **competitiveness**

EU Commission, EDA an Member States' Initiatives



PESCO (Permanent Structured Cooperation)

25 participating EU Member States

17 Projects in December 2017 (few capability cooperation projects)

EDF (European Defence Fund)

Increasing efficiency and improving competition among European defence contractors through financially supporting supranational projects

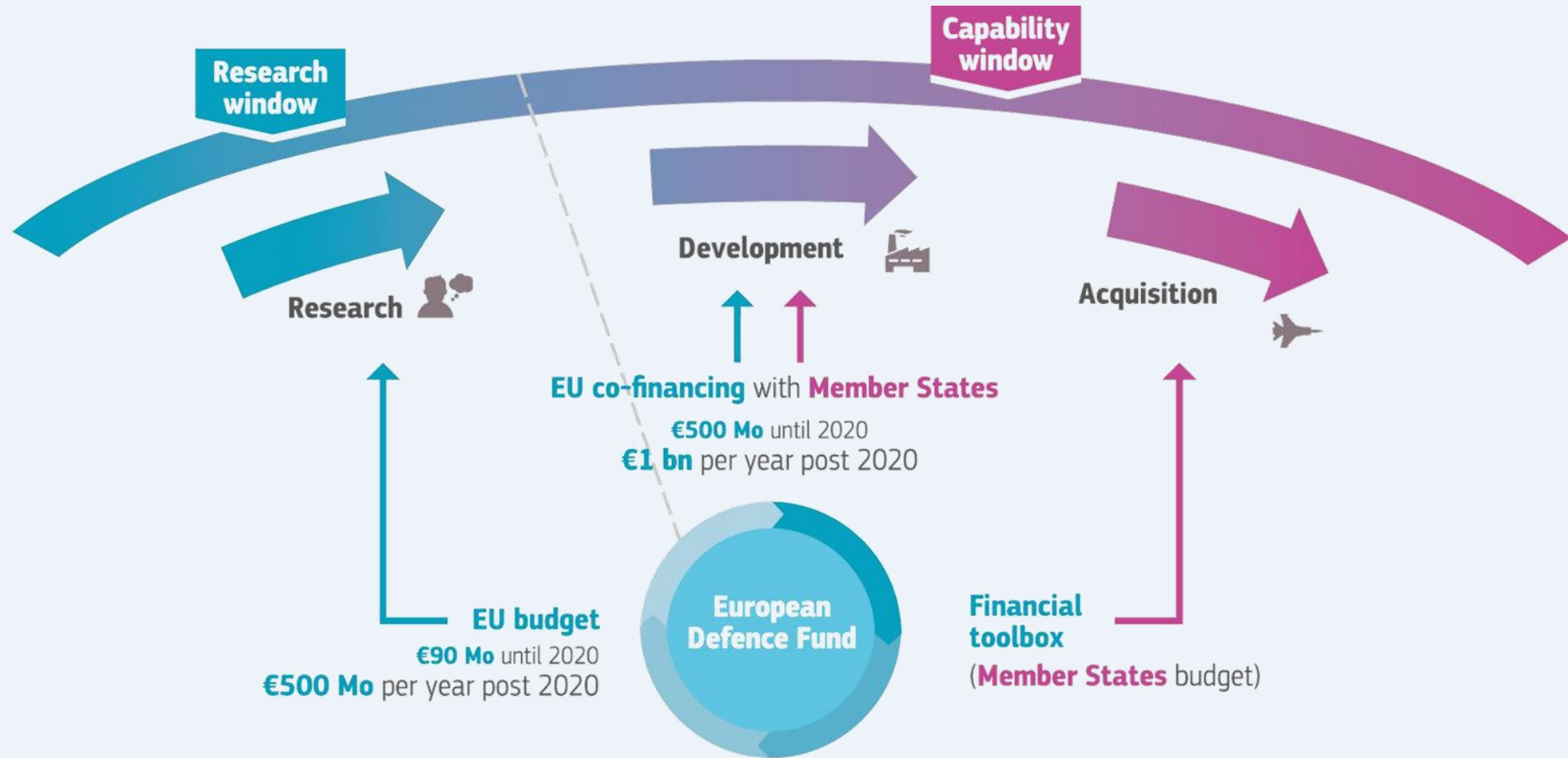
CARD (Coordinated Annual Review on Defence) process

Systematic evaluation of European defence capability gaps and reduction of 178 different types of major weapon systems in Europe

Financial backing

According to budgetary proposal of the EU Commission €13 billion for 2021-27

The European Defence Fund



Source: European Commission

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Bundesverband der Deutschen
Sicherheits- und Verteidigungsindustrie e.V.

EU home-made risks to its defence initiatives

The new Italian interior minister Salvini was quoted in an interview with „DER SPIEGEL“ on the 23rd of June 2018:



“In the coming months, it will be decided if Europe still has a future in its current form or whether the whole thing has become futile. It's not just about the budget for the next seven years. Next year will see new European Parliament elections. Within one year, we will see if united Europe still exists or if it doesn't.”

The ambition of the European Commission to play a leading role in the future security and defence cooperation in Europe is put into question.

The Commission's ambitions require an increasingly coordinated and unified CSDP (Common Security and Defence Policy) of the Union, whose basis is increasingly threatened.

German Defence Industry recommendations for a successful European defence cooperation

- Real armament cooperation has to start from military needs for common equipment (equipment with one common specification - no derivative variants).
- Such armament cooperation needs – above all – the political determination of the involved governments, one of them being the agreed leader of the program.
- Major European programs – such as FCAS or MGCS – require political alignment between the leading countries (France, Germany) before others may participate.
- PESCO is a Lisbon Treaty based tool, in which 25 EU Member States pursue primarily military, but also armament cooperation.
- Especially the EDA-driven CDP and CARD processes may have a lasting impact on the European capability and defence industry landscape; PESCO and EDF will be instruments supporting such landscape (if there is determined political leadership driving such initiatives strategically on a NATO-aligned European scale).
- Harmonisation of diverse rules and regulations for defence equipment, including different export control regimes, is a key factor in making supra-national armament cooperation viable across Europe.