

# Half-Hearted or Pragmatic? Explaining EU Strategic Autonomy and the European Defence Fund through Institutional Dynamics

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## **Abstract**

*In 2016, the EU Global Strategy introduced the ambition of strategic autonomy, referring to the ability to protect the Union against external threats autonomously. To realise this ambition, the EU also launched various capability development initiatives, in particular, the European Defence Fund (EDF). Much of the available literature presents rationalist explanations of the EU's development of strategic autonomy and the EDF. These studies attribute strategic autonomy ambition to external conditions and consider it as an act of strategic hedging or bandwagoning. However, the subsequent limited progress in actual capability development casts doubt on these explanations. By drawing on historical institutionalism, this study examines the EU's current approach to strategic autonomy to see whether internal factors would offer an alternative explanation to the disjunction between the ambitions and actions. For this aim, the study scrutinises the evolution of the EDF as an instrument and the role of the Commission as an agent of change. Based on primary and secondary data, the analysis shows that even though external crises have created critical junctures that compel the EU to reorient its goals, the endogenous elements of institutional change have significantly influenced the EU's choice of means and redistribution of resources.*

*The findings reveal that the Commission's ability to reinterpret the original rules and exploit gaps and ambiguities in their local enactment in a path-dependent manner has considerably affected the outcome of this change.*

**Keywords:** *European Union, strategic autonomy, CFSP, CSDP, European Defence Fund, historical institutionalism*

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## **Introduction**

Over the past decade, Europe's security environment has changed drastically. The security of the southern members has been significantly affected by the disruptive consequences of the Arab Spring. Russia's war of aggression against Ukraine seriously confronted the security of the northeastern border. The war put traditional security concerns back onto the agenda of the EU and the North Atlantic Treaty Organization (NATO) whereas the transatlantic alliance has already been strained by the explicit calls for a more equitable burden-sharing. These developments have created a new security environment in which the EU has to 'learn to speak the language of power' (Borrell 2020).

In June 2016, in the midst of this existential crisis, Federica Mogherini, then-high representative of the European Union for Foreign Affairs and Security Policy/vice-president of the European Commission (HR/VP), presented the Global Strategy on Foreign and Security Policy (EUGS). The EUGS introduced the ambition of strategic autonomy referring to the ability to autonomously deter, respond to and protect the Union against external threats, which requires the EU to enhance its defence and security capabilities (European Union External Action 2016). As the definition itself was primarily about external threats, the initial deduction was that it was a response to the aforementioned crises. Likewise, much of the available literature presented rationalist explanations attributing this renewed activism to external actors and conditions, considering this ambition as either an act of strategic hedging (Fiott 2018; Ringsmose & Webber 2020; Didier 2021) or bandwagoning (Cladi 2022).

The subsequent developments in the security and defence realm, or the lack thereof, however, have cast doubt on the initial explanations. Strategic autonomy requires capability and 'strategy without capabilities is nothing but a hallucination' (Coelmont 2016: 11). The EU has notable capability shortfalls in the land, naval and air domains even though all current capabilities of the member states are included (Barrie et al. 2018). Yet, the recent mechanisms developed to boost the EU's operational capability – namely the Revised Capability Development Plan (CDP), the Coordinated Annual Review on Defence (CARD), and the Permanent

Structure Cooperation (PESCO) – do not promise the fulfilment of this strategic ambition (Giegerich 2016; Duke 2019; Cladi 2022). This ‘halfhearted approach’ to strategic autonomy is seen as the biggest weakness of the EUGS (Techau 2016). In the absence of a common assessment of its security environment and tangible means to achieve its declared strategy, the EU is even regarded as ‘astrategic’ (Cottey 2020).

Strategic autonomy is not a novel idea in the European context. Such aspirations have occasionally been raised since the UK and France officially declared this ambition in the 1947 Dunkirk Treaty. Considering that it has never been fully accomplished and the member states’ divergences in strategic interests and cultures obstruct coordinated action, why is the EU putting this ambition at the forefront again? Strategic autonomy is a multi-dimensional concept with political, military and economic/industrial implications. In the EU context, the third dimension seems more promising thanks to the remarkable hyperactivity in the defence industry realm. In narrow terms, (defence) industrial autonomy means having the capacity to access and/or build the defence technologies to conduct military operations (Kempin & Kunz 2017). For political and economic reasons, industrial autonomy is often seen as ‘a desire instead of a reality’ (Round, Giegerich & Mölling 2018: 4). Autarkic concerns regarding the acquisition of military equipment from third countries make the defence industry a delicate policy area as strategic interdependencies between international actors generate vulnerabilities. Dependences on major powers, specifically on the critical infrastructure as the ‘chokepoints’, hamper strategic autonomy efforts of the Union (Poutala, Sinkkonen & Mattlin 2022). Economic stakes are also high as public investment in the defence sector not only legitimises military expenditures but also forms the backbone of industrialisation and sustainable economic development through the creation of jobs and technological advances (Barrinha 2010).

In light of the aforementioned challenges, the EU’s recent defence industrial initiative, the European Defence Fund (EDF), is seen as a game-changer (Fiott 2017; Haroche 2018; Ianakiev 2019). It is even regarded as a revelation of a ‘paradigm shift’ within the EU, demonstrating the increasing supranational activism in security and defence matters (Csernatonì 2021). The novelty of EDF as a Commission-led initiative arouses an interest to seek alternative explanations for the EU’s handling of the strategic autonomy ambition. Other than its external environment, what kind of change would explain the prominence of this initiative? So far, few studies have explored the contribution of endogenous factors to this change and even fewer studies focused on the role of specific initiatives and agencies. Among them, sociological explanations focus on the construction of certain imaginaries. Martins and Mawdsley state that the EDF is the outcome of a ‘sociotechnical vision or imaginary of the future’ based on the fears of technology gaps and dependencies (Martins & Mawdsley 2021: 1459). Their study, however, does not

give agency to any specific supranational body; rather it focuses on the narratives as a collective creation of various sub-units within the EU. Another study pays attention to the power dynamics within the EU and focuses on the Commission as a key stakeholder. However, this study treats strategic autonomy as a general concept which floats in the EU policy-making processes as a 'purposeful device' to give meaning to the creation of hegemonic imaginaries in the governance of certain policy areas (Csernatonì 2022: 399). Neofunctionalist studies, on the other hand, mainly suggest that the bureaucratic involvement of the Commission in defence research and spending as manifested by its political entrepreneurship in the establishment and execution of the EDF confirms a functional spillover (Haroche 2019; Håkansson 2021). These studies, however, fail to respond to the general caveat of neo-functionalism accounts that the expectation of spillover, a core assumption of neo-functionalism, is seriously challenged by the lack of political integration (Bulmer 2009).

Once a senior European External Action Service (EEAS) official stated that the EU has been dealing with external crises with the same method of bureaucratisation for fifty years (Interview 1 2019). The statement is predictably based on the years-long observation that the EU's rationale behind policy-making is partly experience-driven. Considering the institutional nature of the EU, adding a historical approach to the topic in question seems promising. European integration is a long-term and ongoing process. Any attempt to explain it from a single point in time can only give a 'snapshot' and may crucially distort reality (Pierson 2000: 263). Likewise, CSDP is an evolving policy area and any attempt that does not touch upon its historical background resembles 'shooting at a moving target' (Bickerton, Irondelle & Menon 2011: 3). Hence, an approach of historical institutionalism (HI) would 'expose the reality behind functionalist or other teleological stories' (Fioretos, Falleti & Sheingate 2016: 61).

Against this backdrop, this study aims to present a complementary explanation of the EU's current approach to the notion of strategic autonomy by adding a historical perspective. Based on the observation that the current state of relevant initiatives cannot be explained as the mere outcome of external change, the paper specifically aims to unravel whether and how the endogenous elements of change contribute to the fulfilment of the strategic autonomy ambition. In pursuit of this aim, the remaining of the paper proceeds as follows. The following section provides an overview of HI as the theoretical perspective and informs the reader of the utilisation of data in line with the indicators given in the theoretical framework. The third section elaborates on the developments that have led to the establishment of the EDF with a specific focus on the role of the Commission as an agent. The study shows that even though external crises have created critical junctures that compel the EU to reorient its goals, the endogenous elements of institutional change have significantly influenced its choice of means and redis-

tribution of resources. The findings reveal that the ability of the Commission to reinterpret the original rules and to exploit gaps and ambiguities in their local enactment in a path-dependent manner has considerably affected the outcome of this change. It is hoped that this research not only complements earlier studies on the EU's strategic autonomy but also contributes to a deeper understanding of the functioning of the supranational bodies, specifically the Commission.

### **Theoretical framework and methodological reflections**

Historical institutionalism focuses on the role of temporality to analyse how institutions originate, why and how their governing authority changes or persists, and how they influence the policy fields they govern. Scholars of HI assume that temporal processes can develop and reinforce actor preferences, power relations and patterns of resource distribution. Temporality brings three key concepts: critical junctures, path dependence, and sequencing. One strand of HI defines a critical juncture as a crisis that disturbs the status quo and creates a disequilibrium. The equilibrium model attributes change to an exogenous, abrupt shock (Fioretos, Falleti & Sheingate 2016). Another approach posits that the pressure for change does not need to come from outside as a crisis is a 'necessary, but not sufficient, condition for institutional change' (Krapohl 2007: 28). Framing change as an abrupt moment does not adequately capture the reality because institutional change may occur gradually in 'moments of seeming stability' (Rixen & Viola 2016: 14). Equilibrium may not be achieved because historical processes may occur at a slower pace than the changes in the political environment and 'history cannot be guaranteed to be efficient' (March & Olsen 1984: 737).

Originating from either exogenous or endogenous factors – or coexistence of both – distinct critical conditions create the need for change in the usual functions of the institution. A sequence of events, stemming as a response to the new conditions, trigger institutional transformation. The triggering event or events create various options to choose from and this choice would be shaped by the collective behaviours of the past, i.e. the institutions' path-dependent nature (Fioretos, Falleti & Sheingate 2016; Rixen & Viola 2016). Institutions are 'the carriers of historical dynamics': they evaluate their options based on their previous choices (Delreux 2015: 158). Just as the notion of increasing returns, each step taken in a certain path increases the probability of further steps down the same path. As in the tree metaphor, 'the branch on which a climber begins is the one she tends to follow' (Pierson 2000: 252). Nevertheless, increasing probability does not necessarily mean the actor is predisposed to a single path. Over-emphasising the pattern and thinking of it as simply a reproduction of previous steps downplays the potential of institutions to change and evolve in time (Aspinwall & Schineider 2000). As Weaver and Rockman state, 'institutions are not static; and institutionalisation is not an inevitable process; nor is it unidirectional, monotonic or irreversible' (cited in March & Olsen 2011: 163).

Institutional change has different paces, mechanisms and implications. The typology drawn by Streeck and Thelen (2005) demonstrates this variety. They challenge the common acceptance of institutional transformation as either stability or an abrupt change. This bifurcation limits the observation of real change because ‘change and stability are in fact inextricably linked’ (Mahoney & Thelen 2010: 9). Political institutions are constantly exposed to ongoing skirmishes as their constituents interpret the institutional settlement in line with their expectations. This ongoing contestation together with the inherent ambiguities in the institutional design – the gaps between rules and their local enforcement – creates a dynamic political process. Hence, transformative change takes place incrementally and to analyse it, one needs to scrutinise the unfolding of these processes (Streeck & Thelen 2005).

Streeck and Thelen identify five modes of institutional change: *displacement*, *layering*, *conversion*, *drift*, and *exhaustion*. Four of them are particularly relevant to this study<sup>1</sup>:

1. *Displacement*: Displacement occurs when the founding arrangements of the institutions are replaced by new ones. Displacement happens either endogenously through the activation of formerly suspended or suppressed alternatives or through invasion, meaning that foreign elements may assimilate the existing ones. Displacement might occur as a rapid breakdown or as a slow-moving process. In either case, it is activated by the entrepreneur actors who are aware that the prevailing arrangements do not oblige with the emerging external conditions and are willing to establish a new institution that serves best their interests.
2. *Layering*: Layering occurs through reforms that include revisions of or additions to the original rules (often) when there is a lack of capacity to alter them. Layering does not happen in a revolutionary mood but the outcome can recast the original logic of behaviour depending on the substance and accumulation of these changes.
3. *Conversion*: Conversion occurs when the original rules are reinterpreted or redirected in a way that converts the institution towards new strategic goals. The redirection of institutional resources might be the response to external changes or the result of the power contestations within the

1 The last mode that Streeck and Thelen identify, *exhaustion*, is not included in the analysis. When the original rules of the institutions becomes delineated from the reality, the institutional set up becomes self-undermining and leads to gradual breakdown eventually. The current status of the subject in question makes this mode irrelevant.

institution. In either case, redirection would still be attached to the old structure. The gaps and the ambiguities between the original settlement and their local enactment are purposefully exploited or the new gaps are created by the actors of change to pursue the goals and functions favourable under the new conditions. The sources of gaps may be *unintended consequences* of the institutional design; *compromise* between different coalitions due to changing power relations; *subversion* of the marginal constituents or low-order actors such as the interest groups; and time as institutions often survive long enough to outlive the original coalitions and conditions.

4. *Drift*: Drift occurs when the institution neglects the changes in its environment or is unable to respond to them and hence tends to keep the original settlement. Inaction may be covered by institutional stability at first. However, when the existing setup does not practically serve the emerging conditions, the institution will inevitably lose its grip (Streeck & Thelen 2005: 18–30).

**Table 1:** Types of Institutional Change

	Displacement	Layering	Conversion
Removal of old rules	Yes	No	No
Neglect of old rules	-	No	No
Changed impact/enactment of old rules	-	No	Yes
Introduction of new rules	Yes	Yes	No

Source: Mahoney and Thelen (2010: 16).

In their elaboration, Mahoney and Thelen argue that the characteristics of both the political context and the targeted institution influence the expected mode of change. Variations of their coexistence shape the type and strategies of the ‘dominant change agent’ in the institution (Mahoney & Thelen 2010: 15). The degree of veto possibilities (either strong or weak) determines the characteristic of the political context whereas the would-be agent’s level of discretion in interpretation and/or enforcement of rules determines the characteristic of the targeted institution. When agents of change face strong veto possibilities in the institutional structure, it is not likely to see displacement or conversion as it would be difficult to mobilise the principles for direct changes. In such cases, the agent’s level of discretion determines whether the original rules will be reformed with the introduction of amendments or cause a political drift.

The principles having weak veto possibilities leaves more room for the agent for strategic openings. In such cases, an agent with a high level of discretion increases the expectancy of conversion whereas the original rules would simply be replaced (gradually or abruptly) in the absence of such power (Ibid: 19–22).

**Table 2:** Sources of Institutional Change

		Characteristics of the targeted institution	
		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the political context	Strong veto possibilities	Layering	Drift
	Weak veto possibilities	Displacement	Conversion

Source: Mahoney and Thelen (2010: 19).

Based on these indicators shown in Tables 1 and 2, the remainder of the article unveils the mode(s) of institutional change that the EU, specifically the Commission as the designer and executor of the EDF, has undergone; and discusses how this change has reflected in the EU’s strategic autonomy ambition. Ontological assumptions of HI imply a methodological preference for qualitative in-depth studies of events and cases (Rixen & Viola 2016; Fioretos, Falleti & Sheingate 2016). Accordingly, this study is based on a qualitative case analysis using primary and secondary data triangulation. The study initially analyses the secondary data derived from relevant EU official documents to establish the context. These documents include Council Conclusions, Commission and joint communications, security and defence-related strategy documents, and commissioned/ad-hoc group reports starting from the early 1990s, when the EU bodies launched the defence industry discussions. The primary data is based upon the interviews with the political elite who actively contributed to the conceptualisation and governance of the mechanisms developed for strategic autonomy. The author also interviewed the experts (academics and policy analysts) who had been researching, publishing and convening events and had taken part in the EU-commissioned works on the topic in question. Based on participatory observation, the researcher had prior information about the positions involved in the strategic autonomy discussions. Therefore the sampling started with the purposive method and then continued with the snowball method. The interviews were conducted face-to-face in a semi-structured format, allowing



the interviewee to relieve enough detail, depth and insight while still being guided by the pre-determined questions.<sup>2</sup>

### **The EDF and EU's industrial and strategic autonomy**

Since the Treaty of Maastricht, the legal authority to adopt decisions on foreign and security policy issues lies in the Council. The general rule is that the Council takes these decisions by unanimity except for specific issues that qualified majority voting is applicable (Articles 24(1) and 31(1) of the Treaty on European Union - TEU). For defence-related issues specifically, the legal provisions are more restrictive. Article 43(2) TEU establishes the legal basis for Common Security and Defence Policy (CSDP), laying down the decision-making power to the Council in constant contact with the Political and Security Committee. However, Article 31(4) exempts decisions with military or defence implications from the scope of Article 31(2), ensuring that such decisions are not made by a qualified majority.

As one analyst succinctly stated 'with bottom-up without the top-down, you stay at the bottom and with top-down without going to the bottom nothing happens' (Interview 3 2019). Despite the intergovernmental nature of decision-making in CSDP, the involvement of supranational bodies is crucial for the EU's credibility and effectiveness in these matters. These bodies act as agents that support the member states in formulating and implementing their decisions. Hence, in parallel with the progress in European integration, the role and resources of these bodies have expanded (Maurer & Wright 2021). Specifically with regard to the Commission, the existence of a strong bureaucratic body is significant to prevent deviations from the agreed rules (Wessel et al. 2022). The constituents of an institution often place some control on independent bureaucratic bodies. The concern over the possibility of political drift in the future justifies their choice of design (Keleman 2002). The infringement procedure (Article 258 of the Treaty on the Functioning of the EU - TFEU) stands as a clear example in this sense.

As a bureaucratic agent and the driver of European integration, the Commission's power originates in the 'labyrinths of regulatory policy-making' (Pierson 1994: 23). The EC has direct involvement in the functioning of bodies dealing with specific policy areas with an external dimension such as enlargement, climate action, energy and fisheries (Furness 2013). This supranational body gradually acquired considerable influence in security and defence-related issues by acting as a policy entrepreneur and a broker due to the meritocratic nature of policy-making processes (Vachudova 2007; Blauberger & Weiss 2013; Riddervold 2016).

2 In order to protect the anonymity of the interviewees, the owners of the statements were presented only with their affiliated institutions. Further information will be provided upon request.

Nathalie Tocci, the penholder of the EUGS, once stated that the bureaucratic touch on the EUGS made it more realistic (Tocci 2017). This section demonstrates the existence of this bureaucratic touch through the examination of the Commission's role in laying the groundwork for cooperation among the member states in defence research and spending, which contributes to the fulfilment of strategic autonomy ambition.

*The original setup: a market-oriented perspective*

Until the late 1980s, strategic autonomy was not a highly relevant concept on the EU agenda as NATO dominated the European security and defence structure. The 1978 Klepsch Report by the European Parliament (EP) called for a single market for armaments, a defence procurement agency, and common research, development and standardisation of weapons. With a Europeanist approach, the EP stated that NATO's dominance in defence cooperation would intensify the imbalance in arms trade between the US and the member states. According to the EP, 'only the European Community had the organisational ability to create a structured market for weapons within the context of an industrial policy' (Wyatt-Walter 1997: 114–115). As a response, the EC presented the Greenwood Report, which was moderate to envision coordination in arms production yet remained cautious of the Parliament's proposals (Ibid). According to Article 296 (formerly Art. 223) of the Treaty establishing the European Community (TEC), defence procurement was exclusively under the member states' competency 'for the protection of the essential interests of its [any Member State] security' (EUR-Lex). The Commission was aware of the member states' reluctance towards a common action in defence; hence, it approached the issue from a market perspective. Its key argument was the predicted functional gains from eliminating market fragmentation and economic inefficiencies. However, the member states had a common position to keep this matter outside the EU's common market policy (Blauberger & Weiss 2013).

The political and social unrest in the aftermath of the Cold War forced actors to turn their faces to the 'real-world developments' (Hellmann 2009: 638). In this new order, states guided their foreign policies by a greater pragmatism instead of 'heroic' ideologies (Hyland 1991/1992: 45). The security vacuum stimulated the debates on strategic needs. The negative impact of autarchic tendencies in defence acquisitions, multiplied by the peace dividends, resulted in a dramatic reduction in capabilities (Camporini 2017). The deliberation for a common security policy swiftly turned into a binding commitment when the member states adopted the Common Foreign and Security Policy (CFSP) 'including the eventual framing of a common defence policy' in the Maastricht Treaty (Title V-Article J.4). The adoption of the CFSP was important, yet embryonic, in the sense that it did not refer to the operational aspect the EU needed. The same

article acknowledged the delicate balance between the European and the Atlantic interests stating that the Union would ‘respect the obligations of certain Member States under the North Atlantic Treaty’ (Council of the European Communities 1992: 126). The EU kept its *longue durée* balance between dependence and autonomy in the following years. Indeed, the nature of the ESDP has shifted subsequently to include civilian matters instead of the early stress on the military aspect (Menon 2011). Sticking with the Alliance while developing and pooling European capabilities was seen as ‘a pragmatic and politically sensible choice’ (Shepherd 2000: 17).

Given the limits of its bureaucratic functioning, the EC had chosen whichever way was practical to accelerate the integration process. In the 1990s, mainly because of the single market initiative, the Commission had an exceptional opportunity to expand its regulatory role. In its competency areas, the EC imposed direct influence. For example, after the 1989 Tiananmen Square massacre and the subsequent arms embargo on China, the Commission assumed a pragmatic stand on EU-China relations. Even though it was hard for the EU to find a credible balance due to its idealistic legacy, the EC made efforts to find a compromise between the divergent views of the member states and industrialists as well as the Chinese leaders and the Union (Wood 2011). In areas out of its direct competency, the EC found alternative ways to pursue its regulatory aims such as delegating the technical work to independent agencies. These agencies would at least function in areas that would otherwise not be dealt with at the European level at all. Still, being aware of the member states’ reluctance to transfer additional power and resources, the Commission drew a management scheme for the agencies making them responsible for the functioning of the agencies together with the director and the scientific committee (Kelemen 2002).

The Commission coherently reflected this approach to defence industry-related initiatives through the 1990s. At that time, the European defence industry was reorganised through the merger of giant defence companies such as British Aerospace and GEC Marconi into BAE Systems, further consolidation of big companies such as the European Aeronautic Defence and Space Company, and the expansion of companies via integrating smaller firms such as Thales (Barrinha 2010). The EC advocated liberalisation because the reforms would inevitably increase the volume of intra-EU transfers in defence industries and thereby decrease the cost for member states (Fiott 2015b). It also presumed that it would be the regulating body of the liberalisation of the defence market (Fiott 2015a). In its 1996 Communication, the EC stated that losing the international competitiveness of the European defence industry was largely the result of obstacles to cross-border mergers and the inability to benefit economies of scale due to fragmentation (Commission of the European Communities 1996). Communication was important in the sense that even before the 1998

Saint-Malo Declaration, it mentioned a 'sufficiently autonomous, competitive industrial and technology base' as a requisite for European defence. Defence industry-related actions would have political implications as Europe's security depended on 'western European countries' capacity to form a centre of stability and integration' (Ibid: 11). Hence, the EC called for actions utilising the existing Community instruments possibly in a combination of the CFSP tools 'in the light of the security needs and of the political guidelines to be defined within the framework of the CFSP' (Ibid:11).

One year later, the Commission proposed the Council adopt the Common Position on Framing a European Armaments Policy, which was drafted with reference to the ex-Article J.2 of the Treaty on European Union (Commission of the European Communities 1997). This meant that the EC linked the industrial dimension to the provisions of the CFSP. Indeed, the Draft Position (Annex I) established a link between issues such as intra-community transfers, public procurement and employment, which normally dealt with Community instruments in trade, competition and innovation policies, with the CFSP. With a resolution in January 1999, the Parliament called on the Council to adopt the draft Common Position. Yet again, there was no action by the member states. The EC later referred to these inactions as 'perhaps, that the proposals were before their time' (Commission of the European Communities 2003: 3). Indeed, when Martin Bangemann, then-Commissioner for Industry, proposed member states coordinate national defence research programmes with the Commission's programmes, they opposed this proposal arguing that it would be an infringement to the intergovernmental domain (Haroche 2019).

The 1998 Franco-British Summit produced the first major political statement to develop autonomous action capacity so that Europe could respond to international crises and 'make its voice heard in world affairs' (CVCE.eu n.d.). The 1999 Franco-German Summit in Toulouse produced a similar joint declaration emphasising European autonomy. The EU took incremental steps such as the integration of Petersberg Tasks with the Amsterdam Treaty in 1997, the adoption of the European Security and Defence Policy (ESDP) at the Cologne Summit, and the adoption of the Helsinki Headline Goals in 1999. Yet, despite the strategic needs, operational aspirations could not be materialised fully. The failure was attributed, first, to the consensus-based decision-making in CFSP and CSDP (then ESDP), which prevented the EU from engaging in large-size capability development initiatives (Menon 2011). Also, the member states contested over the substance and degree of autonomy. Whereas the Europeanist members supported joint defence acquisition and capability development within the ESDP framework, the Atlanticist/Euro-Atlanticist members supported strengthening European capabilities under the NATO framework and keeping the acquisition and research programmes open to NATO allies (Batora 2009).

From the theoretical perspective, a combination of external and internal circumstances mentioned above explains the source of institutional change. The developments in the aftermath of the Cold War were influential on the characteristics of both the political context and the change agent. With the adoption of the CFSP, the legal setup of the EU made the principles' veto possibility even stronger in security and defence matters. The insurance of the exclusive competency of the member states on security and defence issues left less room for strategic reinterpretation. Meanwhile, the external pressure to increase competitiveness demanded the redirection of goals and means. This pressure was accompanied by regulatory hyperactivity on the Commission's side to establish the single market. However, the reluctance of the member states to take common action in matters with defence implications, together with the lack of legal authority, made the Commission act prudently. The Commission's low level of discretion at that time shows that displacement was not an option. However, the proposals for a change in the communications and common positions – backed by the EP – signalled that layering would have been expected.

#### *Signs of change: strengthening the defence-competitiveness nexus*

The EU adopted its first security strategy (European Security Strategy-ESS) in 2003. With the ESS, the Union made a 'high-flown promise' to make a robust contribution to global security, including increased defence spending to devote more resources to civilian and military operations (Mälksoo 2016: 378). The guiding perspective of the ESS was unsurprisingly reflected in the Commission's efforts. The 2003 Communication referred to the European defence equipment policy instead of the armament policy. It was stated that the EC was 'determined to make progress at once wherever this may be possible' (Commission of the European Communities 2003: 3). The Commission emphasised the defence equipment market and research as areas to be handled with Community instruments and proposed to work on an EU Defence Equipment Framework, which would include collaborative programmes, research and technology programmes and off-the-shelf procurement, to be managed by an Agency (Ibid). This proposal was realised one year later with the establishment of the EDA. Hence, the Commission contributed to the creation of this intergovernmental body to facilitate defence integration including operational/military aspects. The establishment of the EDA, in this sense, resembles the Commission's preference of delegating issues out of its direct competence to technical agencies so that these issues are at least included in the EU policy-making processes.

In 2004, the Group of Personalities, co-chaired by Commissioners Philippe Busquin and Erkki Liikanen, developed proposals for an EU security research programme. The report indicated a security perspective on research and technology development in Europe. The Group suggested incentivising research and technology

for the protection of territory, sovereignty, population and critical infrastructure of the member states; and it stressed the increasing overlap between civil and defence-related technologies. Based on the 'duality of technologies' and 'multi-functionality of capabilities', the Group proposed that the EU have a stronger role in defence-related research (European Commission 2004: 14). The proposals in the report legitimised the need for a Community funding programme for capability-driven projects, the basis of which was already formed by the enduring competitiveness-driven perspective of the EC. The existing nexus between security and competitiveness was clearly stated by Commissioner Liikanen when he said that restructuring the European defence industry, increasing its competitiveness and creating a single market for defence products was vital for ESDP (European Commission 2002).

The EC's proposal for a directive on intra-EU transfers of defence products in the 2007 Communication showed the decisiveness of this renewed approach to the defence industry (Commission of the European Communities 2007). The proposal was brought to life in 2009 when the EC issued two directives (2009/81/EC and 2009/43/EC) to regulate and support European defence equipment procurements. Adoption of these Directives was seen as the Commission's pledge to become a central actor in procurement policies and consequently in European defence policy (Haroche 2019). The ambitious role of the EC was even considered a deliberate action to circumscribe the role of the EDA (DeVore 2015). Despite the member states' long-time reluctance, the Commission's overall dissatisfaction with the intergovernmental approach to market integration and its consequent efforts paved the way for this secondary legislation (Blauberger & Weiss 2013).

To ensure compliance with the Directives, the Commission used multiple, sometimes even conflicting, ways against the member states. The EC successfully used the supranational judiciary to warn them when Spain was sued before the ECJ for its broad interpretation of Article 296 TEC (now Article 346 TFEU), which allowed the member states to have exemptions from procurements. The Court declared that Spain had failed to fulfil its obligations under the Directive. The ECJ ruling made it clear that derogations under Article 296 TEC would be limited to exceptional cases (InfoCruia n.d.). Similarly, in 2010, the EC coerced Greece with the ECJ prosecution for acting against the procurement regulations during the tender to supply submarine battery kits (European Commission 2010). At the same time, the Commission made sector-specific concessions to push the member states into common procurement. First, the procedure for public tenders was designed as more open and competitive to allow deviations from EU procurement legislation. Second, the Commission admitted exemptions from the Directives in specific cases such as joint research and development programmes between at least two member states. Although they seemed to contradict the purpose of the Directives, the concessions were justified by their overall contribution to defence industry goals (Blauberger & Weiss 2013).

From the HI perspective, tracing the developments in the first decade of the 2000s offers much to understand the Commission's changing role in security and defence issues. Even though the efforts to catch up with the global security developments – as manifested in the ESS – remained mostly unfulfilled, the Commission successfully seized this momentum to reflect its security perspective. Through its emphasis on research and technology development as well as the dual use of capabilities, the Commission reiterated the industrial dimension of defence and strengthened the defence-competitiveness nexus. It can be inferred that the dedicated efforts of the Commission to reflect its approach to the defence industry increased its level of discretion for possible reinterpretations and enforcements. Meanwhile, its strategic use of the ECJ legislation as an implicit menace towards the member states loosened their veto possibility against the 2009 Directives even though the original rules remained unchanged. The adoption of secondary legislation was a solid response that reflect the characteristic of the political context and the institution; hence a sign of conversion as a mode of change.

#### *Getting involved: 'the geopolitical Commission'*

Under-investment and fragmentation, particularly in research and technology development, has always been a significant challenge for the European defence industry. The economic crisis of 2009 crushed the defence budgets so hard that it took ten years for the European countries to reach their pre-crisis level of defence spending. The 2017 CARD Trial Run findings revealed that 81% of the total EU defence investment was conducted by 12 member states, and 95% of the expenditure on research and technology development was made by eight members (European Defence Agency, n.d/b). Despite the potential, in 2021, only 9% of the research and technology development in defence was conducted in cooperation (European Commission 2021).

The reality of the European defence industry pushed the Commission to increase its efforts. In 2011, Michel Barnier, then-commissioner for Internal Market, established a Defence Task Force. It consisted of officials from relevant DGs of the Commission, the EEAS and the EDA. In its 2013 Communication, the Commission proposed the Council 'consider launching a preparatory action for CSDP-related research focusing on those areas where EU defence capabilities are most needed' (European Commission 2013: 5). This would serve as the basis of the EDF as Philippe Brunet, then-director of Aerospace, Maritime, Security and Defence Industries, later stated: 'In the Commission's budgetary jargon a Preparatory Action is a generic budgetary term used to describe the testing of a new policy approach requiring financial resources, outside the existing legal base' (European Defence Agency 2015: 11).

The decision to establish the Preparatory Action on Defence Research (PADR) was officially adopted by the Council in 2013. In the Conclusions, the Council

defined strengthening Europe's defence industry as a priority (Article 4). More importantly, the Council mandated the HR/VP to make a strategic assessment of the EU's challenges and opportunities in close cooperation with the Commission (European Council 2013). Hence, from the very beginning, the Commission was officially involved in the EUGS process upon the member states' reiteration of such necessity. The effort for 'joined-up EU foreign policy' was further institutionalised when the president of the EC reactivated the Commissioners' Group on External Action in November 2014. The HR/VP's office would have control over the EU's external budget (Rettman 2014). The HR/VP moving back to Berlaymont was symbolic yet significant to show how the internal and external dimensions had increasingly become intertwined and how the institutional set-up reflected the comprehensive approach towards security and defence policy. This joined-up approach continued in drafting the EUGS through formal consultations between the EEAS, the EC, the Council Secretariat and the European Council in the form of working groups and regular meetings (Tocci 2015).

After taking office, President Juncker made clear that he would focus on security as a priority (European Commission 2014). In April 2015, the Commission delivered the European Agenda on Security. The Agenda stated that a competitive EU security industry would 'contribute to the EU's autonomy in meeting security needs' and that the Commission was considering actions to achieve this (European Commission 2015: 12). Two months later, the Council referred to the Agenda recalling the need to ensure appropriate funding for the preparatory action on CSDP related research. The Council also stated that the EU funds should be used for 'fostering greater and more systematic European defence cooperation to deliver key capabilities' (European Council 2015: 6). That critical decision to use the EU budget for defence-related spending, most importantly for capability development, was later acknowledged by a senior EC official:

in 2015 there was a European Council meeting where the member states, heads of states and governments, agreed on stronger defence cooperation . . . the Council does give political direction and for us, this was a strong signal. . . This is where the Commission picked up: 'We have to do something from our own competence'. We only have restricted competence, mainly in industrial affairs and in research. So, we took the defence area from the industrial angle (Interview 2 2019).

The Commission launched PADR in April 2017 with a total budget of EUR 90 million. The grant agreements with the participants from the 17 member states were signed in 2018. The biggest impediment to the Commission's involvement in defence was Article 41.2 of the Treaty on the European Union, which prohib-



its the use of the EU budget for defence spending. The PADR was a milestone achievement to 'break down the barrier represented by the Legal Service' (Harroche 2019: 10). The Commission carefully reinterpreted Article 41.2 for funding defence research, and justified its involvement in the defence industry 'like any other industry' (Ibid: 5). The Commission used Article 173 TFEU as its legal basis, which allows the EU to engage in measures to 'ensure that the conditions necessary for the competitiveness of the Union's industry exist' (Official Journal of the European Union 2016).

Along with the PADR, the EU launched three capability-oriented mechanisms to transform words into deeds: CDP, CARD, and PESCO. The CDP aims to increase coherence in national defence planning, encourage cooperation between the member states and facilitate the development of defence capabilities in line with the Capability Development Priorities (European Defence Agency n.d./a). For the operationalisation of the CDP, the EU endorsed the CARD in May 2017. Its objective is to present the overall picture of the capabilities, assess the aggregate defence capability level of the EU, and steer the level of implementation by gathering national capability development and defence spending plans. The CDP and CARD are the outcomes of an output-driven approach but, eventually, they depend on the political commitment of the member states. These initiatives are implemented voluntarily and there is hardly any measure other than naming and shaming to penalise those who do not comply. As one EDA official states, compliance is 'a tough political choice' (Interview 6 2019) but without compliance by the member states, the CSDP becomes 'a forum within which they can specialise in talking a good game' (Menon 2011: 95). There is also the budgetary concern as another interviewee observes:

(Member states) have no intention of actually doing them because that is in a way an exercise in a void because it is detached from the budgetary debate. . . . The CDP is like you and me having a discussion supposing you do not need to take into account the money (Interview 4 2019).

The deficiencies of intergovernmental governance in defence policy are even more prevalent in the case of PESCO. Following the joint notification of 23 member states for stronger cooperation in line with Article 42(6) TEU, the Council adopted Decision (CFSP) 2017/2315 establishing PESCO on 11 December 2017. As in President Juncker's famous statement, 'it was time to wake up the Sleeping Beauty of the Lisbon Treaty' (European Commission 2017). With PESCO, participating states made binding commitments to increase the share of expenditure allocated to defence research and technology, and to increase joint and collaborative capability development projects to be financed primarily by the member states themselves (Official Journal of the European Union 2017). However, the early assessments revealed a disappointment as the projects selected and funded

under the PESCO framework do not promise the required level of improvement in capabilities, leaving major capability development projects to bilateral cooperation (Duke 2019; Biscop 2018; Giegerich 2016). The institutional structure cannot be neglected at this point:

A good draft, the first input that makes sense to all member states is the real contribution. If we contradict, the document is dead . . . we cannot publish something that is against the member states' interests. In that sense, there is a clear difference between trade and defence for example. In trade, the Commission can say: 'This is in the Treaty'. Strategic autonomy as a concept, as a headline, is clear. Military perspective is clear but the link between them is not crystal clear (Interview 5 2019).

The constraints of intergovernmental initiatives made it clear that the fulfilment of the defence aspect of strategic autonomy would require the solid contribution of a supranational body. After all, the Commission had bureaucratic and budgetary experience in technical matters. As one interviewee stated: 'We have all the instruments; we have all the pieces of the puzzle but who is to bring them together? . . . Perhaps, I would say, a commissioner on security and defence could help into the Commission.' (Interview 3 2019).

Meanwhile, the Commission displayed an enthusiasm to push the member states for common action. In September 2017, in his State of the Union speech, President Juncker proposed the member states consider moving from unanimity to qualified majority voting (QMV) in foreign policy issues. The 2018 Communication suggested the Council use QMV in three specific areas: human rights issues, sanctions policy, and civilian Common Foreign and Security Policy missions (European Commission 2018: 11). In this conjuncture, it was not unexpected that the proposal to establish the EDF came from the top: the cabinet of Elżbieta Bieńkowska, then-commissioner for Internal Market and Industry (Haroche 2019). The member states were prepared for this development. As Inge Ceuppens, then-EDA project officer, stated in 2015, 'the MS have clearly pointed to the need for something new, namely defence-oriented research' (European Defence Agency 2015: 12). The industrial representatives were especially demanding, pressuring the institutions to put the EDF in place (Major & Mölling 2018).

On 29 April 2021, Regulation (EU) 2021/697 established the EDF. The Fund is designed as a Commission initiative to foster competitiveness and innovation in the European defence industry through supporting cross-border defence collaborations among the member states. The EDF has two dimensions: research and capability development. By delivering financial support to collaborative actions in the research and development phases of defence products and technologies, this initiative aims at enhancing the technology autonomy of the Union in the defence industry; thereby contributing to its strategic autonomy. The EDF is

directly implemented by the EC with a work plan prepared in collaboration with the EEAS, the EDA and the member state representatives in the EDF Programme Committee (Official Journal of the European Union 2021). As of November 2022, out of 134 proposals, 41 joint defence research and development projects with a total budget amounting to EUR 832 million are found eligible for EU funding (European Commission 2023).

EDF regulation refers to Article 173, Article 182, Article 183, and Article 188 TFEU as the legal basis. It is worth mentioning that, in terms of the *acqui communautaire*, the EDF was established as an instrument to enhance the competitiveness of European industry and research policy. That is why the integration of the EDF into the 2021–2027 Multiannual Financial Framework was a significant development as the EU budget would be used directly to support defence-related research and programmes for the first time (Cops & Buytaert 2019). Even though its scope falls into the defence area, the EDF was carefully designed to ensure compliance with Article 41 TEU. The restriction to use EU funds for operations having military or defence implications was circumvented by the research and technology window of the EDF. The prudent attitude of the Commission not to exceed its legal authority was later acknowledged by a senior official:

By stimulating the defence industry to develop capabilities for the military, we want to make our contribution to stronger defence cooperation in Europe. As a secondary objective, so it is not a primary objective, we see that this can lead to greater strategic autonomy. So we really look at strategic autonomy from a technological and industrial perspective. This is our pragmatic way of doing it. . . . All these initiatives are separate. We do not want them to spill over to one another (Interview 2 2019).

The EDF was welcomed by many as an instrument to establish the link between defence priorities and capabilities. Even the EUMC stated that the EDF would not only provide financial support to the defence industry; but it would also ‘guarantee the security of supply and, finally, to realise the all-important strategic autonomy of Europe’ (Chairman of the European Union Military Committee 2017). As one interviewee observes, the EDF was the outcome of ‘the more communitarian way of law-making and generation of an upward trust convergence in industrial terms in an area which was not covered by the single market before’ (Interview 7 2019).

Since the launch of the EDF, the Commission has adopted the strategic language of the EU and kept its proactive role in the defence industry. While introducing the College of Commissioners to the EP, President von der Leyen announced ‘the geopolitical Commission’ that ‘Europe urgently needs’ (European Commission 2019). The industrial strategy prepared under the auspices of her presidency acknowledged that strategic autonomy was about reducing

dependence on others on most critical materials and technologies in strategic areas. Hence making the EU industry more competitive would enhance Europe's strategic autonomy (European Commission 2020). The creation of the DG Defence Industry and Space (DG DEFIS) is a solid example of its increasing engagement. To support the competitiveness and innovation of the European defence industry, DG DEFIS holds the responsibility to implement and oversight the EDF. Its creation is seen as a shift towards supranational governance in the European defence sector (Sabatino 2022).

The most ambitious step, to date, is perhaps the proposal for a regulation establishing the European defence industry reinforcement through common procurement act (EDIRPA). The proposal came in the wake of the Russian military aggression against Ukraine. In the words of Chancellor Olaf Scholz, the war in Ukraine has created a new era in which 'the world is facing a *Zeitenwende*: an epochal tectonic shift' (Scholz 2023). The EU leaders met at the Versailles Summit on 11 March 2022 and agreed to bolster the Union's defence capabilities to ensure autonomous action against possible aggressions. The leaders pledged to take decisive steps such as increasing defence expenditures, incentivising the member states for joint defence procurement, investing in critical and emerging defence technologies, and supporting the SMEs (European Council 2022). A few days later, the leaders reiterated their pledge in the Strategic Compass, the most comprehensive action plan of the Union in security and defence.

Upon the request of the Council and with the contribution of the EDA, in May 2022, the Commission presented the analysis of defence capability gaps in air, land, maritime, cyberspace and space domains (European Commission 2022). The proposal to establish the EDIRPA came as a remedy to defence capability gaps. The EDIRPA shares the legal basis of the EDF (Article 173 TFEU); however, its scope is entirely new and different. The EDF targets joint research and development of defence equipment at the 'pre-commercial' phase whereas the EDIRPA is to be the first initiative to establish an EU fund for joint procurement of final defence products (Clapp 2023: 5). The EDIRPA is part of a comprehensive scheme to replenish the stocks reduced by the donations to Ukraine (Council of the EU 2023). In this sense, it complements the Act in Support of Ammunition Production (ASAP): the recent Commission proposal to step up the EU's production capacity to respond to the urgent need for ground-to-ground and artillery ammunition, and missiles (Clapp 2023). In December 2022, the Council confirmed the proposal and called for the swift adoption of the EDIRPA regulation. In May 2023, the Parliament agreed on its mandate for negotiations. The legislative procedure is in progress.

From a theoretical perspective, the challenges posed by the economic crisis and the Russian aggression have significantly altered the conditions in which the EU operates. In terms of defence policy, the pressure for competitiveness

and the reappearance of traditional security concerns have mutually created the need for a redirection of goals and means. This need was repeatedly manifested in the strategy documents as well as the conclusions and positions of various EU bodies. However, a closer examination of the internal developments reveals that the EU's responses to this pressure are considerably shaped by internal changes. Reactivation of the Group on External Relations, the involvement of the Commission in the EUGS, the defence capability analysis and establishment of Commission-led funding are a few illustrations of the Commission's empowerment in security and defence issues. Starting with PADR, the Commission strategically interpreted the gaps and ambiguities in the legal provision and used them to establish the EDF and EDIRPA. With its particular focus on research and technology development as part of the defence policy, the Commission has decisively followed the steps it took in the 1990s, thus creating a path to follow. The pressure of external factors weakened the principals' veto possibility whereas the path-dependency of the Commission increased its level of discretion. The coexistence of these two trends created the environment for conversion, which has been realised with the reinterpretation of the relevant treaty articles and the introduction of new regulations.

## **Conclusion**

The point of departure for this study was the puzzling observation that, despite the rationalist expectations, the EU's recent initiatives to develop operational capabilities do not fulfil their promise to contribute strategic autonomy whereas the defence industrial initiatives have gained an unexpected prominence. Drawing on this puzzle, the study aimed to scrutinise the EU's current approach to this ambition to see whether endogenous elements would offer an alternative explanation to this observation. For this aim, the study employed a historical perspective and analysed the evolution of EDF as an instrument and the role of the Commission as an agent of change. The study borrowed the conceptual tools developed by Streeck and Thelen (2005) and Mahoney and Thelen (2010) to analyse primary and secondary data.

In line with the expectation of HI, it can be inferred that a series of external crises since the end of the Cold War has created critical junctures that considerably affected the conditions which the Union has been operating in. The collapse of the bipolar order in the late 1980s, the war on terror in the early 2000s, the economic crisis and the subsequent debt crisis around 2010 and finally the Russian aggression in the European borders since 2014 have triggered the need for reorientation of the goals and means in external relations. The principles' acknowledgement of this need is repeatedly manifested in the Council Conclusions as binding political commitments. The EU has developed responses towards this need and strategic autonomy ambition is one of them.

However, historical reading of the autonomy efforts reveals that institutional change is not merely the outcome of external crises. The aim to make the EU's voice heard in world affairs has been reiterated by the member states various times since 1948. Likewise, the EU has constantly restated its aim to develop autonomous action capability.

The findings of this study show that what differentiates the current approach from previous 'promises' is the choice of means for the fulfilment of autonomy ambition. Institutions do not behave arbitrarily when they prefer one option over the others; rather that choice accommodates the remnants of its history. In our case, the EU has developed various options, i.e. initiatives, that would contribute to strategic autonomy. The defence capability planning and development initiatives are designed as intergovernmental options whereas defence industrial initiatives are designed as supranational options. The reason why EDF – similarly the PADR as its forerunner – as a supranational option has proved to be game-changing is because they are the steps of an experience-driven path. The EDF is the outcome of the Commission's consistent and deliberate efforts for defence integration through market liberalisation and common procurement since the 1990s. Its growing dissatisfaction with the non-compliance and underachievement in common defence procurement coupled with its increasing discretionary power as a policy entrepreneur and regulatory authority have made the Commission a dominant change agent. The EC has gained its pivotal role with its determination to push the member states into, first common procurement through 2009 Directives, and then into capability development through funding research and technology spending in the defence sector. Through the introduction of new regulations, the Commission successfully reinterpreted the original rules and exploited the gaps and ambiguities stemming from their local enactments as in the case of Article 173 TFEU. Hence, despite the initial expectation of layering, through conversion, the Commission decisively and considerably contributed to the formulation of the means to declared ends.

The CSDP is an intergovernmental area. One needs to stay cautious of over-emphasising the role of institutions and downplaying the role of power contestations between the principles. However, the fact that national planning and spending are still prioritised while the intergovernmental mechanisms do not offer much-added value in strategic terms leaves doubt on whether the EU will successfully translate its words into deeds. In this vein, it is a fair expectation that EDIRPA and ASAP, as the most recent steps of the path, will strengthen the Commission's role in defence matters.

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### List of interviews

- Interview 1, Senior EEAS official, 25 February 2019, Brussels.
- Interview 2, Senior EC official, 03 July 2019, Brussels.
- Interview 3, Senior policy analyst from the Egmont Institute, 04 July 2019, Brussels.
- Interview 4, Senior policy analyst from the Egmont Institute, 04 July 2019, Brussels.
- Interview 5, EUMS official, 15 July 2019, Brussels.
- Interview 6, Senior EDA official, 15 July 2019, Brussels.
- Interview 7, Senior policy analyst from the European Union Institute for Security Studies, 17 July 2019, Brussels.