Insight

EU Strategic Autonomy and Technological Sovereignty
edited by Charlotte Beaucillon *and* Sara Poli

The Legal Framework of the EU Defence Industry and the Pursuit of Strategic Autonomy

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Abstract: National autonomy in the defence industry sector is often considered key by Member States to guarantee their national security interest. However, recent developments such as the Russian military aggression against Ukraine brought the need for further integration in this domain into the spotlight. The aim of this *Insight* is to analyse the EU legal framework of the defence industry through the prism of strategic autonomy, considering whether such deeply fragmented regulatory system is suitable for achieving this objective. It shows that, even if the current initiatives improve cooperation between Member States in this sector, there is still the underlying lack of a common purpose to achieve full strategic autonomy that would allow transforming the EU into an autonomous geopolitical actor. Nevertheless, the defence industry is a field where Member States could more easily perceive the benefits deriving from further integration and, therefore, it is a promising starting point in the path toward European strategic autonomy in defence.

Keywords: Strategic Autonomy – EU Defence Industry – Strategic Compass – PESCO – EDF – CARD.

I. Introduction

Defence industry is a key sector for the future development of the EU defence policy. This is clear, among other sources, from the wording of the Strategic Compass, a document approved by the Council at its meeting held on 21 March 2022, which identifies the priorities that need to be taken into account at the EU level in order to increase its ability to act, its resilience, and solidarity in this sector.[1] In particular, the Strategic Compass provides a

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[1] Council meeting of 21 March 2022, A Strategic Compass for Security and Defence - For a European Union that protects its citizens, values and interests and contributes to international peace and security (hereinafter "Strategic Compass").

Vol. 8, 2023, No 1, pp. 475-486
(European Forum, 27 July 2023), pp. 475-486
ISSN 2499-8249
doi: 10.15166/2499-8249/668

shared assessment of the strategic context of the European Union and of the threats and challenges that it will have to face in the future. In addition, it aims at ensuring greater and coherent cooperation in the field of security and defence and to define new ways and means of improving collective defence capabilities. Strategic autonomy plays a central role in the framework developed by the Strategic Compass.

The aim of the present *Insight* is to consider whether the available legal instruments that form the EU legal framework of the defence industry, which is part of the defence sector in general, are suitable for pursuing strategic autonomy. This analysis is not intended to be exhaustive, but it seeks to offer a key to look at a deeply fragmented regulatory system such as the defence industry through the prism of the strategic autonomy objective. Against this background, this *Insight* will, firstly, provide an overview of the context in which the strategic autonomy debate has become increasingly relevant nowadays pointing out at least three elements that have made it more topical, namely the recent French presidency of the Council, the Russian military aggression against Ukraine and the Conference on the future of Europe (section II). In order to clarify the terminology adopted, the following section will define the notion of strategic autonomy as intended at EU level, in particular with respect to the defence industry sector (section III). Afterwards, section IV will dwell on some of the most relevant EU legal instruments, namely the Permanent Structured Cooperation (section IV.1), the European Defence Fund (section IV.2) and the Coordinated Annual Review on Defence (section IV.3), analysing the changes envisaged by the Strategic Compass for the pursuit of strategic autonomy (section V). Finally, some conclusions will be drawn (section VI). It will be contended that the transition toward strategic autonomy in the defence industry sector has already started and the existing legal instruments are useful in light of that objective. However, there are also important obstacles that are difficult to overcome such as the strong intergovernmental approach that is a pervasive feature of this domain.

II. The debate concerning the EU defence industry and strategic autonomy: why is it central nowadays?

The defence industry has long been out of the spotlight, considering the European integration process. Therefore, in order to understand why it became particularly relevant nowadays in relation to the notion of strategic autonomy, it is firstly interesting to observe the context in which the related debate arose. Moreover, framing the background will be particularly helpful to understand the driving spirit of the Strategic Compass and the current developments.

The first element to point out is the recently terminated French presidency of the Council.[2] A major commitment made was to build "a stronger Europe which is more capable of action in the fields of security and defence".[3] Moreover, in the thematic priorities of the programme shared with Czech Republic and Sweden[4] and approved by the General Affairs Council on 14 December 2021, it is possible to find the intention to promote "a new growth and investment model for Europe, based on sustainable green growth and on strengthening the EU's industrial and digital sovereignty" and "multilateralism and renewed international partnerships, while adopting a shared vision among the 27 Member States regarding strategic threats".[5]

A key role in the debate concerning the EU defence industry and strategic autonomy has been played by the Russian military aggression against Ukraine.[6] Being an attack at the heart of Europe and at the European Union's doorstep, the war in Ukraine can be seen as the crisis that triggered the renewed interest in the defence sector and the need for further integration in order to achieve strategic autonomy. As underlined by the Joint Communication of the European Commission and of the High Representative of the Union for Foreign Affairs and Security Policy on "the Defence Investment Gaps Analysis and Way Forward", Member States were in a situation of years of defence underspending that led to an accumulation of gaps and shortfalls in the collective military inventories as well as reduced industrial production capacity.[7] In light of the Russian military aggression against Ukraine, they agreed to increase national defence budgets in the coming years (close to 200 additional billion euros) and cooperation through joint projects, close shortfalls and meet capability objectives, boost innovation also through military synergies, and strengthen and develop the EU defence industry.[8] These initiatives were promoted under the motto "spend more but also invest better and together" since there is the risk that the mere increase of national expenditure for the defence sector could not be enough, it could be useless for the pursuit of the objectives agreed (e.g. risks of duplication) or it could even be detrimental.[9] Moreover, together with other factors, the war in Ukraine

[2] The French presidency of the Council started on 1 January 2022 and terminated on 30 June 2022.

[3] Programme of the French presidency of the Council for 'Recovery, Strength and a Sense of Belonging' presidence-francaise.consilium.europa.eu 3.

[4] The Czech Republic took up the presidency of the Council in the second half of 2022 and it will be followed by Sweden in the first half of 2023.

[5] See the website of the French presidency presidence-francaise.consilium.europa.eu and the shared '18-month Programme of the Council (1 January 2022-30 June 2023)' (14441/21) approved by the Council at its meeting held on 10 December 2021.

[6] See C Cellerino, 'La difesa europea dinanzi alla guerra in Ucraina tra "autonomia strategica" e vincoli strutturali: quali prospettive per la Difesa comune?' (2022) Il diritto dell'Unione europea 9.

[7] Joint Communication JOIN(2022) 24 final from the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 18 May 2022 on the Defence Investment Gaps Analysis and Way Forward.

[8] *Ibid*. 1.

[9] *Ibid*. 1-2.

highlighted the need to create a European force or, at least, an initial entry force. In this context, the Strategic Compass foresees a reform of the EU Battlegroups to create the EU Rapid Deployment Capacity (5,000 units max, with specific attention to readiness regime and interoperability) and calls for a reinforcement of EU missions (civil and military).[10]

Finally, the third element that is important to highlight is the Conference on the future of Europe and the report on the debate that took place therein.[11] It certainly was an interesting attempt to allow direct participation of European citizens in the European integration process. In particular, with regard to the defence sector, citizens manifested their will for a stronger European Union, their desire to achieve autonomy in the area of defence and security, and to create a Joint Armed Force of the European Union.

III. The notion of strategic autonomy and the EU defence industry

Once the context in which the debate arose has been depicted, the notion of strategic autonomy as applied in relation to the defence industry must be clarified.[12] The idea of making the European Union strategically autonomous was originally created to be applied to the security and defence sector.[13] Only recently, this concept has been extended and applied to other areas of EU action[14] evolving into what it is now called “EU Open Strategic Autonomy”.[15]

[10] Strategic Compass cit.

[11] Report on the final outcome of the Conference on the Future of Europe, ‘Report on the Final Outcome’ (May 2022) futureu.europa.eu.

[12] Concerning the notion of strategic autonomy, see N Helwig, V Sinkkonen, ‘Strategic Autonomy and the EU as a Global Actor: The Evolution, Debate and Theory of a Contested Term’ (2022) European Foreign Affairs Review 1; N Helwig, ‘The Ambiguity of the EU’s Global Role: A Social Explanation of the Term “Strategic Autonomy”’ (2022) European Foreign Affairs Review 21; D Fiott, ‘Strategic Autonomy: Towards “European Sovereignty” in Defence?’ (2018) European Union Institute for Security Studies (EUISS). For a perspective focused on defence issues and the relationship between EU and NATO, see J Howorth, ‘Strategic Autonomy and EU-NATO Cooperation: Threat or Opportunity for Transatlantic Defence Relations?’ (2018) Journal of European Integration 523; J Howorth, ‘Strategic Autonomy and EU-NATO Cooperation: A Win-Win Approach’ (2019) L'Europe en Formation 85. Moreover, see also the recent European Council Press Release, ‘Joint Declaration on EU-NATO Cooperation’ (10 January 2023) www.consilium.europa.eu and the related statements by Ursula von der Leyen (available at: ec.europa.eu) and Charles Michel (available at: www.consilium.europa.eu) where both the Strategic Compass and the notion of strategic autonomy are mentioned.

[13] See J Borrell, ‘Why EU Strategic Autonomy Matters’ (3 December 2020) ‘A Window on the World’ Blog – European Union External Action www.eeas.europa.eu.

[14] European Council Conclusions EUCO 13/20 of 1-2 October 2020, ‘Special meeting of the European Council’ 1.

[15] Staff Working Document SWD(2021) 352 final of the European Commission of 5 May 2021 Strategic dependencies and capacities Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery. According to this document, “open strategic autonomy” means the ability to shape the new system of global economic

The close link between the strengthening of the EU defence industry and the achievement of strategic autonomy in this sector was stressed by the European Council in its conclusion of 19-20 December 2013 in which it stated that: "Europe needs a more integrated, sustainable, innovative and competitive Defence Technological and Industrial Base (EDTIB) to develop and sustain defence capabilities. This can also enhance its strategic autonomy and its ability to act with partners. The EDTIB should be strengthened to ensure operational effectiveness and security of supply, while remaining globally competitive and stimulating jobs, innovation, and growth across the EU".[16]

The notion was further elaborated in the 2016 Global Strategy, where the necessity of a strong relationship between the European defence industry and strategic autonomy was specifically highlighted by affirming that: "A sustainable, innovative and competitive European defence industry is essential for Europe's strategic autonomy and for a credible CSDP".[17] Probably, the closest to a definition of strategic autonomy can be found in the Council conclusions on the implementation of the EU Global Strategy, where the expression "capacity to act autonomously when and where necessary and with partners wherever possible" is used.[18] In the following years, the concept of strategic autonomy started to be used by the Council, by the European Council (mostly making reference to the wider notion of open strategic autonomy), and in secondary legislation.[19] Also in the Conclusions recently adopted by the European Council at its meeting held on 15 December 2022 the strategic dimension of security and defence plays a central role.[20] In particular, the European Council underlines that the "European Union is taking more responsibility for its own security and, in the field of defence, pursuing a strategic course of action and increasing its capacity to act autonomously", stressing that strengthening

governance and develop mutually beneficial bilateral relations, while protecting the EU from unfair and abusive practices, including diversification and consolidation of global supply chains (p. 7). On the notion of "European Open Strategic Autonomy", see T Gehrkeeu, 'Open Strategic Autonomy and the Trappings of Geoeconomics' (2022) European Foreign Affairs Review 61. Regarding the use of the strategic autonomy concept as a compass in policy planning at EU level, see H Delphin, 'Above the Fog and the Fury: EU Strategic Policy Planning and the EU's Future in Times of Global Uncertainty' (2021) European Foreign Affairs Review 35.

[16] European Council Conclusion EUCO 217/13 of 19-20 December 2013, 16. In general, see also paras 1-22. As stressed by Raluca Csernatoni, a connection can also be drawn between fostering Europe's defence industrial interests in high technology areas and technological sovereignty intended as part of the broader notion of strategic autonomy. See R Csernatoni, 'The EU's Hegemonic Imaginaries: from European Strategic Autonomy in Defence to Technological Sovereignty' (2022) European Security 395.

[17] European External Action Service, 'Shared Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union's Foreign and Security Policy' (2016) 46. Moreover, the same document underlines that "An appropriate level of ambition and strategic autonomy is important for Europe's ability to promote peace and security within and beyond its borders" (p. 9 and 19).

[18] European Council Conclusions EUCO 14149/16 of 14 November 2016 on implementing the EU Global Strategy in the area of Security and Defence, 2.

[19] J Borrell, 'Why EU Strategic Autonomy Matters' cit.

[20] European Council Conclusion EUCO 34/22 of 15 December 2022.

the industrial and technological base of the European defence sector is a fundamental part of this path.[21]

For the purposes of this *Insight*, it is possible to distinguish between an external and an internal dimension of strategic autonomy. While the former relates to the EU's aim of being independent of third countries from the defence industry (R&D and product) standpoint, the internal dimension concerns its ability to “act as one”. Figuratively speaking, if the external dimension can be depicted as an outward movement (self-sufficiency from third countries), the internal dimension can be seen as the ability of Member States to act and cooperate in a coherent and effective manner in this domain.

The second perspective indicated inevitably affects the former. The effectiveness of instruments and procedures to achieve the internal dimension of strategic autonomy is likely to affect the ability of the EU to affirm its autonomy in terms of the defence industry. The legal framework of the EU provides some space for pursuing integration goals and strengthening cooperation between Member States in this field, both within the Common Security and Defence Policy (CSDP), which is an integral part of the Common Foreign and Security Policy (CFSP) and of the internal market and industrial policy.

Strategic autonomy does not mean that the EU should deny its commitment to openness and multilateralism but entails the reduction of external dependencies in strategic areas where it could compromise the EU’s autonomy.[22] Translated into the European Commission’s words, it means “acting multilaterally whenever it can and being ready to act autonomously if it must”.[23] Strategic autonomy tends to be coupled with the concept of European sovereignty. Recalling this notion underlines the important budgetary implications that can be observed since the EU can achieve full strategic autonomy if it has sufficient resources to do so[24] and if it can rely on a true European fiscal capacity.[25] In this regard, the defence industry is gaining importance considering the EU spending priorities, while the possibility of creating an autonomous European fiscal capacity still seems distant.

[21] *Ibid*. 6.

[22] European Commission, EU Budget policy brief of the European Commission of April 2022 ‘EU Strategic Autonomy and the Role of the EU Budget’ 4.

[23] Joint Communication JOIN(2021) 3 final from the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 17 February 2021 on strengthening the EU’s contribution to rules-based multilateralism 16.

[24] European Commission ‘EU Strategic Autonomy and the Role of the EU Budget’ cit. 5. Moreover, this document interestingly identifies the factors determining the chance that a change in policy priorities is successfully turned into a change in spending priorities. It underlines that when national sovereignty is attached to a specific “symbol” (*e.g*. in defence or diplomacy), Member States might oppose full EU integration (p. 10-11). Concerning the relationship between strategic autonomy and the concept of European sovereignty, see also B Lippert, N von Ondarza and V Perthes (eds), ‘European Strategic Autonomy: Actors, Issues, Conflicts of Interests’ (SWP Research Paper 4-2019) Stiftung Wissenschaft und Politik – German Institute for International and Security Affairs.

[25] Concerning the problems related to the possibility to create a European fiscal capacity and its implications, see G Rossolillo, ‘Il finanziamento dell’Unione europea: Proposte per una riforma dei Trattati per istituire una competenza fiscale dell’Unione europea’ (2021) Quaderni federalisti.

IV. EU defence industry: The relevant legal framework

The current legal framework is quite fragmented. Concerning primary law, the Treaties provide for some legal bases that can be used for the adoption of acts in the field of defence industry cooperation. In particular, art. 173 TFEU focuses on industrial policy and art. 182 TFEU on the improvement of an EU scientific and technological base. However, important limits to further integration in this domain are embodied in art. 346 TFEU, where it is provided that the Treaties cannot oblige a Member State "to supply information the disclosure of which it considers contrary to the essential interests of its security" and that "any Member State may take such measures as it considers necessary for the protection of the essential interests of its security [that] are connected with the production of or trade in arms, munitions and war material". Moreover, among the provisions of the CSDP, art. 42(3) TEU makes explicit reference to a "European capabilities and armaments policy" in which the European Defence Agency (EDA) plays a central role, and arts 42(6) and 46 TEU allow the establishment of the Permanent Structured Cooperation (PESCO).

There are various legal instruments that have been adopted on the ground of these provisions to facilitate cooperation and coordination between Member States in the defence industry sector.[26] However, one of the most significant signs of the renewed interest in European defence over the past years was the establishment of PESCO in December 2017 (section IV.1).[27] PESCO can be considered a complementary tool to two other important instruments: the European Defence Fund (EDF, section IV.2)[28] and the Coordinated Annual Review on Defence (CARD, section IV.3). The latter is a planning tool and represents one of the major tasks performed by the EDA.

[26] Other examples are the European provisions on defence procurement (it is important to mention the recent Proposal COM(2022) 349 final of the European Commission of 19 July 2022 for a regulation on establishing the European defence industry Reinforcement through common Procurement Act) and Regulation 428/2009 of the Council of 5 May 2009 on setting up a Community regime for the control of exports, transfer, brokering and transit of dual use items.

[27] Decision (CFSP) 2017/2315 of the Council of 11 December 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States. *Ex multis*, see S Blockmans, 'The EU's Modular Approach to Defence Integration: An Inclusive, Ambitious and Legally Binding PESCO?' (2018) CMLRev 1785; D Fiott, A Missiroli and T Tardy, 'Permanent Structured Cooperation: What's in a Name?' (Chaillot Paper 142-2017).

[28] Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092. Implementing Decision C(2021) 4910 final of the Commission of 30 June 2021 on the financing of the European Defence Fund established by Regulation (EU) No 2021/697 of the European Parliament and the Council and the adoption of the work programme for 2021; Implementing Decision C(2021) 4897 final of the Commission of 30 June 2021 on the financing of the European Defence Fund and the adoption of the work programme for 2022.

IV.1. Permanent Structured Cooperation (PESCO)

PESCO, which finds a rather detailed regulation in primary law, was introduced by the Lisbon Treaty to allow a group of Member States to develop closer cooperation in the CSDP framework.[29] Although the Treaty foreshadowed its immediate activation, PESCO was launched later, in December 2017. It involves 25 States (all Member States with the exception of Denmark and Malta) but it has at its core a highly modular structure, as smaller and varying groups of Member States take part in individual projects. It is a legal instrument that is intended to allow differentiated integration in the area of security and defence by the Member States that wish to cooperate more closely and "whose military capabilities fulfil higher criteria" and "which have made commitments to one another in this area [...] with a view to the most demanding missions".[30] Thus far, 60 projects have been developed within the framework of PESCO, covering various areas: training facilities, land/formations/systems, intelligence, surveillance and reconnaissance (ISR) services, advanced maritime systems, remotely piloted aircraft systems (Eurodrone), strategic air transport, cyber defence, joint enablers and space infrastructure (Twister).[31] An initial list of 17 projects – one of which was closed in 2020 – was adopted on 6 March 2018. The Council adopted a second group of projects on 19 November 2018 and 12 November 2019. Finally, the Council implemented the last group of PESCO projects on 16 November 2021.

IV.2. European Defence Fund (EDF)

The European Defence Fund, governed by Regulation (EU) 2021/697, is the Commission's key initiative to support collaborative research and development of defence capabilities with the EU budget. The Fund financially supports consortia of companies from different Member States undertaking cooperative defence research and development of defence products and technologies. The Fund also includes mechanisms to stimulate the opening of supply chains. It aims to:

> "foster the competitiveness, efficiency and innovation capacity of the European Defence Technological and Industrial Base (EDTIB) throughout the Union, which contributes to the Union strategic autonomy and its freedom of action, by supporting collaborative actions and cross-border cooperation between legal entities throughout the Union, in particular SMEs and mid-caps, as well as by strengthening and improving the agility of both defence supply and value chains, widening cross-border cooperation between legal entities and fostering the better exploitation of the industrial potential of innovation, research and

[29] Art. 42(6) TEU, art. 46 TEU and Protocol No. 10 on permanent structured cooperation established by art. 42 of the Treaty on European Union.

[30] Art. 46(2) TEU and Annex I "Principles of PESCO" to the Decision (CFSP) 2017/2315 of the Council of 11 December 2017 establishing permanent structured cooperation (PESCO) and determining the list of participating Member States.

[31] See PESCO website at: www.pesco.europa.eu.

technological development, at each stage of the industrial life cycle of defence products and technologies".[32]

Actions developed in the context of PESCO projects are eligible for and may benefit from increased funding through such Fund.[33] The aim of EDF is to avoid fragmentation, and its budget under the current Multiannual Financial Framework (MFF) of the Union (2021-2027) is 7.95 billion euros.[34]

IV.3. Coordinated Annual Review on Defence (CARD)

In 2019 the European Court of Auditors pointed out that the EU planning process for the development of capabilities is complex and involves many stakeholders since "it consists of four overlapping layers which are fragmented between the stakeholders that lead the various processes".[35] The Court of Auditors is making reference to the EDA's Capability and Development Plan (CDP) and CARD, PESCO and the EU Military Staff's capability development mechanism.[36]

In particular, CARD is an instrument approved by the European Council in May 2017 whose function is to assist Member State efforts in identifying new areas of collaboration, especially within the framework of PESCO projects. The EDA and the EU Military Staff (EUMS) perform the Secretariat function for CARD. The second cycle of CARD was launched in December 2021 and the Secretariat was engaged in a series of bilateral meetings with Member States in order to collect relevant data for the report and to be able to issue appropriate recommendations.

V. A glimpse into the future: The Strategic Compass and the next steps toward autonomy

In 2016, the European Commission claimed that collectively Europe was the world's second-largest military spender but it was still suffering from inefficiencies in spending due

[32] Art. 3 Regulation (EU) 2021/697 cit.

[33] *Ibid*. art. 13(3)(a).

[34] The 2021-2027 MFF strengthened the role of defence and security in the EU budget (see heading 5, Security and Defence – 14.92 billion). The 7.95 billion of the EDF were allocated in two windows: a research window (2.7 billion euros) and a capability window (5.3 billion euros). Moreover, to simplify and standardise cross-border military transport procedures, 1.69 billion euros were allocated to military mobility. See European Commission 'EU Strategic Autonomy and the Role of the EU Budget' cit. 13 and European Commission, 'EU Budget Policy Brief: A Budget for a Geopolitical Europe' (October 2022) 17.

[35] Review of the European Court of Auditors, 'European Defence' (2019) www.eca.europa.eu 58 ff.

[36] In-depth analysis of the European Parliament (EPRS), 'Defence Industry Cooperation in the European Union: Rationale, Initiatives, Achievements, Challenges' (May 2021) www.europarl.europa.eu 7.

to duplications, a lack of interoperability, and technological gaps.[37] This objective does not seem to have been achieved so far since only 11 percent of the investments carried out by Member States in 2020 in this area involved transnational collaborative projects.[38] Coherence between EDF and CARD, on one hand, and the activities carried out under PESCO, on the other hand, is crucial to ensure the effectiveness and efficiency of the EU action in the pursuit of strategic autonomy.[39] Such need for coherence is highlighted in the Strategic Compass, which considers the reduction of fragmentation and the development of next-generation capabilities essential. For this purpose, it envisages annual ministerial meetings on EU defence initiatives addressing capability development, making full use of existing formats.[40]

Moreover, the Strategic Compass makes explicit reference to the instruments listed above (PESCO, EDF, and CARD). This is done in the "invest" section of the Strategic Compass calling for their enhancement by means of a better implementation of recommendations agreed under CARD and an intensified cooperation under PESCO.[41] In particular, the Strategic Compass underlines that "by 2025 Member States participating to PESCO must fulfil all more binding commitments that they have undertaken" since, by then, one third of 60 ongoing projects will be concluded.[42] It also underlines that "beyond these concrete results, our goal is to go further by implementing the agreed capability priorities and developing new ambitious projects. We will closely review the fulfilment of these commitments in order to be able to agree on new commitments in 2025 to further deepen defence cooperation".[43]

Finally, the Strategic Compass considers the EDF a key to strengthening the EU defence capabilities and requires significantly enhancing the full potential of EU funding instruments supporting Member State defence cooperation, from design to acquisition.[44] This element is particularly relevant from the EU budget perspective. As recalled above, policy changes need to be supported by proper resources and, therefore, they should be complemented by a change in spending priorities. This is exactly what the Strategic Compass seems to envisage:

[37] Communication COM(2016) 0950 final from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions of 30 November 2016 'European Defence Action Plan', 3.

[38] Joint Communication JOIN(2022) 24 final cit. 5.

[39] Regarding the effects of the Strategic Compass in terms of development of the EU strategic autonomy, see S Sweeney and N Winn, 'Understanding the Ambition in the EU's Strategic Compass: A Case for Optimism at Last?' (2022) Defence Studies 192.

[40] Strategic Compass cit. 33.

[41] *Ibid*. 30 ff.

[42] *Ibid*. 33.

[43] *Ibid*.

[44] *Ibid*.

> "we should be prepared to match the increased ambition at Union level with the adequate long-term financial weight of the European Defence Fund. We will enhance and leverage collaborative defence investment at the EU level, including Research and Technology. We will fully exploit the potential of synergies with other EU financial instruments, such as Horizon Europe, Digital Europe Programme, Connecting Europe Facility, the EU Space Programme, the European Innovation Council, and InvestEU. To bolster the competitiveness of the EU defence industry, we will work to further incentivise joint procurement of defence capabilities that are developed in a collaborative way within the EU. This will require further work on the Commission's proposals, inter alia on a VAT waiver, new financing solutions, and a potential reinforcement of the EDF bonus system".[45]

Such strong link between EU budget and the future steps toward the achievement of strategic autonomy in the defence sector was also brought up during the last Annual EU Budget Conference "Enhancing EU strategic autonomy: a budget for a geopolitical Europe", that took place in Brussels on 10 October 2022. Some of the key questions covered were indeed revolving around the said trio: defence, EU budget, strategic autonomy.[46]

VI. Conclusions

"It is difficult to claim to be a 'political union' able to act as a 'global player' and as a 'geopolitical Commission' without being 'autonomous'". [47] This statement is taken from a December 2020 speech in which Joseph Borrell, High Representative of the European Union for Foreign Affairs and Security Policy, explained "Why European strategic autonomy matters". The brief analysis conducted highlighted some elements that show that the transition toward strategic autonomy in the defence industry sector has already started. However, there are also some important obstacles that should be taken into account.

On the one hand, it is certain that the legal instruments already in place and those that are planned to be adopted allow and facilitate coordination between Member States. From this perspective, they are tools that can boost the EU's strategic autonomy in the defence industry sector from the external point of view in that they can reduce dependency on third countries. In fact, the EU is developing policies in support of innovation, competitiveness, and resilience of the EU defence industry and it is building a more open defence equipment market. In particular, the aim of the European Commission in this

[45] *Ibid*.

[46] Some of the questions covered during the conference were the following: *i)* The Russian invasion prompted some EU countries to scale up national defence spending. What is the role of the EU budget in this new environment? *ii)* Is the EU budget up to the task of creating a geopolitical and strategically autonomous Europe? *iii)* How do young people perceive the future of the EU budget in the new geopolitical context? (See the European Commission, 'EU Budget Policy Brief: A Budget for a Geopolitical Europe' cit.

[47] J Borrell, 'Why EU Strategic Autonomy Matters' cit. Moreover, the president of the European Commission Ursula Von der Leyen also affirmed to lead "a geopolitical commission" in her speech to the European Parliament Plenary on 27 November 2019 (available at: ec.europa.eu).

field is to incentivise cross-border European industrial cooperation in the defence sector and to increase the resilience of the EU value chains underpinning the defence industry, in particular by reducing technological and industrial dependencies.[48]

On the other hand, these are cooperative initiatives that mostly rely on Member States' will to engage. From this perspective, the main obstacle to the ambition of strategic autonomy in the domain is related to the fact that Member States still frequently consider the autonomy of their defence industries key in their national security interest.[49] In light of the absence of a strong European defence union to be seen as a geopolitical power, its activity is limited to a role as crisis manager responding to external conflicts and engaging in capacity building, while the development and strengthening of the EU defence industry should be paired with a geopolitical dimension of the European Union.[50] Such reluctancy is translated into an intergovernmental approach in the defence sector. This is clearly a limit for strategic autonomy in the internal sense since the outcome tends to be the result of intergovernmental agreements instead of being the expression of the European Union considered as a strategically autonomous geopolitical power.

However, besides such problems concerning the way decisions are taken and that pertain to the very nature of the European Union, it is also true that the defence industry is probably a sector where Member States can easily perceive the benefits deriving from cooperation, compared to the defence field in general. As stressed in the Joint Communication on the Defence Investment Gaps Analysis: "only by working together can Member States maximise economies of scale and face the large costs of high-end capabilities, while avoiding to compete for limited supply capacity and preventing unnecessary duplication".[51] Therefore, further integration in this sector may represent the first step to the achievement of a higher level of strategic autonomy of the European Union.

[48] See the European Commission website for the European Defence Industry: defence-industry-space.ec.europa.eu.

[49] In-depth analysis of the European Parliament (EPRS), 'Defence Industry Cooperation in the European Union' cit.

[50] *Ibid*.

[51] Joint Communication JOIN(2022) 24 final cit. 1.