CONSTRUCTING THE DEFENCE DIMENSION OF THE COMMON EUROPEAN SECURITY AND DEFENCE POLICY: AN ASSESSMENT OF THE EUROPEAN DEFENCE AGENCY'S INSTITUTIONAL ROLE

By
Raluca – Oana Csernatoni

Submitted to
Central European University
International Relations and European Studies Department

In partial fulfilment of the requirements for the degree of Masters of Arts

Supervisor: Associate Professor Michael Merlingen

Budapest, Hungary

5th of June, 2008

16758 Words

TABLE OF CONTENTS

ABSTRACT

Over the last decade, the European Union's (EU) major military powers, under the umbrella of the European Security and Defence Policy (ESDP), have increasingly collaborated to build a more integrated, technologically and economically superior defence industry. By resorting to the theoretical lenses of Historical Institutionalism and Rational Choice Institutionalism, the central researchable problematic of this thesis is to explore the creation and significance of the European Defence Agency (EDA) and its influence in streamlining genuine European defence equipment collaboration among EU's member states (MSs). This thesis argues that consensus is developing within the EU milieu, but one must look to the new policy developments and structures for decision-making such as EDA and observe whether such institutional developments are considered capable of bringing about convergence in the strategic thinking of EU MSs and lay the grounds for a European "common" defence policy. Nevertheless, one should remain sceptical and continue to examine EDA's work and assess its achievements: *i.e.* congregating MSs' strategic needs, rationalizing and creating a truly liberalized European defence market, revitalizing a dying European defence industrial base, and encouraging MSs to spend more on defence.

Key words: European Defence Agency (EDA), Rational Choice Institutionalism, Historical Institutionalism, European defence collaboration, defence industry, defence market

ACKNOWLEDGEMENTS

I am grateful to Dr. Michael Merlingen for his valuable feedback, insightful suggestions, and academic encouragement in writing this thesis.

INTRODUCTORY CONSIDERATIONS

European Union's Defence Dimension: Opening Spaces for Analysis

Over the last decade, the European Union's (EU) major military powers, under the umbrella of the European Security and Defence Policy (ESDP), have increasingly collaborated to build a more integrated, technologically and economically superior defence industry. Existing literature tackling the topic of EU's defence developments treat the topic: either in a functionalist epiphenomenal interpretation or as an incremental policy spill-over; in a rationalist logic of member state's utility-maximizing interest in a mercurial, high-security risk and anarchic international system, dominated by a Spartan United States; or in a normative argumentative vein, concentrating on the EU's identity and behaviour in the international arena. However, this thesis proposes to address some of the blind spots of the existing literature by attempting to link the Historical Institutionalist (HI) and the Rational Choice Institutionalist (RCI) accounts to a political economic rationale, and assess how such a theoretical permutation can shed further light in explaining the design of the European Defence Agency (EDA) and its role in the creation of EU's defence industry and market.

Going forward, the EU finds itself constrained by and increasingly insecurity-driven international *status-quo,* such structural pressures calling for the creation of an EU defence dimension. In this respect, several steps have been made in the conception of a European joint capabilities base, stringently needed for the purpose of improving EU's operational capacity and its long-term vision for a true European defence identity. Therefore, the aim of this thesis is to analyze the underpinning conditions (temporal and material) that have led to

the development of EDA, and to trace and signify the evolutionary dynamics behind the development of this institution. The principal implication is that the EU, by initiating increased advances in the defence field, and with the creation of EDA, has launched itself on a path towards a fully-fledged security actor.

In the light of the afore-mentioned description of the research topic, two puzzles emerge: first, why was this change possible in the strategic vision of EU member states that prompted them to pioneer a defence program to surpass the so called "capabilities-expectations gap" (Christopher Hill, 1993) and to develop the European Defence Agency (EDA); second, why was it possible for MSs' interests to shift their focus and to generate a common approach in dealing with the existing capabilities shortfall in the EU, more exactly which were the principal interests interacting within and perhaps outside EDA and how they were related to the development of a European defence industrial base. In addressing these puzzles, a special focus will be given to the key shareholders' and stakeholders' preferences embedded in the institutional epidermis of EDA, these interests working towards the creation of a "holistic" approach to defence in the EU.

Further observations are in order. In this thesis I argue that developments under the defence dimension function in a different logic, because the defence policy, as traditionally understood, has at its core the use of military force, if necessary offensively, for the defence of national territory and for "high security" reasons[1]. The EU security and defence policies did not fell mainly in this category, however recent developments pointing towards a different interpretation.

[1] N. Nugent, *The Government and Politics of the European Union, Sixth Edition (*Palgrave Macmillan, 2006), 522.

Moreover, such policy developments and the creation of EDA would be a large strep in the history of the EU, because they would mark the possibility for the dislocation of the locus of authority in defence matters, and a genuine move towards European defence integration with the corresponding decline of state sovereignty[2]. Furthermore, in this thesis I argue that the Reform Treaty in the field of Common Security and Defence Policy (CESDP), by constantly referring to the necessity of pooling military capabilities together, and by promoting the imperative of the three "Cs" - cooperation, coordination and convergence – could lay the basis of a common European defence dimension. In this respect, the wording in The Draft Reform Treaty (The Treaty of Lisbon, ICG 2007) is revealing: "progressive framing of a common defence policy that might lead to a common defence"[3].

Thus, the Reform Treaty acknowledges the necessity to create a vigorous EU defence industry, as a *sine-qua-non* condition for the establishment of autonomous military capacity. Moreover, the Reform Treaty recognizes the central role played by the European Defence Agency (EDA) for the development of such defence capabilities[4]. However, one should remain sceptical about the pace and the degree of integration going on in the field of defence in the European Union, the intergovernmental nature of EDA and the unanimity voting system further legitimizing MSs as the principal actors in the decision-making process.

[2] M. Davis Cross, "An EU Homeland Security? Sovereignty vs. Supranational Order," *European Security* 16, no.1 (March 2007): 94.
[3] The Draft Reform Treaty (Art.11/1), ICG 2007, (http://www.consilium.europa.eu/cms3_fo/showpage.asp?id=1317&lang=en&mode=g.
[4] "Member States shall undertake progressively to improve their military capabilities. The Agency [EDA] in the field of defence capabilities development, research, acquisition and armaments shall identify operational requirements, shall contribute to indentifying and, where appropriate, implementing any measure needed to strengthen the industrial and technological base" (RT, Art.27/3).

Actually, EDA has been set up with the exact purpose of coordinating the defence spending of member states[5]. As a top-down institutional approach and coordination at the EU level, EDA has the role to address the issue of inefficient and inadequate defence spending, being indicative of EU's intention to surpass the "capabilities-expectations gap". EDA's functions relate to improving EU's defence dimension, by promoting coherence and cooperation among MSs. Hence, a more integrated approach to capability improvement will contribute to creating increased expectations in the armaments and Research & Technology (R&T) European collaboration. As a result, in this thesis I suggest that such a consensus is developing within the EU context, but one must look to the new EU policy developments and structures for decision-making[6] and ask whether such institutional developments are considered capable of bringing about convergence in strategic thinking[7] and a "common" defence policy.

Having in mind the afore-mentioned general observation, this thesis will follow three lines of argumentation. To begin with, by resorting to HI lenses, in the first chapter I claim that the EU, with the creation of EDA, has locked itself on a path towards the realistically-conceived international "power"-status. Moreover, this chapter aims to assess the temporal significance of EDA within the broader existing institutional setting and its effect on the EU future security and defence identity. Going further, in the second chapter, I identify and look at the policy entrepreneurs and their tactical and strategic interests in promoting policy developments and the stabilizing institutional structure that emerged from their interaction, *i.e.* the European Defence Agency. Rational Choice Institutionalism is used as a theoretical tool-kit to reveal the processes that shifted actors' interest and lead to the creation of EDA.

[5] B. Posen, "European Union Security and Defence Policy: Response to Unipolarity?," *Security Studies* 15, no. 2 (April-June 2006):181-182.
[6] J. Howorth, "Discourse, Ideas, and Epistemic Communities in European Security and Defence Policy," *West European Politics* 27, no.2 (2004): 213.
[7] C. Meyer, "Convergence Towards a European Strategic Culture? A Constructivist Framework for Explaining Changing Norms," *European Journal of International Relations* 11, no. 4 (2005): 537.

Last but not the least, the third chapter puts forward a political economic interpretation of EU's defence integration, aiming to identify the role EDA has played to rationalize the European defence industry and market. By looking at the political economic implications of developing a European defence industry and market, a political economic viewpoint further sheds light on the challenging financial obstacles EU is faced with in defence matters.

Theoretical Framework: Historical Institutionalism and Rational Choice Institutionalism

The theoretical framework developed in this thesis will draw on the scholarship of "New institutionalism" and the two schools of thought identified under its encompassing name, *i.e.* Historical Institutionalism (HI)[8] and Rational Choice institutionalism (RCI). Drawing on Riker's truthful comment that "no institution is created de novo"[9], HI highlights the key temporal accounts shaping the evolution of EDA within the institutional development of the European Union. From this perspective, HI offers the conceptual tool-kit to construct the archaeology of the past and recent institutional defence developments in the history of the European Community.

By resorting to the following conceptual apparatus, formative moments, branching points, path dependency, and unintended consequences, HI demonstrates that the emergence of a defence dimension within the EU context could be truly labelled as a singular innovative instance of policy creation, but which draws also on previous attempts in the history of the

[8] S. Steinmo, "Historical Institutionalism" (9/15/07), forthcoming in D. Porta and M. Keating, eds., *Approaches in the Social Sciences* (Cambridge: Cambridge University Press), 1.
[9] W. Riker, "The experience of creating institutions: the framing of the United States Constitution", quoted in J. Knight and I. Sened, eds., *Explaining Social Institutions* (Ann Arbor: Univ. Michigan Press, 1995), 121.

European Community. Furthermore, the RI account is used to couple the HI theoretical lens with a focus on interests and actors and their role in the creation of EDA. The concepts employed in the RCI analysis are: the logic of collective action, policy entrepreneurship, bounded rationality, and free-riding.

In essence, the RCI reading would indeed interpret the creation of EDA as a reflection of MSs' interests at a certain time, while a HI interpretation would go beyond MSs' utility maximizing behaviour, and would look at expanded temporal aspects and the unintended consequences of such temporal accounts, as important variables in understanding EDA's formation and development. The RCI input contributes in this thesis to the explanation of EDA as an institutional arrangement that is the adaptive answer[10] of MSs to the underdeveloped, inefficient and costly defence dimension of the EU. The HI perspective plays an important role in the explanation of EDA because it also lays emphasis on the independent role of ideas and developmental patterns once this institution is created, as well as the persistence of those patterns over time[11].

First of all, the HI lens is basically drawing analytical input from interpretations on history, arguing that interests are intrinsically related to temporal constructions as well, institutions in HI being analyzed in terms of time sequenced grids. The longitudinal approach of HI opens up possibilities to search for the particular conditions that lead to the creation of an institution as well as seing why a specific time trajectory was followed and not another one. Second of all, the RCI lens conceptualizes actors as self-interested utility maximizers, in the case of EDA, EU MSs being powerfully determined to agree to collective and constricting solutions

[10] W. Powell and P. DiMaggio, eds., *The New Institutionalism in Organizational Analysis* (Chicago and London: The University of Chicago Press, 1991), 9.
[11] B. Peters, *Institutional Theory in Political Science The 'New Institutionalism'* (London and New York: Pinter, 1999), 64.

in the field of defence so as to gain future rewards, be them strategic, security-based, political, and economic ones. The incentives given by "win-sets"[12] help explain why EU MSs were willing to find common solution to a highly sensitive issue for their sovereignty, defence, as long as the gains of such joint solutions increasingly supersede the costs of it.

Thus, the two competing and complementary schools of thought within New Institutionalism take centre stage in this thesis: RCI and HI. Interestingly enough, the two institutionalist theoretical strands overlie in several respects, but they hold discrete positions in terms of their epistemological aims, being essentially separated. Moreover, both schools of thought are concentrated on the importance of institutions in structuring the behaviour of actors, yet the fundamental disparity between the two schools being the angle and emphasis in the research they do.

On the one hand, the HI perspective is focused primarily on the outcomes across a large time-frame, temporality being of outmost importance and institutions being seen as critical juncture points in a historical analysis. On the other hand RCI is focused primarily on the development of theoretical model to understand why actors choose to collaborate in the given conditions. Essentially, RCI concentrates upon institutional structure and the regulations of that institution that manage to give collective answers to self-interested maximizing actors.

Consequently, for the purpose of this thesis, a HI perspective offers potential answers to what is EDA and how it developed within the general logic of the European Union's institutional setting. Conversely, the RCI angle suggests possible answers to questions such as: who are

[12] K. Schepsle and B. Weingast, "The Institutional Foundations of Committee Power," *American Political Science Review* 81 (March 1987): 85-104.

the most important actors, which are the preferences that shape their behaviour, and why was EDA created.

By taking up a position between these two camps[13] (HI and RCI), in this thesis I propose a "widening" of conceptual lenses as well as an accommodation of RCI's calculus oriented accounts with HI's temporal explanation of institutional developments. Hence, the argumentative backbone of the thesis will centre on two dimensions: a historical one, highlighting the implications of recent defence developments in terms of their temporal significance; and a rationalist one, aimed at identifying the strategic conditions and preferences of key actors that lead to the creation of certain institutional settings and to Pareto-efficient results.

The added value of the theoretical framework, developed in this thesis, is that an institutionalist interpretation brings to the fore testable hypotheses about the role of institutions and their part in the EU integration process, raising important questions about agenda-setting powers, agency, and the conditions under which EU member states are willing to delegate certain powers. Neither of the neofunctionalist nor intergovernmental accounts on the process of EU integrations can contribute as much on the afore-mentioned topic like the institutionalist schools of thought, both HI and RCI offering considerable gains over the conventional intergovernmental and neofunctionalist angles[14] on the EU integration. First of all, the two theories have their roots and are part of general theories of politics, both HI and RI sharing assumptions with each other but also with other rationalist theories, displaying a high degree of accommodation with them and covering wide-varieties of topics from

[13] M.Pollack, "The New Institutionalism and European Integration", quoted in Antje Wiener and Thomas Diez, eds., *European Integration Theory* (Oxford University Press, 2005), 139.
[14] Ibid., 139.

domestic politics to international ones. As mid-level theories[15], both RI and HI can translate their conceptual lenses at an international as well as at domestic level, EDA, from this perspective, being a linchpin between EU member states and the EU *per se*.

Additionally, the political economic interpretation presented in the third chapter of this thesis complements the above-addressed two theoretical lenses, by examining the impact of economic factors in the making of the EU as a fully-fledged defence actor. A political economic perspective couples the institutionalist accounts with valuable input and is complementary with the rational-choice institutionalist interpretation in terms of explaining member states' behaviour and economic interest. By presenting relevant data accounting for increases in defence spending in the EU, the third chapter concentrates on the comparative advantage for the EU in the creation of a European defence dimension, and for developing the European industry and market. Inputs from economic theory will complement this thesis research goal by offering further guidelines and insight into why a European defence industry and market are being created. Emphasis is laid on gains and risks emerging from defence trade and competition in the EU, a liberalized defence market, from the creation of scale economies, and from reducing duplication of expensive Research & Development.

Last but not the least, in terms of research methods, I will use a longitudinal research design in analyzing changes from the Brussels Treaty Organization in 1948, to the Draft Reform Treaty moment (December 2007), marking the establishment of a new "solidarity clause", and the availability of a "permanent structured cooperation" among member states; as well as a longitudinal and cross sectional design for analyzing the data relevant for developments in the European defence field. EDA will take centre stage in the research, serving as an in-depth study case, due to the fact that it represent a truly unique institutional breakthrough for the EU

[15] Ibid., 154.

that establishes the basis for the groundbreaking "permanent structured cooperation" proposed by the Reform Treaty. Moreover, the method of process-tracing is used to investigate and explain the temporal and material processes, which lead to the creation of EDA. Finally, I will consult EU's and EDA's official documents, records and declarations particularly focused on EU's defence dimension and relate such declaratory outputs to the real achievements made in the recent years.

CHAPTER I TEMPORALITY AND THE EUROPEAN DEFENCE AGENCY

A Historical Institutionalist Perspective

The principal argument of this chapter is that the EU, by creating the European Defence Agency, has launched itself on a path towards the realistically-conceived international "power"-status, by developing its military and defence dimension through the development of "smart" weaponry and a European defence industry and market. Moreover, this chapter answers the first puzzling aspect identified in this thesis, namely why there was a change in the strategic vision of EU member states that prompted them to pioneer a defence program and develop the EDA, and attempts to address this puzzle by resorting to a HI approach. Consequently, the underlining question to be asked is whether the creation of EDA has trapped-in the EU on the path of emerging as a fully-fledged capable military and defence actor on the international arena, through the creation of an agency with the goal "to help EU Member States develop their defence capabilities for crisis-management operations under the European Security and Defence Policy"[16].

In the light of recent developments in the field of defence, the argumentative backbone of this chapter is centred on demonstrating that EU member states have become locked in continuous defence collaboration with the creation of EDA. Moreover, this chapter is aimed at tracing the temporal formative moments that lead to the creation of EDA, pointing out that the

[16] COUNCIL JOINT ACTION 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency, http://www.eda.europa.eu/genericitem.aspx?area=Background&id=122.

institutionalization paths opened up by EDA entrap the EU on a path without return, weaponizing itself for the future. From this point of view, HI serves the purposes of this chapter by offering the proper conceptual lenses to understand past and recent developments in the field of defence.

HI is neither a particular theory nor a specific method and in particular it rejects the usual functionalist explanation for institutional design. It is best understood as an *approach*[17] to studying politics, this eclectic approach bridging the divide between normative and empirical research[18] by focusing on the effects of institutions on politics over time. Hence, HI's theoretical eclectic nature not only fits the argumentative stance of this paper but also displays the linkage between the formation of institutions and how such institutions structure member states' expectations over time.

The "historic element" of this school of thought puts into perspective the fact that the creation of EDA is best understood "as a process that unfolds over time"[19], and the "institutional element" is of outmost importance because EDA marks within EU's institutional framework the embodiment of structured and embedded "formal rules, policy structures, or norms"[20]. Consequently, the examination of all the formative moments in the history of the European Community that put into question the problematic of a European defence, as well as the institutional outcomes of these formative moments, provides "a richer sense of the nature of the emerging European polity"[21].

[17] Steinmo, "Historical Institutionalism", 1.
[18] Pollack, "The New Institutionalism and European Integration", 139.
[19] P. Pierson, "The Path to European Integration: A Historical Institutionalist Perspective," *Comparative Political Studies* 29, no. 2 (1996):126.
[20] Ibid., 126.
[21] Ibid., 127.

Moreover, a HI perspective can also provide several explanations to the fact that EDA is not advancing at the optimal pace and faces resistance from member states in keeping up with its incentives. Thus, due to a "*status-quo* bias"[22] EDA is now caught between an intergovernmental system and an unanimity voting pattern, member states being still unwilling to yield further authority in the defence sector to a European agency, even if it remains an intergovernmental one.

This chapter focuses on a longitudinal analysis of the most important formative moments, which built up momentum for EDA's creation, as well as on a description of EDA' formation and institutional role, EDA locking in the EU on a path for future defence development. First of all, the concept of path dependency will be employed, explaining why certain steps built up impetus for further development in the defence field. Secondly, the concepts of institutional equilibrium and institutional "lock-in"[23] are employed so as to explain why the EU has locked itself on a path towards European defence integration.

Actually, a HI analysis demonstrates that, during the European Community's development, there could be identified clear rupture moments from the civilian traditional nature of the EC. Consequently, the creation of the EDA is not a *sui generis* policy innovation *per se*, but it has come to represent the zenith of several stages in the creation of a security dimension, stages that go back to the beginnings of the European Community. As such, the timing and sequencing of a specific order of events has made a fundamental difference in the creation of an agency whose role is to coordinate and rationalize defence in the EU. Hence, because HI focuses the attention on important events, takes history seriously, looks for the

[22] Ibid., 261.
[23] Pollack, "The New Institutionalism and European Integration", 149.

interdependence of related variables and places them in context[24], it allows for a dynamic and evolutionary interpretation of the European defence policy.

But before proceeding with the afore-mentioned analytical steps, one observation should be made about the critical and sensitive issue of a defence dimension for European member states. Heated discussions about the creation of a "common" security and defence pillar of the EU can be traced back to the post-World War II period, the delicate nature of such debates being accounted for by a double-folded explanation: on the one hand, the creation of the EC as a postmodern, civilian power that should avoid the bloody conflicts of the war period by pooling together two of the principal motors of war industry, the coal and steel industries; on the other hand, the sensitive nature of member states sovereignty has direct impact on the debates over a European security and defence dimension, security and defence being the epitomic reflection of states sovereignty and monopoly.

Nevertheless, this chapter argues that both limitations – the civilian nature and the sovereignty problem – are now being challenged by the creation of EDA, the EU moving forward with the development of a security and defence dimension in the fields of defence procurement, industry and market. This chapter is proposing the fact that consensus is developing within the EU milieu in the defence field, but one must look to the new EU policy breakthroughs and institutional engineering (EDA), and whether such policy developments are considered capable of bringing about a "common" defence policy.

[24] Steinmo, "Historical Institutionalism", 18-19.

Formative Moments and Critical Juncture Points, Building up Impetus for EDA

The creation of EDA could be integrated within the chain of formative moments or "critical junctures"[25] in the evolution of the European Community, moments that pinpoint the recurrence of debates surrounding the formation of an EC security and defence dimension. Three such critical junctures have triggered a type of feed-back mechanisms, reinforcing the European security and defence pattern into the future creation of EDA: the post-World War II *status-quo* and the particularities of a bipolarity-driven balance of power structure in the international system during the Cold War; the fall of the Berlin Wall and the assertion of a unipolar system dominated by a sole superpower, the United States, or a multipolar system, with multiple great powers and a sole superpower; and the Balkan conflicts that put once again ethnic conflicts on the world agenda. Clearly, this section reflects the fact that the creation of EDA is not a singular breakthrough but it is dependent on a certain evolutionary path and important formative moments in the history of the European Community that have paved the way for cooperation in the defence field.

Within this broad timeline, these three overarching contexts of the international system have brought forth institutional developments in the field of security and defence. Nevertheless, the last "critical juncture" point, culminating with the creations of ESDP, marks the most substantial institutional change and thereby creating a "branching point"[26] from which the defence dimension moved onto a new path that lead to the creation of EDA.

[25] P. Hall and R. Taylor, "Political Science and the Three New Institutionalisms," *Political Studies Association* XLIV, no.5 (December, 1996): 942.
[26] Ibid., 942.

The *first formative moment*, the end of the Second World War, marked a paradigmatic shift in the conceptualization of the European security and defence, Europe's security landscape and architecture changing dramatically. The post WWII *status-quo* symbolized for the Europeans a crossroad in the construction of "a social order devoid of conflicts and resentments"[27]. However, with the rise of another military threat and confrontation with the Soviet Union, and due to the new arms race and military competition between the United State and the Soviet Union, talks about the creation of a European defence dimension started to become the centre stage of political debate. Actually, in 1948 the European defence cooperation developed within the Brussels Treaty Organization[28] (The Western European Union), signed by Belgium, France, Luxembourg, the Netherlands, and the UK, "unconditional mutual defence commitment"[29], provisions for mutual assistance in the event of an armed attack. Hence, by taking a HI stance, the analysis of institutions in context[30] brings forth the specific nature of institutional responses to exogenous developments. From this perspective, the Brussels Treaty was in fact the first European defence organizations set up in the aftermath of the WWII and responding to the emerging US and Soviet Union rivalry, laying the grounds for a European defence cooperation, known as the "Western Union".

Moreover, other instances reflected renewed efforts in the 1950s to establish a European defence dimension. In 1950 the Pleven Plan[31] (put forward by the French Premier René Pleven) proposed the creation of a unified European army. This idea developed into efforts to

[27] F. Kerninc, "European Security in Transition: The European Security Architecture since the End of the Second World War - An Overview," quoted in G. Hause and F. Kernic, *European Security in Transition* (Ashgate, 2006), 7.
[28] Ibid., 7.
[29] "The original 1948 Treaty had already placed an obligation on the signatory states to come to each other's assistance in order to counter all policies of aggression and had made provision for an "unconditional mutual defence" commitment.", The Western European Union, http://www.assembly-weu.org/en/presse/cp/2004/025.php?PHPSESSID=66707b41b7e0ca31316fd86d341e3c3f.
[30] Pollack, "The New Institutionalism and European Integration", 140.
[31] M. Anderson, "Internal and External Security in the EU: Is There Any Longer a Distinction?," quoted in S. Gänzle and A.. Sens, *The Changing Politics of European Security* (Palgrave Macmillan, 2007), 7.

establish a European defence organization, called the European Defence Community (EDC). However, the United Kingdom did not share the same federal vision[32] of the future of Europe upon which then EDC was based, and the US did not like the plan as it could potentially undercut the North Atlantic Treaty Organization (NATO). The EDC thus collapsed in 1954 when the French parliament failed to ratify the treaty.

Actually, the diverging opinions between member states, especially between France and UK, illustrate the divide between national worldviews of what form the European Community should take. This continued rivalry between France and UK reflects the assumption that institutions generally define arenas[33] for cooperation, but in doing so they privilege some actors over others. Institutionalization in the European Union, and in most other cases, is therefore never neutral: it is partly a process by which powerful actors seek to shape the rules of the game in their favour, the UK and France, members of the European Union's "Big Three" elite club, always setting the scope and constraints for European institutional development.

Also, another effort to develop a broader European defence and security dimension was met with modest result. In the beginning of the 1960s, France was again the promoter of defence developments in the European Community, presenting the Fouchet Plan[34], which envisaged fundamental changes in the process of European defence cooperation. After the failure of the Fouchet Plan, in 1970 the European Political Cooperation (EPC) process was established, consisting of informal but regular meeting of the foreign ministers of Community countries. However, during the Cold War period, in the field of security and defence cooperation, the

[32] Ibid., 7.
[33] A. Sweet, W. Sandholtz, and N. Fligstein, eds., *The Institutionalization of Europe* (Oxford University Press, 2001), 13.
[34] Anderson, "Internal and External Security in the EU", 8.

most important step[35] was made in the mid-1980s. The Single European Act established a treaty basis for foreign policy cooperation, formalizing political cooperation in the security and defence field, being the first timid attempt to put security and defence issues on the European Community's agenda.

The *second formative moment* was constituted by the radical transformations after the fall of the Berlin Wall. Debates about security and defence issues galvanized radical renovation processes of European militaries and defence industries and markets. These developments offered a new impetus for re-looking at the existing European security architecture[36] and rethinking its traditional civilian, economic-oriented foreign policy. Thus, in the creation of alternative structures for a European and/or North Atlantic security, the European security and defence agenda gained new momentum with the Treaty of Maastricht (1992). The Treaty, through the creation of the second pillar, the Common Security and Defence Policy (CSFP), made specifically vague[37] references to the eventual establishment of a common defence policy that might lead to a European defence. Once again, overshadowed by the imperatives and incentives for a further economic integration, the security and defence agenda remained in the background, as member states showed little enthusiasm in bolstering a defence dimension for the European Union.

Consequently, the afore-mentioned observations on the hindrances faced in the formation of a European security and defence dimension, reflect the difficulties in accommodating the multiple "veto points" present[38] in the MSs' stance on such matters. Another important observation that must be made is that the modest attempts to create a security and defence

[35] Ibid., 12.
[36] Ibid., 13.
[37] Ibid., 15.
[38] Peters, *Institutional Theory in Political Science,* 66.

dimension were directly dependent on the causal historical configurations, on the contingencies and historical irregularities[39] specific to the Cold War era. Thus, by following HI logic, historical contexts may facilitate the emergence of particular institutional configurations but in the same time may also hinder such developments.

Going forward, the civilian dimension of the EU after the 1990s was put into question by an array of emerging new security concern, ranging from regional instabilities and conflicts to proliferation of weapons of mass destruction, asymmetric warfare, and terrorism. Thus, the end of the Cold War brought forth new types of security challenges, dissimilar to the traditional military ones, specific to the bipolarity era. Outbreak of various major international crises wars, in the Gulf and the Balkans, forced the European countries to rethink their traditional approaches to security and defence and to reconfigure the predominantly civilian EU identity.

Actually, the Balkan conflicts, constituting the *third formative* moment for the EU, were instrumental[40] for reflecting the inability of the European Union to stabilize its own backyard and also in highlighting that not always the "soft" double incentives offered by the European Union, *i.e.* aid and trade, can be successful. The United State's involvement stabilized the situation and highlighted the great discrepancy between the US and the EU in terms of independent capabilities to be deployed in security operations. It also prompted a clear message from the United States that the EU must be involved in more burden-sharing[41] when involved in conflicts that are taking place in its "near abroad". This third formative moment

[39] A. Lecors, "Theorizing Cultural Identities: Historical Institutionalism as a Challenge to the Culturalists," *Canadian Journal of Political Science* 33, no.3 (September, 2000): 514.
[40] Nugent, *The Government and Politics of the European Union*, 497.
[41] Ibid., 497.

constitutes the actual milestone in the development of a security and defence policy, making possible the great defence policy "breakthrough"[42] within EU's policy framework.

The revolutionary change took place in December 1998, during the Franco-British St Malo Summit, representing the unprecedented alignment of security conceptions between the historically diverging French and British positions on security and defence matters. The two positions of the most important EU players, France and Britain, have been always almost opposed, tracing a divide between Europeanist and Atlanticist orientations within the EU, as reflected in the above-mentioned formative moments. Since this breakthrough and rapprochement between the two important EU players, the defence policy has developed at a considerable and unexpected pace, culminating with the creation of the European Security and Defence Policy (ESDP).

From a HI approach, the St Malo moment was a critical juncture point where two international actors pooled together their interests, and based on maximizing calculations, transgressed their historical opposition. This comes to prove that finally, rational calculations were stronger than differing ideas about the role of the EU and security cooperation between France and Britain. Constrained by the international *status-quo*, the evolving asymmetrical security threats in the EU neighbourhood, the realization of EU's incapacity to secure its vicinity and its lack of capabilities, the clear message from the US that it will not always secure EU's back, France and Britain decide to make the strategic choices and abide by the "rules of a new game"[43].

[42] Ibid., 497.
[43] E. Immergut, *Health Politics: Interests and Institutions in Western Europe* (Cambridge and New York: Cambridge University Press, 1992) and Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge and New York: Cambridge University Press, 1994).

Consequently, all these above-mentioned formative moments have build up impetus for the development of a security and defence dimension in the European Union. Not only that this was possible due to the increasing security threats in the world, but also because of a certain maturing of the European Union and the increasing realization that the EU has to round-off its international identity with a strong arm.

EU Entrapped? EDA as an Institutional Lock-in for Defence Development

With the institutionalization of ESDP, a new dimension was established, opening the possibility for institutional path dependency[44]. The decision to create this policy provided incentives for actors to perpetuate further the institutional choices they had started. Actually, it could be argued that member states within the EU, by creating ESDP and the entire array of institutions it has generated, have shaped the prospects for institutional lock-ins[45], whereby existing institutions may remain in balance for extensive periods despite considerable political change. Consequently, by following HI logic, the creation of ESDP might prove to be very difficult to overturn in the future, developing what is called "institutional sticky-ness"[46], making ever more difficult the annulment of existing institutional developments.

[44] Pierson and Margaret Levi's definition
"Path dependence has to mean, it is to mean anything, that once a country or region has started down the path, the costs of reversal are very high. There will be other choice points, but the entrenchments of certain institutional arrangements obstruct easy reversal of the initial choice." (Pierson 2000): 252, quoted in Pollack, "The New Institutionalism and European Integration", 140.
[45] Ibid., 140.
[46] Pierson, "The Path to European Integration", 142-143.

From this perspective, the continuing development of ESDP and the engagement of the EU in military and civilian operations has led to unintended policy consequences[47], namely increased expectations for further capabilities development and surpassing the so-called "capabilities-expectations gap"[48]. Thus, within the ESDP framework, EDA offers the promise for institutionalizing a "common" defence dimension, being created as a response to the afore-mentioned increased expectation established by ESDP missions.

There is, from this point of view, an increasing necessity to pool member states' efforts towards a common denominator. However, through the creation of such agencies as EDA, with a clear-cut agenda for the creations of a "common" defence dimension, gaps[49] emerge in member states' control over ESDP's evolution, these gaps being extremely difficult to close. Not only that the effects of "skilled action, or policy entrepreneurship"[50] at EC level become visible, but such entrepreneurship has the underlying strategy to branch out ESDP into an array of small agencies and institutions.

Moreover, through the development of EDA, the EU can have the necessary framework to actually back the militarizing processes in EU with an autonomous defence dimension. Hence, the creation of EDA seems a further step on the path already chosen by the EU towards developing as a fully-fledged security actor. The argument behind such an observation is that the previous developments and the increasing involvement of the European Union in military missions have put forward incentives for developing a self-sustaining and competitive European defence industry and market. The "unintended consequences" of the

[47] G. Schneider and M. Aspinwall, eds., *The rules of integration. Instituionalist approaches to the study of Europe* (Manchester and New York: Manchester University Press, 2001), 10.
[48] C. Hill, "The Capabilities-Expectations Gap, Conceptualizing Europe's International Role." *Journal of Common Market Studies* 31, no.3 (September 1993): 316.
[49] Schneider and Aspinwall, *The rules of integration,* 10.
[50] Sweet, Sandholtz, and Fligstein, *The Institutionalization of Europe,* 11.

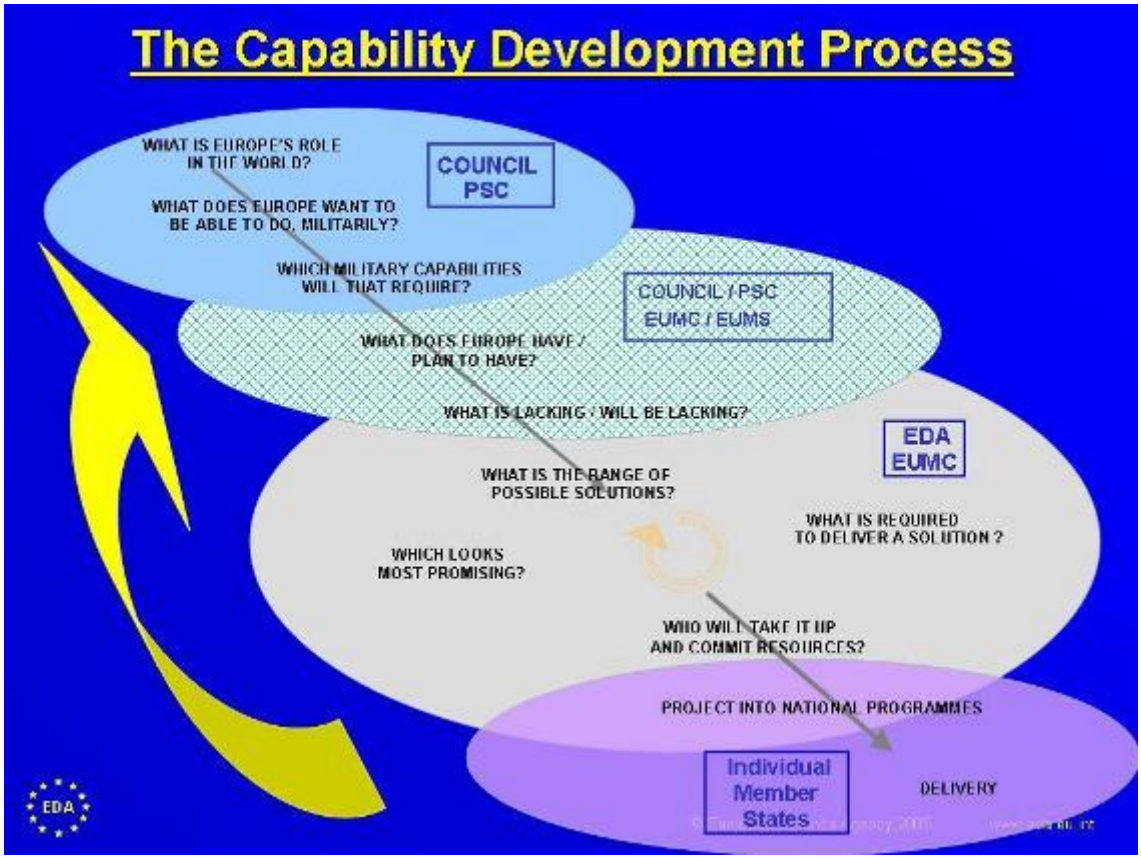
historical developments presented in the previous section would be that the more ESDP takes up new challenges and roles, the more expectations will have for increased and "smart" capabilities. Hence, EDA's creation can be understood within the logic of historical institutionalism as a "lock-in" instrument, becoming a true compass for future defence cooperation between EU member states.

Consequently, member states on June 2003 in Thessaloniki first announced their intention to create a European Defence Agency under their control. After almost a year and under a Joint Action of the Council of Ministers on 12 July 2004, the EU member states decided to create the European Defence Agency, for the purpose of supporting them and the Council "in their effort to improve European defence capabilities in the field of crisis management and to sustain the European Security and Defence Policy as it stands now and develops in the future"[51]. Thus, the EU institutional machinery made a considerable loop and moved with an impressive pace in developing the concept of a defence agency, having as main purpose the improvement of military capabilities, to boost a dormant defence industry and market, improve the collaboration between member states, and to streamline technological research in the defence field.

Figure 1 EDA's Capability Development Process[52] graphically captures the cascading evolution that has to take place and the specificity of each stage taken, starting from ESDP's objectives and finishing with the concrete capabilities that can achieve such goals.

[51] EDA, Background Information, http://www.eda.europa.eu/genericitem.aspx?area=Background&id=122.
[52] EDA – The Capability Development Process, http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=115

Figure 1: EDA's Capability Development Process



Source: EDA, The Comprehensive Capability Development Process (CCDP)

Even if EDA was created without a truly binding power and collaboration is on a voluntary basis, the agency is increasingly gaining more responsibilities that raise the exits costs of EU member states that become locked in a certain path towards the creation of a European defence identity. The rationale behind the workings of EDA speaks for itself, meaning that MSs have come to acknowledge that they cannot face alone the challenges put forward by the security *status-quo*. On their own they lack not only the necessary military power to stand alone, but also they lag behind in terms of their uncompetitive defence industries. Hence, the gains for collaborating under the umbrella of EDA by far surpass the costs of non-

cooperation, not to mention the fact that the sunk costs and the investments already made in EDA deter member states from pulling back from the project.

EDA retains a fundamentally intergovernmental nature the "EU High Representative, Javier Solana, is Head of the Agency and Chairman of the Steering Board, its decision-making body composed of Defence Ministers of the 26 participating Member States (all EU Member States, except Denmark) and the European Commission ... the Steering Board meets regularly at sub-ministerial levels, such as National Armaments Directors or Capability Directors"[53]. Member states are the key "shareholders" of EDA. This is further accounted for by the fact that the Steering Board has the mandate of the Council and acts under its authority. Nevertheless, the Commission participates in the Steering Board without having the right to vote. Moreover, EDA also "faces outwards", its other "stakeholders", besides the Commission, are "third parties such as OCCAR (fr. Organisation Conjointe de Coopération en matière d'ARmement), LoI (Letter of Intent) and NATO"[54].

In addition, EDA's structure is designed in such a way so as to become a truly efficient tool in generating the afore-mentioned capabilities development. EDA is organized in specific directorates managing priority issues, such as capabilities, armaments, industry and market, research and technology. For these purposes, four key directorates are working constantly to improve the defence development in the EU, the two most important ones being Industry and Market Directorate and R&T Directorate.

The R&T Directorate has as main goal the improvement of European defence R&T and acts as a catalyst for creating a true European cooperation in the field of research and technology.

[53] EDA – Background Information, http://www.eda.europa.eu/genericitem.aspx?area=Background&id=122.
[54] Ibid.

Its activity is detrimental because has as aim the increase of spending in the field of research and technology, due to the fact that in recent years, "less than 2% of Europe's total defence expenditure was invested in R& T and only approximately about 10% of the expenditure on R&T was spent under European collaboration."[55] Compared to the US, the European Union was outspent by 5 to 1 by the transatlantic partner, such comparison being indicative of the urgency needed for further collaboration in strengthening EU's Defence Technology and Industrial Base (DTIB) by pooling resources and effectively collaborating to avoid duplication.

The Industry & Market Directorate has as main goal the creation of "a more competitive [European] defence equipment market (EDEM) and a stronger defence technological and industrial base"[56], and the support and restructuration of the European Defence Technological Base "through the implementation of the European DTIB strategy". The Code of Conduct[57] for the newly created EDEM functions on a voluntary, nonbinding basis, being an intergovernmental regime of rules regulating the procurement of defence equipment, being a "non-binding intergovernmental regime aimed at encouraging application of competition in this segment of Defence procurement, on a reciprocal basis between those subscribing to the regime"[58].

Consequently, all these institutional developments within EDA, accompanied by certain rules and regulation, strategies and goals, represent both a lock-in of the EU in certain formal structures and entrap the EU on the path towards a "common" defence dimension. Even

[55] EDA – Research & Technology Directorate, http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=117.
[56] Steering Board Decision on European Defence Equipment Market, http://www.eda.europa.eu/genericitem.aspx?area=Reference&id=144.
[57] The Code of Conduct on Defence Procurement, http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=198.
[58] Ibid.

though significant improvements have still to be achieved, such as a rationalization of defence budgeting for technological research, the strengthening of EDEM's leverage power over member states, and the creation of a competitive European industrial base. Thus, it can be concluded that EU member states are locking themselves in an unremitting path towards permanent defence collaboration for receiving increasing returns, *i.e.* the transformation of the EU in a fully-fledge international and military power.

CHAPTER II THE "MUCH PREFERRED" EDA, A RATIONAL CHOICE INTERPRETATION

Rational Choice institutionalism and the Creation of EDA

This chapter is aimed at discussing the creation of EDA from a Rational Choice Institutionalist perspective, by looking at the main stakeholders and the structural incentives that prompted these key entrepreneurs to shift their interests and "invest" in EDA, *i.e.* member states, the military elite, and transnational actors. Consequently, it should be taken into account that MSs are never characterized by solely one preference or only one identity, being faced with the difficult choice of balancing between multiple interests and identities when having to decide to cede certain responsibilities to an institution such as EDA.

Moreover, this chapter puts into focus the recent proposals the Reform Treaty has addressed about the creation of a European defence dimension, arguing that in case of ratification, the EU will have the justifying structural incentives to deepen even more the defence integration already put into place. The Reform Treaty's innovative proposals in the field of defence are a clear consequence of MSs' shift of interests and the realization that without a collaborative strategy in the field of defence, the EU will lag behind and will not be able to face the perils of an increasingly insecurity-laden international *status-quo*. Actually, this chapter is seen as a natural continuation of the first chapter's endeavours to indentify the temporal and historical conditions that lead to the creation of EDA, considering that the temporal dimension is detrimental for the shift in member states' interest in the defence field.

As argued in this thesis, RCI and HI have a good potential to converge[59], after all, the two schools of thought having as object of analysis, institutions, the commonality being the inquiry on how interests and preferences change in certain temporal contexts.

RCI is mostly inspired from the theory of rational choice, but departs from it due to the fact that the type of rationality it proposes is one that is constrained, *i.e.* bounded rationality, the institutional setting acting as a constrainer for actors and shaping their interests. Within the RCI school of thought two interpretation[60]s take centre stage: the exogenous, structural interpretation[61] (Shepsle, 1979) that sees institutions in a game format, their power to shape human behaviour and interests being fundamental to this approach; and the endogenous interpretation[62] (Schotter 1981, Calvert 1995), in which institutions do not act as exogenous regulating scripts for guiding behaviour, but are a direct consequence of the stakeholders interests, the institutional arrangement being "focal"[63] to determine collaboration around them. EDA, from this perspective, stands at a crossroads: on the one hand, EDA is the outcome of a collaborative rapprochement between MSs in the field of defence; on the other hand, EDA, as an institutional setting of its own standing, aspires to gain more leveraging power to streamline the very MSs that formed it, towards true capability and defence development.

[59] I. Katznelson and B. Weingast, "Intersections Between Historical and Rational Choice Institutionalism", in I. Katznelson and B. Weingast, eds., *Preferences and Situations: Points of Intersection Between Historical and Rational Choice Institutionalism* (Russell Sage Foundation, 2005), 2.
[60] K. Shepsle, "Rational Choice Institutionalism" (Janurary 2005), to appear in *Oxford Handbook of Political Institutions*, S. Binder, R. Rhodes, and B. Rockman, eds., 1.
[61] K. Shepsle, "Institutional Arrangements and Equilibrium in Multidimensional Voting Models," *American Journal of Political Science* 23 (1979): 23-57.
[62] A. Schotter, *The Economic Theory of Social Institutions* (New York: Cambridge University Press), and R. Calvert, "Rational Actors, Equilibrium, and Social Institutions" in J. Knight and I. Sened, *Explaining Social Institutions* (Ann Arbor: University of Michigan Press, 1995).
[63] T. C. Schelling, *The Strategy of Conflict* (Cambridge University Press, 1960).

Hence, Rational Choice Institutionalism is particularly relevant for the analysis of EDA because it offers the conceptual lenses to perceive actors' interests in the institutional web created in the European Union, and to explain why the creation of EDA was possible, and because it is successful in analyzing structured institutions. To go down to the deepest core of the matter, actors involved in structured institutions are influenced by the very institutions they created, their behavioural repertoire[64] being now influenced by what Olson has termed the "logic of collective action"[65] (Olson, 1965). According to Olson, actors will respond to a strategic milieu by optimizing their behaviour, the response in the case of EDA's creation being that member states have acted collectively to achieve a desired outcome that far surpasses the costs of not having such an agency. However, Olson has identified possible risks embedded in such a collective action, one of them being that of "free riding", in the case of EDA, this being but obvious in the case of new-member states, non-contributing sufficiently being a prevailing tactic in the game.

EDA, Shareholders, and Stakeholders

In this section, my assumption is that four important social groups have played a fundamental role of political entrepreneurs in the creation of EDA: the political group of national actors that represent the interests of member states; an economic group of policy entrepreneurs functioning under the rationale of political economic interests to loosen member states' control over defence equipment markets and put defence industries under the remit of the internal market; a military group of policy entrepreneurs, whose traditions, values and deep-seated priorities can take a particular impact upon defence policy as a very specialized and

[64] Shepsle, "Rational Choice Institutionalism", 2.
[65] M. Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965).

decisive expert group with its own internal rules and vested interests; and finally, the representatives from European Union's institutions, be it from the Commission or other European agencies.

Thus, it could be argued that representatives of transnational, European armament firms, EU military leaders and Brussels-based personnel have witnessed a "confluence of interests between arms manufacturers and the military establishment"[66], as well as with EU bureaucracy, to create EDA. The afore-mentioned assumptions clearly display the fact that one can identify manifold levels of interests and authority, diluted across a wide variety of interest points, among which those of the MSs' were detrimental in the creation of EDA. Hence, EDA could be seen as a melting pot of interests, gathering different actors with their own utility maximizing agendas, being both the agent of these actors but also a centre of decision making. However one should not forget that the ultimate shareholders in the decision-making process of EDA remain state actors, the military, the economic sector, or the EU bureaucrats acting as lobby groups and important stakeholders in the process.

By turning the attention to EDA, it is actually difficult to conceptually grasp its role within the wider existing framework of an already crowded institutional setting. Is EDA the agent of member states and the other stakeholders, is it an agenda-setter, a strategic actor, a policy entrepreneur or a control device? In essence EDA is all of the above, this multi-hat institutions being responsible with a variety of tasks. To answer to these questions, a RCI interpretation of the relationship between principal-agent[67] can shed further light into the role EDA plays. Clearly, the investigation of EDA displays the fact that MSs are the principals, establishing *ex ante* the scope of EDA's actions, also the supervision measures that allow for

[66] D. Smith and R. Smith, *The Economics of Militarism* (London: Pluto Press, 1983), 41.
[67] Wiener and Diez, *European Integration Theory*, 145.

ex post control. Applied to EDA, a principal-agent examination consequently leads to the premise that the agency's autonomy is expected to vary across issue-areas and over time, according to the European member states' interests.

Nevertheless, another question arises: is the interest of EDA indistinguishable from the interest of member states, and is the role of the Agency to be the simple agent of the member states? The name of EDA, incorporating the word "agency" clearly establishes a hierarchy between EDA and MSs. Yet, the New Institutionalism scholarships informs about the fact that an institution like EDA, once created by the utility-maximizing individuals[68], tends to take a life of its own and constrains its members. By adopting certain benchmarks, rules and regulations such as the Code of Conduct, EDA has a degree of leveraging power over member states, but its control mechanisms over the member states' compliance are weak. Due to the fact that it has no sanctions for non-compliance and completely lacks tougher control mechanism, EDA is not able to avoid problems such as free-riding of member states.

Going further, in the creation of EDA member states have shown a great amount of political entrepreneurship[69] making uncommonly large efforts (financial and logistical) to obtain Pareto-efficient results. Devoid the afore-mentioned difficulties and role-identifications, MSs and the other actors involved in EDA managed to coordinate agendas rather than roles, agendas being more significant than the roles[70] of all the diverse actors involved.

The bottom line is that EDA has set the framework for increased collaboration and linkages that has lead to mutual-interdependence between the actors, the data in the four Charts

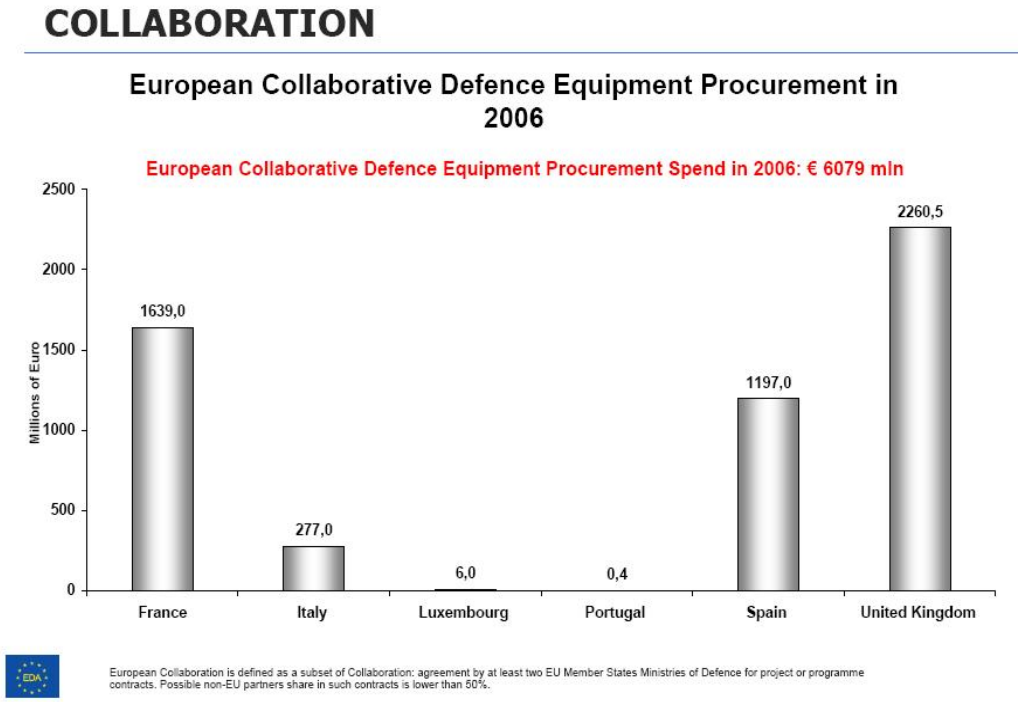
[68] Peters, *Institutional Theory in Political Science*, 43.
[69] R. Wagner, "Pressure Groups and political Entrepreneurs," *Papers on Non-Market Decision Making* 1 (1966):161-170.
[70] N. Witney, Chief Executive of the European Defence Agency, "Opening the European Defence Market The Role of the Different Actors," *Military Technology*, MILTECH 6 (2006).

presented bellow being more than relevant to show the modest, yet ongoing collaborations between EU member states in the procurement and R&T sectors. The two years span that the Charts capture for the European Collaborative Defence Equipment Procurement in 2005 and 2006 (The European Collaboration subset of Collaboration is an agreement by at least 2 EU members states Ministries of Defence for projects, programmes or contracts) show considerable increase in numbers for France and also staggering increases for UK, Spain and Sweden keeping up the pace. In terms of R&T European Collaboration, France is the clear outlier, Spain again keeping up the pace. However, the Charts clearly indicate that much has to be done in these sectors for forging true collaboration in the European defence sector, member states having to cooperate more on the premises that it is in their own interest to maximize their defence capabilities and obtain the Pareto-efficient results. Whether collaboration will happen or not is a matter of time and realization that the rewards of genuine collaboration surpass those of free riding.

Chart 1: European Collaboration in Defence Equipment Procurement 2005

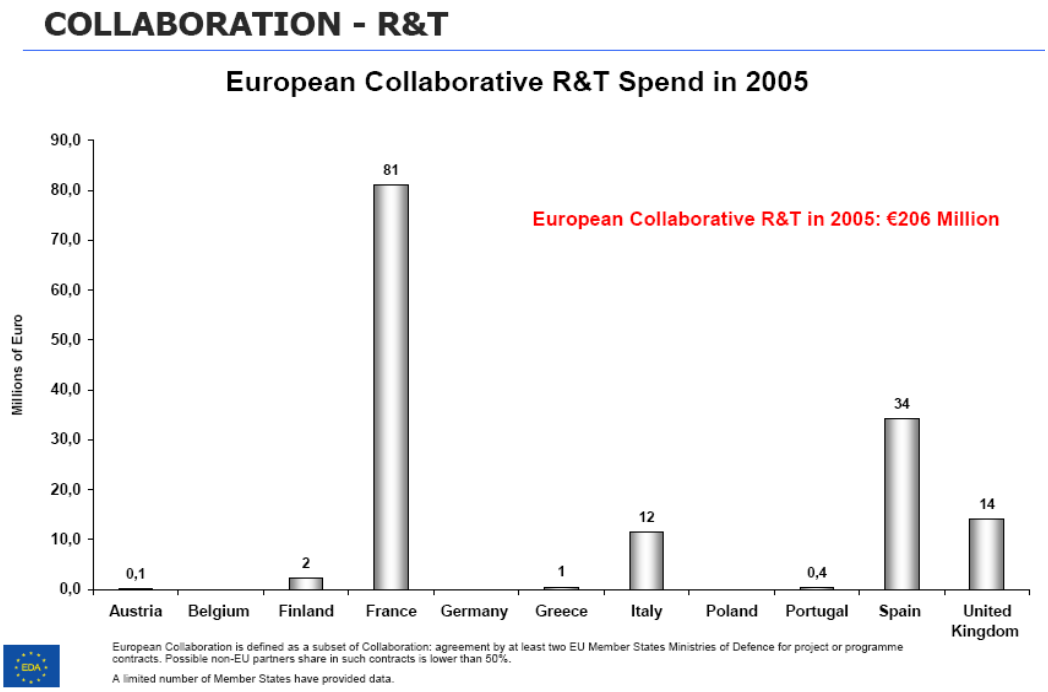
Source: EDA, National Breakdowns of European Defence Expenditure, 2005

Chart 2: European Collaboration in Defence Equipment Procurement 2006



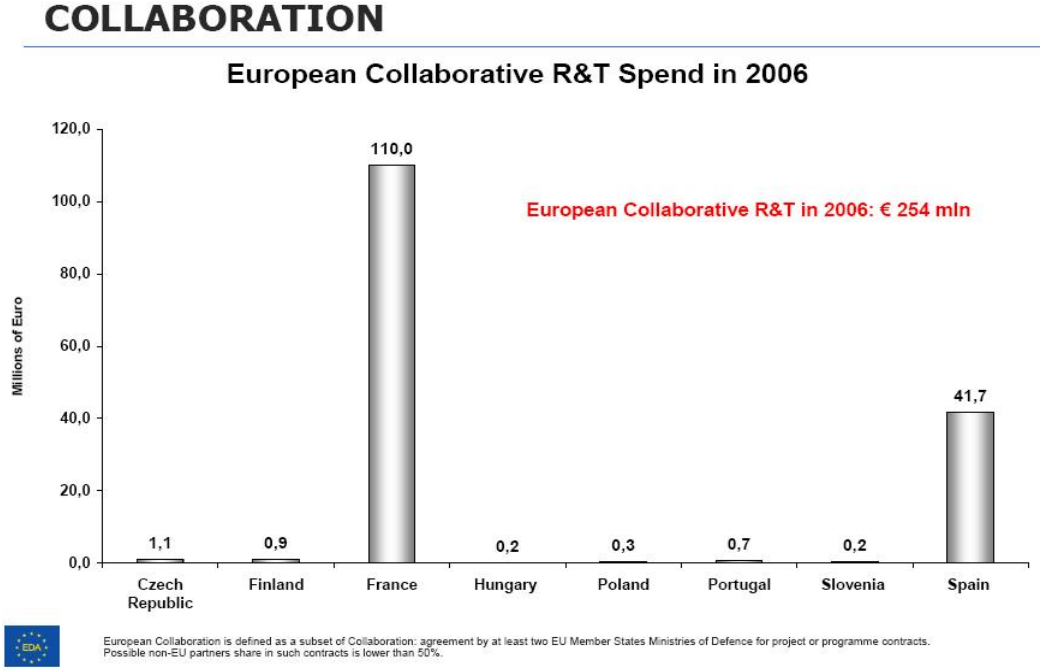
Source: EDA, National Breakdowns of European Defence Expenditure, 2006

Chart 3: European Collaboration in R&T 2005



Source: EDA, National Breakdowns of European Defence Expenditure, 2005

Chart 4: European Collaboration in R&T 2006



Source: EDA, National Breakdowns of European Defence Expenditure, 2006

EDA and the Reform Treaty

This last section is outlining the structural imperatives that have forced MSs to shift their interests and prefer the logic of collective action rather than individual standing in the realm of defence. The Reform Treaty, in the field of defence particularly, advances clear policy outlines for surpassing the EU's "capabilities-expectations gap" in the Common Security and Defence Policy (CSDP) and defence development. Thus, this section aims to discuss recent developments in the field of defence as proposed by the Reform Treaty, while concentrating on two underlying avenues of analysis that have direct bearing for a closer examination of EDA: the discussion of cooperation developments proposed by the Reform Treaty and relevant to CSDP, while discussing the differentiation between convergence and congruence in defence matters; and steps taken in diminishing the "capabilities-expectations gap" in CSDP. Special consideration will be given to the Reform Treaty's implications for European Defence Agency (EDA), as the principal institutional instrument for the implementation of policy outputs regarding defence.

At the request of the European Council in June 2007, the Intergovernmental Conference (IGC) 2007 drew up a new Draft Reform Treaty to enable the EU to face the challenges of the 21st century[71] and realize its true potential, in terms of security and defence concentrating on the ever increasing necessity for the EU to build an autonomous military capability. Against this background, it is quite understandable that various defence-oriented issues gained

[71] When the British Foreign Secretary David Miliband spoke at the College of Europe, in Bruges, he mentioned challenges of the 21st century and that nation-states are too small and global governance too weak to deal with them. David Miliband Speech: *Europe 2030: Model power not superpower*, Bruges, 15 November 2007, http://www.fco.gov.uk.

increased prominence on the MSs agendas[72], the seriousness of these challenges further legitimizing the role and utility of an institution such as EDA.

CSDP, from this perspective, could be interpreted as offering the policy outlines towards possibly the creation of a more powerful EDA, having increased powers to streamline MSs and avoid free-riding attempts. Actually, such policy entrepreneurship would be exceptional in the history of the EU, because it would mark a genuine move towards defence integration, and the corresponding decline of state sovereignty[73] in the field of defence. The Reform Treaty in the field of CSDP, through constantly referring to the necessity of pooling military capabilities together, through the imperative of the three "Cs" - cooperation, coordination and convergence – could lay the basis of genuine defence integration. The wording in the Reform Treaty is revealing on this respect: "progressive framing of a common defence policy that might lead to a common defence" (RT, Art.11/1). Contrasted against such declaratory outputs, EDA could have the potential to become from a simple agent, in the principal-gent dynamic, a true agenda-setter and an accomplished principal, as member states increasingly recognize the need for a rationalized common defence.

Yet, a frequently asked question about the EU is whether it has a foreign policy that is more than the sum of its parts. Is the EU, in other words, a foreign policy actor in its own right rather than what is called in bargaining studies a mere aggregation of the lowest common denominator[74] of EU MSs' foreign policies? The security and defence dimension within CFSP falls under the same question. From this perspective, the first step in discussing the cooperation developments stressed by the Reform Treaty in the field of defence is to ascertain

[72] P. Joenniemi, "Towards a European Union of Post-Security?," *Cooperation and Conflict* 42, no.1 (2007):136.
[73] Cross, "An EU Homeland Security?", 94.
[74] O. Elgström and M. Smith, eds., *The European Union's Roles in International Politics Concepts and analysis* (London and New York: Routledge, 2006), 11.

whether the driving force behind the formulation of a distinct EU defence policy is more congruent, defined as the compatibility of the policy actors' preferences as a basis for establishing a shared policy regime, or convergent and capable of producing a collective policy[75].

Going forward, comparable to the implementation of CFSP during the early-mid 1990s, progress in the field of defence is likely to be determined by two key factors: the continued convergence of national interests particularly between the UK and France; and the political will of EU leaders in the face of other competing domestic priorities. Moreover, the case for strengthening EU defence will be harder to make in the domestic debate over resources and priorities. However, two important developments of the Reform Treaty are expected to have significance for the future convergence of interests in the defence sector.

On the one hand, the establishment of a new "Solidarity Clause", whereby the "Union shall mobilize all the instruments at its disposal, including the military resources made available" (RT, Art. 188r/2) in order to provide assistance to another EU country in "the event of a terrorist attack or natural disaster"[76]. Such a formulation has a blatant symbolic value and explicitly institutionalizes the concept of collective assistance[77] between EU member states, and arguably paves the way for an EU common mutual defence clause at some stage in the future. It is reflective of the "development of mutual political solidarity among Member States" and the "achievement of an ever-increasing degree of convergence of MSs actions." (RT, Art.11/2).

[75] N. Casarini and C. Musu, eds., *European Foreign Policy in an Evolving International System The Road Towards Convergence* (Palgrave Macmillan, 2007), xviii.
[76] The establishment of a solidarity clause in the event of a terrorist attack was discussed in the immediate aftermath of 11 September 2001. It was also discussed at the Anglo-French summit at Le Touquet in February 2003 and following the Madrid train bombings in March 2004.
[77] European Security and Defence Policy: Developments Since 2003, RESEARCH PAPER 06/32, 8 JUNE 2006, http://www.parliament.uk.

On the other hand, with the opportunity for "Permanent Structured Cooperation" emerging out of the Reform Treaty, an institutional framework is established by which a group of nations can move forward in defence integration[78]. Two further observations regarding permanent and structured cooperation as such in the field of defence could be made: this would increase the legitimacy and the political weight of the intervening member states and at the same time strengthen the profile of the EU as a security defence actor; but it will reflect, *inter alia*, a multi-speed Europe, a tendency towards the formation of an in-group or an elite club within the EU, fact that will be shown in the next chapter discussing the political economic aspects of defence cooperation. One could argue that the latter implication hinders the path towards convergence in terms of defence and paves the way for different cooperation paces and free riding.

Consequently, the Reform Treaty recognizes the central role played by the EDA for the increase of defence capabilities, EDA being once again acknowledged and recognized as the legitimate instrument for coordinating the defence spending of member states[79] and enhancing the development of a European industry and market. Consequently, there could be said that the Reform Treaty, when ratified, will bolster a number of the Union's strategic objectives amidst general reforms pertaining to institutional practice, by minimizing the transaction costs connected with creating public policy. All in all, following the path-dependency logic, such advancements were made by each treaty before it, the developments in the field of CSDP welcoming the necessity for a common approach and cooperation in the field of defence.

[78] "Those Member States whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions shall establish permanent structured cooperation within the Union framework." (RT, Art.27/6).
[79] Posen, "European Union Security and Defence Policy", 181-182.

CHAPTER III THE POLITICAL ECONOMY OF DEFENCE, EDA PUT INTO PERSPECTIVE

An Evaluation of the European Defence Industry and Market

This chapter aims to question and address the political economic dimension of defence in the EU, more exactly by looking at the political economic implications of developing a European defence industry and market[80]. A political economy viewpoint further sheds a light on the challenging conundrum in which the EU is tangled in defence-wise, the process of creating, renewing and transforming its defence capabilities concerning also political economic matters, such as the scope, power and size of the member states defence industries, regional and international defence market structures, and political and social interests related to the occupation of workforce, market share, ideological and cultural aspects.

Furthermore, this chapter will focus on the following key researchable aspects: a synopsis of the developments in the field of European defence industry and market in the Post Cold War era. Set against this brief analysis, the temporal dimension of EDA's creation and its significance will take centre stage in the analysis, the main concern being EDA's contribution to the existing European industry and market arrangements. Last but not the least, this chapter will concentrate on the possible risks and opportunities embedded in a transnational defence market and EU's relation to the United States, possible scenarios ranging from competition, collaboration, to constructive competition between the EU and the US. An interesting point to

[80] "The Long-Term Vision report published by the European Defence Agency in October 2006 is designed to serve as a compass for defence planners as they develop the military capabilities the European Security and Defence Policy will require over the next twenty years in an increasingly challenging environment." http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=146.

be taken into consideration is whether the path the EU has taken with the incentives given for the creation of a European Defence Equipment Market[81] is a clear evidence of "soft balancing"[82] with the USA.

Since the conception of the modern state, the defence dimension, including the defence industry, has been perceived as a fundamental element of the nation's states sovereignty and monopoly, being endorsed and subsidized by national governments. Nevertheless, the defence sector is subjected to globalization processes[83] that are determining the emergence of transnational defence markets and structures, weakening the so called national monopoly of defence industries and creating opportunities for transnational cooperation across projects and issue areas. Moreover, since the end of the Cold War, it could be said that the international defence industrial setting has undergone dramatic changes, with the United States as the undisputed mandarin and the European defence firms tagging along and increasing efforts to rationalize their industries.

The Figure 2: Main Mergers and acquisitions in the Defence Industry[84] presented bellow captures graphically the international picture of defence firms in which EU has to find its competitive edge on the market, facing the overwhelming domination of the US. This figure displays the fact that the EU has already a framework to build upon and develop further. Consequently, one underlying question is why there has been a considerable increase in European defence industry collaboration in the Post Cold War period? One possible explanation could be that international systemic and structural pressures can account for the

[81] European Defence Equipment Market, http://www.eda.europa.eu/genericitem.aspx?id=153.
[82] F. Oswald, "Soft Balancing Between Friends: Transforming Transatlantic Relations," *Debate* 14, no.2 (August 2006).
[83] K. Hayward, "The Globalization of Defence Industries," *Survival* 42, no. 2 (Summer 2000): 115-116.
[84] S. Golde and A. Tishler, "Security Needs, Arms Exports, and the Structure of the Defence Industry Determining the Security Level of Countries," *Journal of Conflict Resolution* 48, (2004): 680.

move towards a European cooperation after the end of the Cold War period[85]. Worldwide, US largest armament companies hold the top three places (Lockheed Martin, Boeing, Raytheon) with another three in the top ten (Northrop Grumman - 5, General Dynamics - 6, and Honeywell - 10)[86]. However, the European Union is keeping up the pace with BAe holding the fourth place, EADS the seventh, Thales the eights, and Finmeccanica the ninth[87].

Figure 2: Main Mergers and acquisitions in the Defence Industry

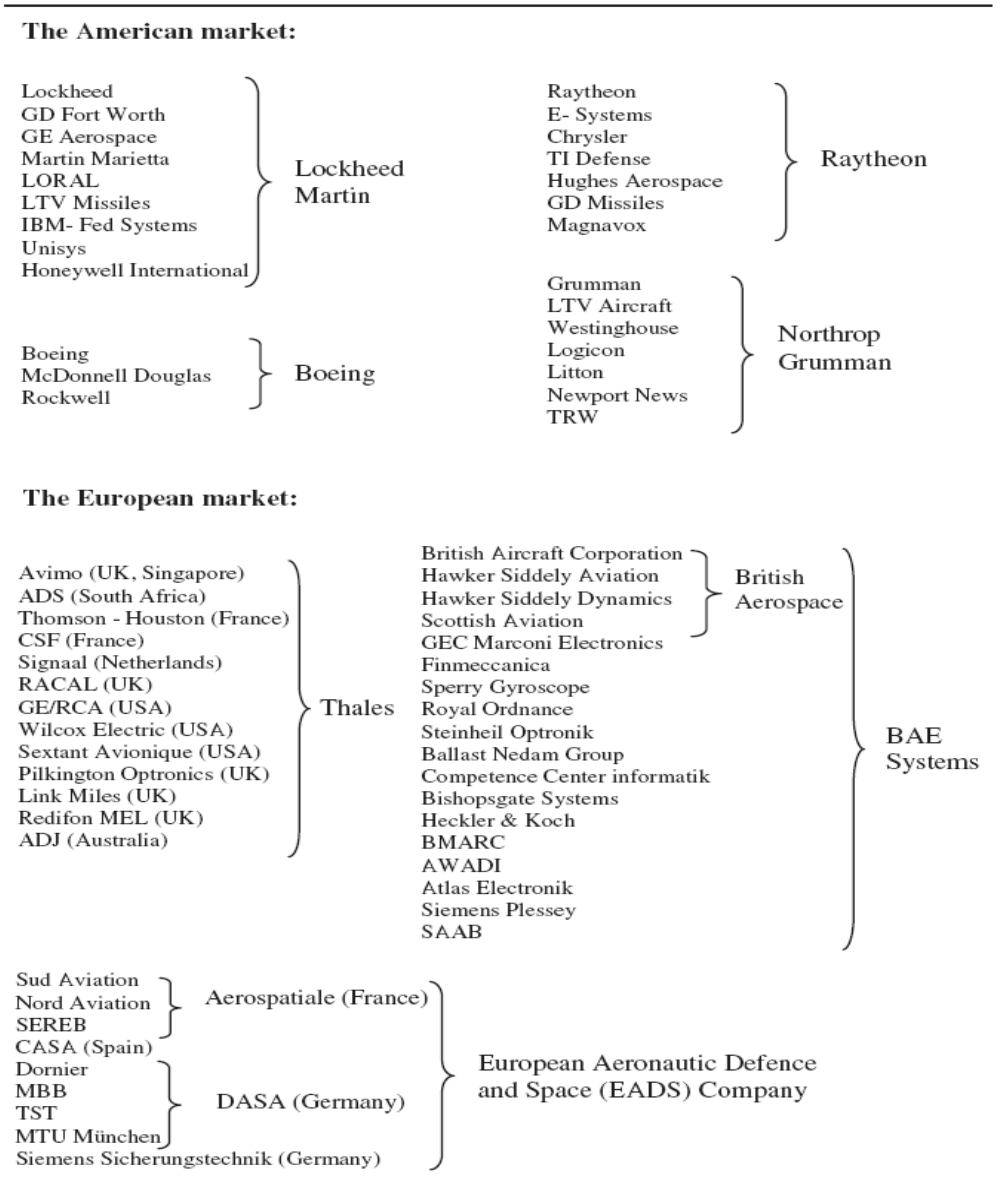


Figure 4: Main Mergers and Acquisitions in the Defense Industry
SOURCE: Golde (2001); Stockholm International Peace Research Institute (2001, 2002, 2003).

[85] Golde and Tishler, "Security Needs, Arms Exports, and the Structure of the Defence Industry", 673.
[86] Oswald, "Soft Balancing Between Friends", 155.
[87] Ibid., 155.

In addition, a political economic interpretation is conducive to the conclusion that the military and the defence sectors can be stimulating to the civil sector, for instance in employing labour force or just accounting for technological spin-offs in the civilian sector. As several authors clearly demonstrate the nexus between economic growth and military expenditure[88] brings prospective economic growth in the EU. The authors of a research done on the EU15, addressing the correlation between economic growth and defence spending, point to a positive feedback between growth and military expenditure in the long run and a positive impact of the latter on growth in the short run[89].

However, the export of defence equipments can be also termed as an emotional topic[90] for EU countries, involving not only issues of national defence interests and a convoluted process of political, economic and military decision-making and interests, but also issues pertaining to the field of morality and human rights, as well as cuts from other sectors in society for subsidizing the arms export. Moreover, the national defence industrial sector has to have the consent of the government to prevent the export of critical technologies[91], thus needing the permission of the state.

Hence, this not only comes at a stark contrast to non-defence industries and markets but is also indicative of the potential political barriers the defence sector might face. The creation of EDA as an intergovernmental framework is reflective of the concerns national states have and the sheer delicacy of the subject for the states. Likewise, the European Union's defence industry not only is facing the afore-mentioned impediments when developing a defence industry and market but it has not benefited from the competition effects of the Single Market.

[88] C. Kollias, N. Mylonidis and S. Paleologou, "A Panel Data Analysis of the Nexus Between Defence Spending and Growth in the European Union," *Defence and Peace Economics* 18, no.1 (February 2007): 75-76.
[89] Ibid., 84.
[90] S. Martin, "Do military export stimulate civil export?," *Applied Economics* 34 (2002): 599.
[91] S. Jones, *The Rise of European Security Cooperation* (Cambridge University Press, 2007), 140.

National defence spending and the European defence industry and market – EDA's role

In this section, EDA will be analyzed in terms of its role in streamlining the development and implementations of the European defence industry and market, several opportunities, as well as obstacles and limitations arising from the creation of EDA and its work. In terms of opportunities, EDA has a privileged positioning at the hub of national defence industries and private defence firms agendas, capable of generating possible synergies to surpass the "capabilities-expectations gap" (Christopher Hill, 1993) the EU is suffering from. This singular positioning permits EDA to extend particularly cogent know-how and analytical input and streamline development across a range of issue areas. In terms of limitations, it could be mentioned: EDA's intergovernmental nature and weak leveraging power over MSs, its young institutional history, and a possible competition of defence industry frames with the European Commission.

However, the reality spells out a picture that does not offer incredible achievements, currently the EU defence spending is less than half compared to that of the United States and European spending on military Research & Development and acquisition is a fifth of the United States'[92]. This evidence demonstrates that the Europeans currently are suffering from what Christopher Hill has termed "capabilities-expectations gap"[93] in terms of its ability to agree, and its resources and the instruments at its disposal. Yet, the point made here is that much capacity-building does take place within the EU in relation to security and defence policy, and

[92] Posen, "European Union Security and Defence Policy",163.
[93] Hill, "The Capabilities-Expectations Gap", 316.

the major gap, between incrementalism[94] in this area and the demands put on a strategic actor, is being met by recent developments. As a result, two main aspects should be taken into careful consideration, one that urges for attention to equipment procurement and rational budgeting for research and defence, and the other that will have as upshot the configuration of MSs' economies to generate economies of scale[95].

In fact, for the first time, in 2005, EDA has been successful in gathering ample and relevant data on EU defence expenditure, which includes the spending of national defence ministries and related-expenditure from other national budget lines. The two charts (Chart 5, Chart 6) presented here are suggestive for a two year comparative span between the European Defence expenditure in 2005 and 2006, the total defence expenditure rising from €193 billion in 2005 to €201 billion in 2006, even though it might have been expected to remain relatively flat. However, as shown in the charts, the defence expenditure percentage of GDP in 2006 was actually lower than in 2005, from 1,81% in 2005 to 1,78% in 2006.

Chart 5: European Defence Expenditure in 2005

European Defence Expenditure Data - General	
Total Defence Expenditure	€193 Billion
Defence Expenditure as a % of GDP	1,81%
Defence Expenditure as a % of Government Expenditure	3,81%
Defence Expenditure Per Capita	€ 425

*All EU Member States except Denmark participate in the EDA. EDA is aware of some inconsistency in some of the constituent data but believes that the figures published here do represent a broadly accurate statistical picture.

Source: EDA, National Breakdown of European Defence Expenditure,2005

[94] J. Matlary, "When Soft Power Turns Hard: Is an EU Strategic Culture Possible?," *Security Dialogue* 35, no.1 (2006): 110.

[95] The European defence industry should strive for developing so called economies of scale to face a highly competitive market. The logic behind scaling is simple and utterly efficient: more products should be produced on a bigger scale, by reducing on average the costs of production. The more the European defence firms produce and sale, the more they can reduce the costs of production. However, decrease of costs should not be applied when expertise, Research & Development, and skilled workers are concerned, due to their efficiency input they can bring to the firm.

Chart 6: European Defence Expenditure in 2006

European Defence Expenditure Data - General	
Total Defence Expenditure	€201 Billion
Defence Expenditure as a % of GDP	1,78%
Defence Expenditure as a % of Government Expenditure	3,80%
Defence Expenditure Per Capita	€ 412

(*) All EU Member States except Denmark participate in the EDA. As EDA collects data from its 26 participating members these are on occasion subject to revisions and refinement, therefore we advise you to check back in order to ensure you have the most up to date data.

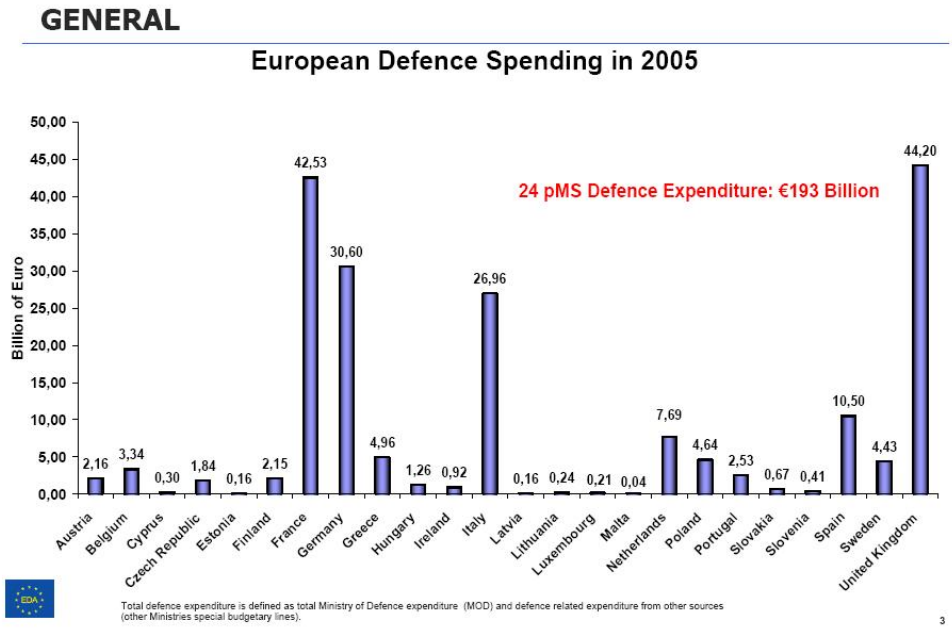
Source: EDA, National Breakdown of European Defence Expenditure,2006

Actually, EDA has been set up with the exact purpose of coordinating the defence spending of member states[96], illustrated in the two charts (Chart 7 & 8), the National Breakdowns of European Defence Expenditures presented bellow for the time-frame of 2005-EU25, and 2006-EU27. The two charts[97] are indicative of the existing huge discrepancy between the old member states and their defence spending and the newer member states, towering levels being registered with the United Kingdom (44,20 in 2005 and 47,31 in 2006), France (42,53 in 2005 and 43,46 in 2006), Germany (30,60 in 2005 and 30,36 in 2006), and finally Italy (26,96 in 2005 and 26,63 in 2006). Interestingly enough, Poland occupies an outlier position among the other new EU member states showing also an increase in defence spending for the year 2006, from 4,64 in 2005 to 4,89 in 2006. Poland's concern for the defence industry can be accounted for by the potential this industry has to occupy labour force, but mostly because of the capability to produce arms autonomously, correlated with the territorial defence and a low level of trust in its neighbour, Russia.

[96] Posen, "European Union Security and Defence Policy", 181-182.
[97] EDA, Defence Facts, http://www.eda.europa.eu/facts.aspx.

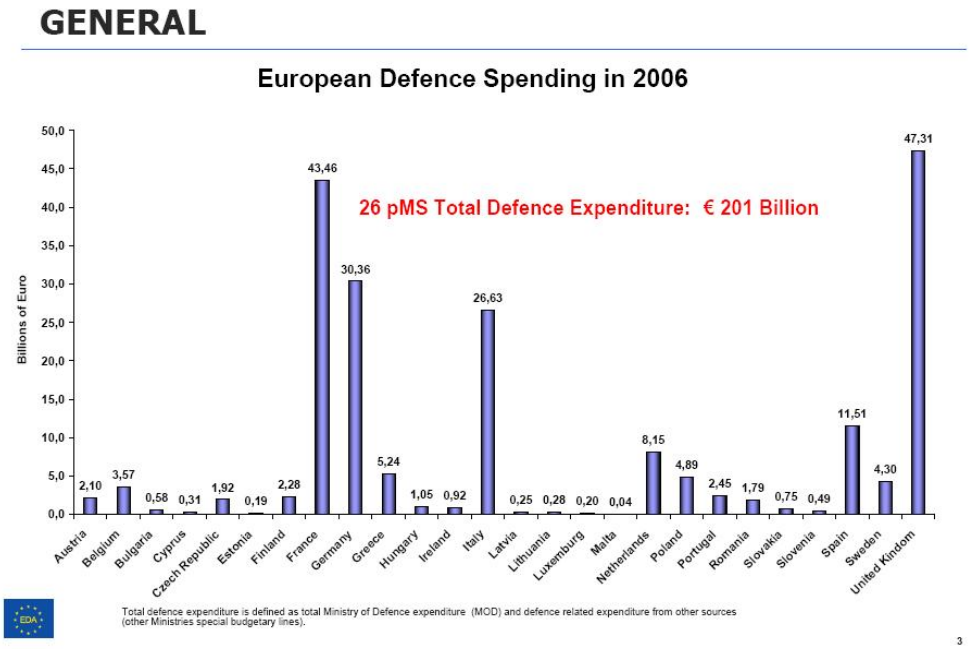
The data shows an overall mild increase in the defence spending in all of the three countries mentioned above, except Italy, which could suggest better awareness for the necessity of improving their national budgeting. Whether this is the effect of EDA's continuous efforts in intensively lobbying for the rationalization of national budgets, or it is simply a result of national political economic factor it remains yet to be determined. As well, even if the above-presented facts show a certain degree of willingness to budgeting reform, the bottom-line question remains if this is enough to really become efficient and competitive world-wide.

Chart 7: European Defence Spending in 2005



Source: EDA, National Breakdown of European Defence Expenditure, 2005

Chart 8: European Defence Spending in 2006



Source: EDA, 2006 National Breakdowns of European Defence Expenditure

As pertinently observed by Martin Trybus in his article addressing the contribution of EDA to the European industry and market, in EU there is a split into "defence-producing countries", i.e. United Kingdom, France, Germany, Italy, and Sweden, and "defence-consumer countries". However, the author welcomes the institutional advantage of EDA and its institutional consequences, because compared to OCCAR and LoI institutional settings EDA does not exclude the "defence consumer countries". Thus, EDA offers for the first time an inclusive approach[98] to solving the existing capabilities gap in the EU but also the gap between defence-producing and defence-consumer countries. EDA, among other things, must thus serve as an instrument for the Union's industrial defence policy. The Agency's "comparative advantage"[99] is its ability to comprehend all national agendas, and relate them so as to realize their synergies.

[98] M. Trybus, "The New European Defence Agency: A Contribution to a Common European Security and Defence Policy and a Challenge to the Community Acquis?," *Common Market Law Review* 42 (2006): 676-677.
[99] Ibid., 676-677.

Its special position should allow it to develop uniquely cogent analyses and proposals across the range of its activities, but it also positions EDA as an interface[100] between three camps, the political, the economic, and the military, being responsible with both the rationalization of member states' defence budgets and procurement and streamlining an emerging European defence industry and market. In a further effort to improve overall EU performance on defence, the Agency's work program and budget for 2008 is €32 million, contrasted with €22 in 2007[101].

More specifically, EDA's Industry and Market Directorate has as principal objective the creation of a "more competitive defence equipment market and stronger defence technological industrial base in Europe"[102], such a goal being illustrative of the necessity for closer collaboration and participation between MSs, along with the European defence industry and the European Commissions. From this perspective, the job of the Directorate appears to be even more difficult in managing the different interested actors and reaching a productive equilibrium "between industrial development and competitive market issues"[103]. One specific aspect is of detrimental importance, the European defence sector has been split between state monopolies and protected national markets, under the provisions of Article 296, which allows member states "to take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production or trade in arms, munitions and war material" (Article 296(1)(b) of the EC Treaty). According to the letter of this article, defence procurement may be exempt from the single market rules of competitive

[100] J. Howorth, "The Instruments of Intervention: Military and Civilian Capabilities" in *Security and Defence Policy in the European Union* (Palgrave Macmillan, 2007).
[101] EDA, Defence Facts, http://www.eda.europa.eu/facts.aspx.
[102] EDA, Industry and Market Directorate, http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=116.
[103] Ibid.

procurement. Nevertheless, EDA has negotiated a voluntary, more transparent intergovernmental regime of defence procurement[104] which took effect from 1st of July, 2006, with two key assets, the Code of Conduct for government contracts and the Code of Best Practice in the defence supply chain[105].

Challenging Obstacles, a Comparison with the United States Defence Expenditure

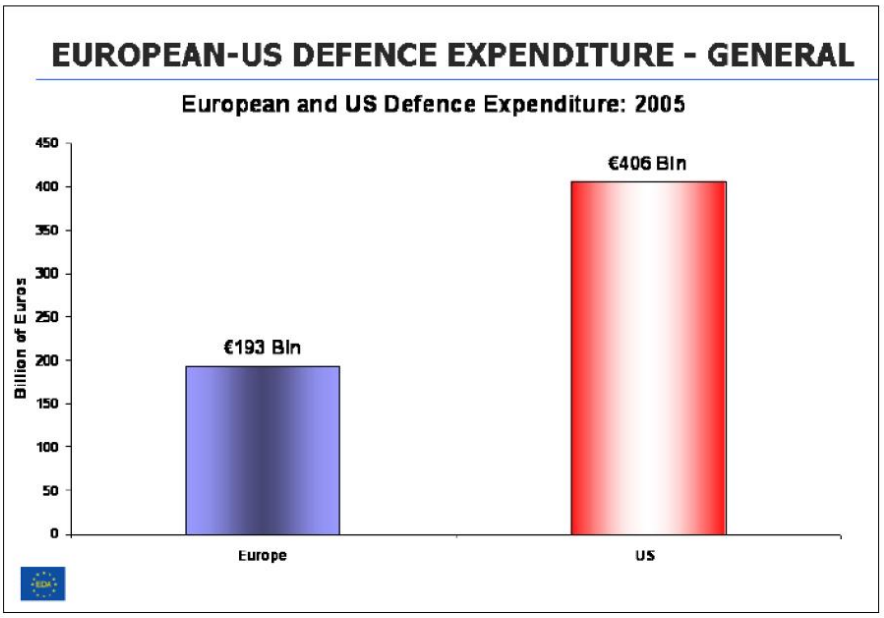
In the international arena it has always been a question of who has the most sophisticated defence weaponry, the US reaching currently the glass ceiling in its defence expenditure, hard capabilities and influencing the stakes of global war and peace through sheer force and coercive diplomacy. By comparing and contrasting the data in the charts to follow for European – United States Defence Expenditures (2005-2006) the staggering discrepancy between US's expenditure and that of the EU pooled together is but crushing. Moreover, an interesting aspect to be noted is that in 2006 the great difference between the EU and US further increased, from a discrepancy of approximately €200 bin in 2005 to almost €300 bin in 2006.

[104] Ibid.
[105] "This regime, with, aims to improve transparency and promote cross-border competition on a level playing field within the EDEM, for both prime contractors and sub-contractors for sub-systems and components. A crucial aspect of this new transparency is the posting of contract opportunities on a portal operated by the EDA at http://www.eda.europa.eu/ebbweb." Industry and Market, http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=116.

Chart 9: Comparing Data, European – United States Defence Expenditures for 2005

European - US Defence Expenditure - General		
	Europe*	**US****
Total Defence Expenditure	€ 193 Bln	€ 406 Bln
Defence Expenditure as a % of GDP	1,81%	4,06%
Defence Expenditure Per Capita	€ 425	€ 1,363

* Europe means 24 EDA participating Member States
** Euro/Dollar exchange rate is based on average for 2005: rate of 1,2441

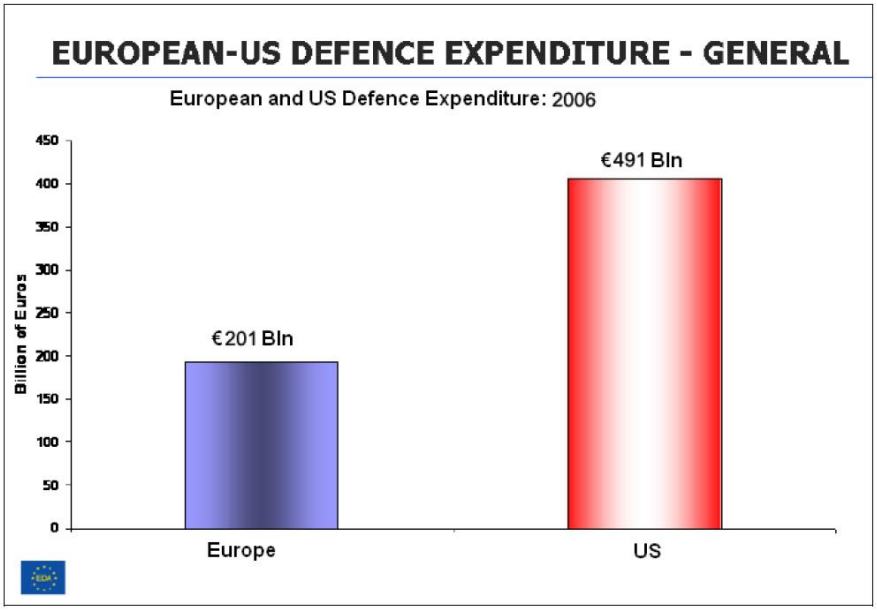


Source: EDA, European – United States Expenditure in 2005

Chart 9: Comparing Data, European – United States Defence Expenditures for 2006

European - US Defence Expenditure - General		
	Europe*	**US****
Total Defence Expenditure	€ 201 Bln	€ 491 Bln
Defence Expenditure as a % of GDP	1,78%	4,7%
Defence Expenditure Per Capita	€ 412	€ 1,640

* Europe means 26 EDA participating Member States
** Euro/Dollar exchange rate is based on average for 2006: rate of 1,2556



Source: EDA, European – United States Expenditure in 2006

According to the Government Electronics and Information Technology Association (GEIA), US defence spending in 2006 reached the highest numbers in the US's history. Moreover, GEIA's estimations point towards the fact that US defence spending will reach $609.4 billion annually over the next decade[106]. Thinking European, such data seem to be unbelievably high, the incredible developments in the US defence spending being further accounted for by a

[106] "The View from Europe," *Military & Aerospace Electronics* (December 2006), http://www.milaero.com.

PriceWaterhouse Coopers report[107],"The Defence Industry in the 21st Century", foreshadowing the US defence budget to equal the total budget of the remaining world countries. Thus, the US will be the undeniable world hegemonic power over the entire arms supply. Confronted to such a situation, the European Union should not only enhance and build upon its transatlantic relations, but it also has to find mitigating solutions to possible negative threats from its transatlantic partner, challenged by EU's autonomous defence developments. Both Britain and France should realise that a more "balanced partnership"[108] with the US is in order, but that will also come at the price of the US being more aware of EU soft-balancing endeavours. Hence, "soft balancing" between transatlantic partners is mitigated by their economic interdependence and other potential threats arising from Russia and China. Not only that EU's defence developments call for more equality in the transatlantic partnership but could also lead to a renegotiation of roles with the EU standing as a fully-fledged security actor in the international arena.

Going forward, the European Commission could pose problematic questions regarding its detrimental role in streamlining EU's market and industry, this having obvious implications for the defence industry and market as well. The bottom line question would be whether the Commission and EDA represent competing solutions in the realms of defence industry, the answer being simplified to two contrasting aspects: the Commission, with its DG industry has a supra-national, market frame[109] while EDA represents an intergovernmental take on defence, permitting national governments to withhold an upper-hand in the decision making process. Nevertheless, with the liberalization of the defence market, the Commission has

[107] Ibid.
[108] Jones, *The Rise of European Security Cooperation*, 180.
[109] U. Morth, "Competing frames in the European Commission – the case of the defence industry and equipment issue," *Journal of European Public Policy* 7, no.2 (June 2000):182.

gained a central position, because the defence industry would "become subject to the rules of competition, state aid, public procurement, and customs"[110].

In addition, one important aspect to take into consideration is the evolving "strategic" relationship[111] between China and the EU, this link emerging as an important characteristic in the current international arena. The EU's supranational trade power can thus evolve towards collaborating with China also in more sensitive sectors such as the defence market, bringing a significant challenge to American hegemony. A number of non-EU or no-US firms are forceful competitors in niche defence markets, particularly in less-developed states, "examples include sales of Russian combat aircraft to India and China, and commit themselves to military modernisation programmes that have involved a mixture of indigenous and collaborative programmes"[112]. Moreover, China's full-membership in the World Trade Organization will possible bring important changes to international trade and the EU will have make some important decision on whether to increase its collaboration with this country. In essence, "global military commercialization" [113] will be naturally unbalance the existing defence market and will put into perspective controversial issues in the political and military fields.

[110] Ibid., 182.
[111] D. Scott, "China and the EU: A Strategic Axis for the Twenty-First Century?," *International Relations* 21, no. 23 (2007): 23-45.
[112] Hayward, "The Globalization of Defence Industries", 123-124.
[113] F. Moustakis & P. Violakis, "An Examination of the European Security and Defence Policy: Obstacles & Options," Defence Academy of the United Kingdom, Conflict Studies Centre, Special Series, 06/40 (August 2006): 7.

FINAL CONSIDERATIONS

The EU has often been labelled as a "soft", "civilian" international power, lacking the military credentials required to earn the title of superpower[114], as the United State's international stance is usually termed. Contrary to trivial interpretation of transatlantic differences in terms of military capabilities[115], the EU has shown remarkable speediness and commitment in forging its defence potential. From this perspective, the Draft Reform Treaty's propositions regarding security and defence, as presented in the second chapter of this thesis, could be interpreted as offering the policy and institutional building compasses to meet the necessities of a "common" European defence strategy and a common way of thinking about defence[116]. From this perspective, this thesis has attempted to address the recent developments in the field of European defence by looking at the European Defence Agency, and assess its role in streamlining the much needed reform in the European defence dimension.

First and foremost, as shown in this thesis, the strategies induced by EDA's institutional setting may ossify over time[117] into a "common" European worldview on defence matters, which will ultimately shape the EU international identity and actorness. As highlighted by the dynamic policy developments analyzed in this thesis in the defence field, EU's shift towards a defence identity in military terms suggests the influence of an emerging exogenous insecure international structure. Considering that economic global governance alone and the promotion of normative soft-power-type of discourses cannot guarantee a world order without the

[114] J. McCormick, *The European Superpower* (Palgrave Macmillan, 2007), 68.
[115] ""EU-Venus" seen in opposition to "US-Mars", by ironically alluding to Hegel and European "beautiful souls", Robert Kagan quoted in Mario Telò, *Europe: a Civilian Power? European Union, Global Governance, World Order* (Palgrave Macmillan, 2006), 57.
[116] Meyer, "European Strategic Culture", 3.
[117] Hall and Taylor, "Political Science and the Three New Institutionalisms", 940.

backing of a strong arm, the EU, as a former Kantian *foedus pacificum*[118], is pursuing Hobbesian militarizing instruments to respond to international threats, defence being one of the last sovereignty redoubts member states have to surpass. By taking into consideration the facts and observations presented in this thesis, it could be indeed said that the expectations of EU MSs are being constantly moulded by EDA and its institutional setting. Moreover, such increased expectations will lock the EU in an evolutionary path that will lead to the creation of a European "common" defence.

Secondly, the creation of an institution such as EDA has long been on and off the agenda of the European Union since its inception. It remains to be seen whether EDA is the optimal response to member states' strategic needs[119] and that EDA will be able to streamline effectively the creation of a truly liberalized European defence market, to revitalize the dying European defence industrial base, and to encourage MSs to spend more on defence. If EDA remains solely an agent of the European principals, it will surely fail to become a credible galvanizing force to address the capabilities shortfall EU is currently having. Hence, instead of being utterly impressed with the amazing institutional progress that has been made and to readily applaud MSs' commonsensical shift of interest towards collective action in the field of defence, one must look at achievements, facts, and figures.

Thirdly, the arguments presented in this thesis confirm that the European states and defence firms are gradually cooperating in the defence sector. Nevertheless, the defence industries in the EU are improbable to be "normal" industries, due to the fact that European defence firms will be able to work around some of the national limitations on the export of certain secret defence products and technologies, but they may still encounter political barriers in their

[118] A. Hyde-Price, '"Normative" Power Europe: a realist critique," *Journal of European Public Policy* 19, no. 2 (March 2006): 235.
[119] Powell and DiMaggio, *The New Institutionalism*, 4.

endeavour. National states in the EU will want to make sure that the Europeanization of defence industries will not jeopardize their national sovereignty and security. From this point of view, EDA symbolizes a paradox, being "a step forwards on the way towards a common armaments policy [and] also a measure to protect the *status quo*, an expression of stagnation"[120].

Indeed, much greater defence capability integration is difficult because of national sovereignty and limitation of resources, but, as the Reform Treaty is clearly reflecting, there are opportunities which would produce more capability for lower cost. Moreover, this is all truer because the development of "smart" weaponry will need a significant input of resources that are limited at EU level and subjected to burgeoning demands from other areas and sectors. An agenda to generate new capabilities through greater integration on a supranational basis could be one way, coupled by EDA's greater leveraging power over member states.

[120] Trybus, "The New European Defence Agency", 698.

BIBLIOGRAPHY

Anderson, Malcom. "Internal and External Security in the EU: Is There Any Longer a Distinction?". Quoted in Stefan Gänzle and Allen G. Sens. *The Changing Politics of European Security*. Palgrave Macmillan, 2007.

Bretherton, Charlotte, and John Vogler. *The European Union as a Global Actor*. Routledge, 1999.

Casarini, Nicola, and Costanza Musu, eds., *European Foreign Policy in an Evolving International System The Road Towards Convergence*. Palgrave Macmillan, 2007.

Davis Cross, Mai'a K. "An EU Homeland Security? Sovereignty vs. Supranational Order." *European Security* 16, no.1 (March 2007): 79-97

Elgström Ole, and Michael Smith, eds., *The European Union's Roles in International Politics Concepts and analysis*. London and New York: Routledge, 2006.

Galtung, J., *The European Community, A Superpower in the Making*. London: George Allen and Unwin, 1973. Quoted in Stelos Stavridis, 'Why the "Militarizing" of the European Union is Strengthening the Concept of a "Civilian Power Europe"." *EUI Working Papers*, 17, no. 4 (2001).

Golde, Saar, and Asher Tishler. "Security Needs, Arms Exports, and the Structure of the Defence Industry Determining the Security Level of Countries." *Journal of Conflict Resolution* 48, (2004): 672-698.

Hall, Peter, and Rosemary C. R. Taylor. "Political Science and the Three New Institutionalisms." *Political Studies Association* XLIV, no.5 (December, 1996): 936-957.

Hayward, Keith. "The Globalization of Defence Industries." *Survival* 42, no. 2 (Summer 2000): 115-132.

Hill, Christopher. "The Capabilities-Expectations Gap, Conceptualizing Europe's International Role." *Journal of Common Market Studies* 31, no.3 (September 1993): 305-328

Howorth, Jolyon. "Discourse, Ideas, and Epistemic Communities in European Security and Defence Policy." *West European Politics* 27, no.2 (2004): 211-234.

Howorth, Jolyon. "The Instruments of Intervention: Military and Civilian Capabilities" in *Security and Defence Policy in the European Union*. Palgrave Macmillan, 2007.

Hyde-Price, Adrian. '"Normative" Power Europe: a realist critique." *Journal of European Public Policy* 19, no. 2 (March 2006): 217-234.

Immergut, Ellen. *Health Politics: Interests and Institutions in Western Europe*. Cambridge and New York: Cambridge University Press, 1992.

Joenniemi, Pertti. "Towards a European Union of Post-Security?." *Cooperation and Conflict* 42, no.1 (2007): 127-148.

Jones, Seth G. *The Rise of European Security Cooperation.* Cambridge University Press, 2007.

Katznelson Ira, and Barry R. Weingast, eds., *Preferences and Situations: Points of Intersection Between Historical and Rational Choice Institutionalism.* Russell Sage Foundation, 2005.

Kerninc, Franz. "European Security in Transition: The European Security Architecture since the End of the Second World War – An Overview". Quoted in Gunther Hause and Franz Kernic, *European Security in Transition*. Ashgate, 2006.

Knight, J,. and I. Sened. *Explaining Social Institutions.* Ann Arbor: University of Michigan Press, 1995.

Kollias, Christos, Nikolaos Mylonidis and Suzanna-Maria Paleologou. "A Panel Data Analysis of the Nexus Between Defence Spending and Growth in the European Union." *Defence and Peace Economics* 18, no.1 (February 2007):75-85.

Lecors, André. "Theorizing Cultural Identities: Historical Institutionalism as a Challenge to the Culturalists." *Canadian Journal of Political Science* 33, no.3 (September, 2000): 499-522.

Martin, Stephen, "Do military export stimulate civil export?." *Applied Economics* 34 (2002): 599-605.

Matlary, Janne Haaland. "When Soft Power Turns Hard: Is an EU Strategic Culture Possible?." *Security Dialogue* 35, no.1 (2006): 345-370.

Maull, Hans W. "Europe and the new balance of global order." *International Affairs*, 81 no. 4 (2005): 775–799

McCormick, John., *The European Superpower*. Palgrave Macmillan, 2007.

Meyer, Christoph O. "Convergence Towards a European Strategic Culture? A Constructivist Framework for Explaining Changing Norms." *European Journal of International Relations* 11, no. 4 (2005): 523-549.

Meyer, Christoph O. "European Strategic Culture and the Prospects for European Defence", *The Quest for a European Strategic Culture*. Palgrave Macmillan, 2006.

Morth, Ulrika. "Competing frames in the European Commission – the case of the defence industry and equipment issue." *Journal of European Public Policy* 7, no.2 (June 2000): 173-189.

Moustakis, Fotios, and Petros Violakis. “An Examination of the European Security and Defence Policy: Obstacles & Options.” Defence Academy of the United Kingdom, Conflict Studies Centre, Special Series, 06/40 (August 2006).

Nugent, Neil. *The Government and Politics of the European Union, Sixth Edition*. Palgrave Macmillan, 2006.

Olson, Mancur. *The Logic of Collective Action*. Cambridge: Harvard University Press, 1965.

Oswald, Franz. “Soft Balancing Between Friends: Transforming Transatlantic Relations.” *Debate* 14, no.2 (August 2006): 145-160.

Peters, B. Guy. *Institutional Theory in Political Science The ‘New Institutionalism’*. London and New York: Pinter, 1999.

Pierson, Paul. *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge and New York: Cambridge University Press, 1994.

Pierson, Paul. “The Path to European Integration: A Historical Institutionalist Perspective.” *Comparative Political Studies* 29, no. 2 (1996): 123-163.

Pollack, Mark A. “The New Institutionalism and European Integration”. Quoted in Antje Wiener and Thomas Diez, *European Integration Theory*. Oxford University Press, 2005.

Posen, Barry R. “European Union Security and Defence Policy: Response to Unipolarity?.” *Security Studies* 15, no. 2 (April-June 2006): 149-186.

Powell, Walter W., and Paul J. DiMaggio, eds., *The New Institutionalism in Organizational Analysis.* Chicago and London: The University of Chicago Press, 1991.

Riker, W. “The experience of creating institutions: the framing of the United States Constitutions”. Quoted in J.
Knight and I. Sened, eds., *Explaining Social Institutions.* Ann Arbor: Univ. Michigan Press, 1995.

Schelling, T. C. *The Strategy of Conflict.* Cambridge University Press, 1960.

Schneider, Gerald, and Mark Aspinwall, eds., *The rules of integration. Instituionalist approaches to the study of Europe.* Manchester and New York: Manchester University Press, 2001.

Schotter, Andrew. *The Economic Theory of Social Institutions*. New York: Cambridge University Press, 1981.

Scott, David. “China and the EU: A Strategic Axis for the Twenty-First Century?.” *International Relations* 21, no. 23 (2007): 23-45.

Shepsle, Kenneth A. “Institutional Arrangements and Equilibrium in Multidimensional Voting Models.” *American Journal of Political Science* 23 (1979): 23-57.

Schepsle Kenneth A., and Barry R. Weingast. "The Institutional Foundations of Committee Power." *American Political Science Review* 81 (March 1987): 85-104.

Shepsle, Kenneth A. "Rational Choice Institutionalism" (Janurary 2005). To appear in *Oxford Handbook of Political Institutions*, S. Binder, R. Rhodes, and B. Rockman, eds.

Smith, Dan, and Ron Smith, *The Economics of Militarism*. London: Pluto Press, 1983.

Stavridis, Stelios. 'Why the "Militarizing" of the European Union is Strengthening the Concept of a "Civilian Power Europe"." *EUI Working Papers*, 17, no. 4 (2001).

Steinmo, Sven. "Historical Institutionalism" (9/15/07). Forthcoming in Donatella Della Porta and Michael Keating, eds., *Approaches in the Social Sciences*. Cambridge: Cambridge University Press, 1.

Sweet, Alex Stone, Wayne Sandholtz, and Neil Fligstein, eds., *The Institutionalization of Europe.* Oxford University Press, 2001.

Telò, Mario. *Europe: a Civilian Power? European Union, Global Governance, World Order.* Palgrave Macmillan, 2006.

Trybus, Martin. "The New European Defence Agency: A Contribution to a Common European Security and Defence Policy and a Challenge to the Community Acquis?." *Common Market Law Review* 42 (2006): 667-703.

Wagner, Richard E. "Pressure Groups and political Entrepreneurs." *Papers on Non-Market Decision Making* 1 (1966):161-170.

Wiener, Antje, and Thomas Diez, eds., *European Integration Theory*. Oxford University Press, 2005.

Witney, Nick. "Opening the European Defence Market The Role of the Different Actors. Industry, National Governments, European Commission, European Defence Agency." *Military Technology*, MILTECH 6 (2006).

Wolfers, Arnold. *Discord and Collaboration: Essay on International Politics*. Baltimore: John Hopkins University Press, 1962.

Online Resources

COUNCIL JOINT ACTION 2004/551/CFSP of 12 July 2004 on the establishment of the European Defence Agency, http://www.eda.europa.eu/genericitem.aspx?area=Background&id=122, (accessed June 1, 2008).

Draft Reform Treaty, http://consilium.europa.eu/cms3_fo/showPage.asp?id=1317&lang=en, (accessed June 1, 2008).

David Miliband Speech: Europe 2030: Model power not superpower; Bruges, 15 November 2007, http://www.fco.gov.uk, (accessed June 1, 2008).

ESDP developments and the Headline Goal 2010 − reply to the annual report of the Council, http://www.assembly-weu.org/en/documents/sessions_ordinaires/rpt/2005/1898.html#P117_7800, (accessed June 1, 2008).

European Security Strategy (ESS), http://www.iss-eu.org/solana/solanae.pdf, (accessed June 1, 2008).

European Security and Defence Policy (ESDP) http://europa.eu/scadplus/glossary/european_security_defence_policy_en.htm, (accessed June 1, 2008).

European Security and Defence Policy: Developments Since 2003, RESEARCH PAPER 06/32, 8 JUNE 2006, http://www.parliament.uk, (accessed June 1, 2008).

European Defence Agency, Defence Facts, http://www.eda.europa.eu/facts.aspx., (accessed June 1, 2008).

European Defence Agency Industry and Market, http://www.eda.europa.eu/genericitem.aspx?area=Organisation&id=116, (accessed June 1, 2008).

Solana, Verheugen, Svenson at EDA Conference – Radical Change and True European Market Needed to Secure Future of European Defence Industry, http://www.eda.eruopa.eu/newsitem.aspx?id=58, (accessed June 1, 2008)

Tim Williams Speech as Head of the European Security Program at RUSI, May 2006, http://www.parliament.uk, (accessed June 1, 2008).

The European Defence Agency (EDA), http://www.eda.europa.eu/, (accessed June 1, 2008).

The View from Europe," *Military & Aerospace Electronics* (December 2006), http://www.milaero.com, (accessed June 1, 2008).

The Western European Union, http://www.assembly-weu.org/en/presse/cp/2004/025.php?PHPSESSID=66707b41b7e0ca31316fd86d341e3c3f, (accessed June 1, 2008).