Bertelsmann Stiftung

Interim Report of a Working group on

CFSP and the Future of the European Union

Prepared in collaboration with the Research Group on European Affairs (University of Munich) and the Planning Staff of the European Commission (DG1A)

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Executive Summary

Within the next ten to fifteen years the European Union (EU) could embrace almost the entire continent and comprise **25-30 member states**. In such an enlarged Union, it will be crucial to define and agree the essential foreign and security policy interests of the Union and to reform the Common Foreign and Security Policy (CFSP). Otherwise the European Union will be unable to tackle effectively the growing number of regional and global problems, and its indecision would adversely affect the security of its members. The 1996 Intergovernmental Conference (IGC) must, therefore, consider reform of the CFSP not only in light of a radically changed strategic environment but also in the perspective of a **substantially enlarged EU**.

During the past year, the Bertelsmann Stiftung has brought together a group of experts to deliberate on **the implications for CFSP of an enlarged European Union**. The motive for this study was the decision of the Copenhagen European Council to accept in principle the membership of the associated countries of Central and Eastern Europe. There are currently ten full or prospective associated countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia). The EU already envisages that accession negotiations with Cyprus and Malta should commence six months after the conclusion of the IGC negotiations. Whilst not underestimating the problems of future enlargement negotiations, it is not difficult to reach a tally of 25-30 potential member states, taking account of the fact that Turkey and Switzerland have also submitted applications for membership, that Norway may do so again, and without even counting Iceland, Albania and the successor states of the former Yugoslavia.

Whilst the group was composed of a 'hard core', comprising representatives from the Bertelsmann Stiftung, the Research Group on European Affairs at the University of Munich and the Planning Staff of DG1A in the European Commission, it drew in experts for specific subjects. The group also took into account the numerous other reports which have been published in recent months and which have considered the present functioning of the CFSP and subsequently made recommendations for change. A full list of participants and papers submitted to the group is contained in annexes to this report. This interim report does not attempt to seek consensus on every issue, but is rather a reflection of the group's deliberations. A further stage will involve policy planners and experts from the associated countries.

The Challenge of Enlargement

Enlargement of the EU to the east is one of the most challenging tasks in the history of European intregration. Europe has never been united under democratic rule. The addition of the three prosperous new member states, Austria, Sweden and Finland, to the Union in January 1995 has added to the security resources available to the EU, even if their membership has created further problems in the defence field as a result of their neutrality. The accession of the three mini-states of south-east Europe (Malta, Cyprus and Slovenia) is unlikely to pose major difficulties for the CFSP of the Union, although the division of Cyprus remains a serious problem. The major challenge comes from the accession of the countries of central and eastern Europe, and in particular their understandable desire for security guarantees from the WEU and

NATO. What kind of power will this enlarged European Union seek to become ? Will it seek a global or regional role ? Will it seek to create a military projection capability - or will it be content to act as a civilian power ? Can a European Union stretching from the Barents Sea to the Black Sea, from the Atlantic Ocean to the Baltic Sea, agree on common foreign and security policy interests, and on the resources to be devoted to defending these interests ? How should it be represented to the outside world ? These are among the most pressing questions when considering the future of CFSP in an enlarged Union.

The Strategic Environment

Although there are no major security threats facing the EU at present, there is increasing instability to the east and south of the Union. An enlarged EU, which will have Russia as its principal neighbour, cannot be indifferent to a worsening political and economic environment in its immediate neighbourhood. It will be vital, therefore, for the EU to maintain a firm, long-term commitment in support of the reform process in Russia and Ukraine. Hence the importance of fully implementing the Partnership and Cooperation Agreement (PCA) and indeed further intensifying relations with Moscow and Kiev. To the south, the EU is embarking on an ambitious new relationship with the countries of north Africa. It will be important to maintain the momentum of this policy even in the face of inevitable setbacks.

The United States will continue to be the EU's principal ally. Contractual relations should be expanded gradually, but a new transatlantic treaty will only be relevant if the EU can demonstrate that it is capable of operating **a credible and effective CFSP.** A realistic medium to long term aim would be an enlarged Union - deepened and widened - which would share a mutual assistance guarantee with each other and which would continue to share a mutual assistance guarantee with the US as a result of a new transatlantic treaty based on a genuine partnership between the EU and US. Together, the EU and US should have a security relationship with Russia and Ukraine.

The Need for an Effective CFSP

The 1995 enlargement to include Austria, Finland and Sweden has increased the resources available for CFSP but has further complicated the decision-making structure. A 25-30 member EU will require a reformed CFSP if it wishes to be treated as a credible actor in global diplomacy. Although there is a strong case for abolishing the pillar structure created at Maastricht, it is unlikely that such a change will be agreed at the IGC. Hence reform proposals need to focuss on practical near-term improvements, including :

- **conception** : the need to create a European planning staff

- **decision-making** : the need to take CFSP decisions with non-defence implications by qualified majority voting. This would only be possible under a reformed voting system in Council in which there was a greater correlation between votes and population. One possible model is proposed in this report (see annex four).

- **execution** : the need for the Presidency and Commission to work closely together to ensure a better implementation of EU decisions under CFSP

- **representation** : the existing six-monthly rotation system of the Union Presidency should be replaced, either by a) an elected Presidency with a longer period in office, or b) a strengthened role for the Commissioner responsible for CFSP. The establishment of a separate body (Mr CFSP) would only create confusion and detract from moves to improve the coherence of the EU's external actions.

The Defence Dimension

Given the economic weight of the EU, the world increasingly expects it to take on a greater role in world affairs. Whilst it is inevitable and right that the EU would continue to concentrate on its immediate neighbourhood, particularly to the east and south, it will have to increase its presence on the world stage. At present this is done mainly through the exercise of **soft power** - the use of economic, financial and political instruments in order to promote EU objectives. But in future the credibility of the EU's diplomacy will be unnecessarily weakened unless it also develops an **independent military capability or 'common defence'.**

The vehicle for this effort must be the WEU, already designated in the Maastrich Treaty as "an integral part of the development of the EU". The US strongly supports an effective and credible European Security and Defence Identity (ESDI), and there is a growing consensus that the establishment of an ESDI would **strengthen not weaken** transatlantic relations. The WEU should gradually be phased into the EU, perhaps initially as a separate pillar. Meanwhile, even in the absence of the formal mutual defence guarantee, it is inconceivable that member states would not respond with all the means at their disposal to an act of aggression on a member state. Given, moreover, that all ten associated countries wish to join the WEU (and NATO), there will be increasing pressure on the other five (Austria, Denmark, Finland, Ireland and Sweden) to match their full participation in CFSP with full membership of WEU (and NATO).

It would be wrong to give Russia a veto on **WEU/NATO enlargement**. WEU and NATO membership should be available to all EU members who wish to join and satisfy the requirements of membership. On the other hand, it is important to recognise the legitimate concerns of the Russian government. For example, it could be agreed that no nuclear weapons would be based in any of the new NATO members. And, following the precedent set by East Germany's absorption into NATO, the Alliance should agree to include the forces of its new members in Central and Eastern Europe within its own collective ceiling for the purposes of the CFE Treaty. The previous allocation of these states would then be available for distribution amongst Russia and other former Soviet republics. Adherence to these limits would, of course, be dependent on Russia continuing to abide by the constraints of the CFE Treaty.

Enlargement cannot be a 'one way street', with existing members of WEU and NATO providing security to new members without expecting anything in return. Existing members have a right to expect that their prospective partners, as part of their preparation for membership, devote the resources necessary to make military co-operation possible. In order to advance their cases for membership, these states will need to invest a considerable proportion of their limited defence resources into efforts to shift to NATO/ WEU standards.

Prospective new members cannot be expected to spend more on defence, proportional

to their national income, than do existing WEU members. As their prosperity increases, however, it would be reasonable for them to increase the size of their contribution to collective military efforts. Moreover, there is considerable scope within existing allocations for defence for a shift of resources into capabilities that would more directly contribute to common efforts.

All WEU members should be expected to contribute forces or resources to operations authorised by WEU. It would be inefficient for every country to take part in every operation. Over a period of time, however, national contributions overall should be roughly proportional to national capabilities. The WEU Planning Cell might consider monitoring progress in this regard for consideration by the WEU Council.

There may be some scope for the idea of some form of military 'division of labour' between WEU member states on functional lines, with some states (for example) emphasising naval contributions and others ground forces. But this should not be extended to a geographical division of labour, since, by appearing to endorse the idea of national 'spheres of influence', it would tend to undermine rather than strengthen a common European approach. Some countries may have more military resources available for particular areas by virtue of geography - for example Sweden in the Baltic or Italy in the Mediterranean. But a primary purpose of a common defence policy is to ensure that members can rely on other members for support, wherever that support is needed.

In the short term European defence may be facilitated by the emergence of a 'core group' of states most ready and willing to undertake collective action. But the organisation of ad hoc 'coalitions of the willing' in response to particular crises is unlikely to contribute to the strengthening of CFSP. Rather, there is a danger that such coalitions will be regarded as a reflection of the CFSP's weakness, illustrating the very real risk that, with the Soviet threat gone, European defence will become increasingly 'renationalised.'

Increasing the cost-effectiveness of European defence

The 15 members of the EU spent the equivalent of $177 billion on defence in 1993: less than the $297 billion spent by the US, but more than double Russia's $77 billion and around four times Japan's $40 billion. Yet much of the impressive total budget is used to duplicate the national capabilities of fellow EU members, rather than make a net addition to the EU's military strength.

Budgetary limitations preclude extensive duplication of assets already provided by the US; and the EU has no interest in seeking to replicate the US's capabilities for large-scale power projection. There is a strong case, however, for a programme of targeted investment, organised on a European level, to remedy the most obvious deficiencies: for example in airlift, intelligence and communications.

In order to fund selective improvements of this sort, European defence must become more cost-effective. There is considerable potential for savings if governments are prepared to seriously address the enormous inefficiencies as a result of the fragmentation of defence provision into fifteen separate national forces.

The WEU should sponsor a series of studies of the practicalities of integration of particular components of defence provision, including details of potential savings, implications for training, infrastructure, equipment, etc. First candidates for such studies, which might be conducted both on a WEU and a sub-regional level, might

include air defence, surface navies (learning from the Belgian/Dutch experience) and contributions to NATO and WEU ground forces.

Considerable potential for savings also exists in the procurement budgets for Europe's armed forces. Where the US has only one advanced fighter under development, the EU member states have three - Eurofighter 2000, Rafale and Gripen - at a total cost (for development only) of $24 billion. A similar picture of duplication is repeated in tanks, helicopters, submarines, missiles and many other areas. In contrast to the rapid reorganisation of the US defence industry, European defence companies have been relatively slow to consolidate and reorganise. Despite the growing costs involved, the protection of 'national champions' remains a high priority for many European defence ministries.

If European defence industries are to be able to provide the equipment which European armed forces need at a price they can afford, the pace of change in the industry needs to accelerate. European governments need to accept that in the long run the Europe defence industry can only compete with US producers, even within Europe itself, by reducing its surplus capacity, consolidating purchases on a European scale, and allowing genuine competition for defence orders on a Europe-wide basis. In terms of defence procurement, there are major financial savings to be made as a result of closer integration of defence markets. A 1992 study for the European Commission already estimates the cost of procuring defence goods and services on a national, rather than a European, basis as ECU 6-9 billion. In an enlarged EU, the case for co-operation, and the resulting savings, is correspondingly greater.

1. Introduction

The end of the Cold War means that the European Union now has an historic opportunity to unite the European continent on a democratic basis for the first time in history. Enlargement to the East is important not only for economic, but also for political, strategic and moral reasons. Yet, in order to fulfil this historic mission, the leaders of the EU will have to face the need for radical change. Difficult decisions will be needed, not only in economic policy, but also in foreign and security policy. One of the main purposes of the IGC will be to agree upon the necessary measures that will be needed in order to prepare for enlargement.

This interim report, which is intended to contribute to the discussion of what those measures might be, is the result of a working group established in the summer of 1994 by the Bertelsmann Stiftung, in close co-operation with the Research Group on European Affairs at the University of Münich and the Planning Staff of DG1A in the European Commission. The working group was comprised of a core element from all three institutions, enriched by other foreign and security policy experts who were invited to submit papers and participate in meetings. One of the innovative features of the working group was its mix of officials from the EU, WEU and NATO (all participating in their personal capacities) as well as academics and researchers from various European countries. A full list of participants and the papers submitted is contained in Annexes 1 and 2.

The working group had a broad mandate **"to consider the implications of future enlargements for the CFSP of the European Union"**. A second phase of the group's work will involve experts from the associated countries of Central and Eastern Europe.

The group commenced its reflections during the enlargement negotiations with four EFTA countries. It took their accession, and the eventual accession of the associated states to the east and south, for granted. The working hypothesis was thus an enlarged Union of 25 or more member states.

The group is aware of related research being undertaken elsewhere, and has sought to promote the cross-fertilisation of ideas. Given the scope of the problems examined, it is also aware that this interim report cannot be a comprehensive survey of all the implications of enlargement on CFSP. Nevertheless the group considers that it is justified in publishing its interim report at this juncture as a contribution to the discussion leading up to the IGC in 1996. Accordingly, it is intended to submit the report to the Reflection Group under Mr Westendorp and to make it available to the European institutions, governments and parliaments in the member states and associated states, as well as the wider public.

2. The Challenge of Enlargement

The first stage of the enlargement of the EU made possible by the end of the Cold War has already taken place. It began with Austria's formal application to join the European Community in July 1989, and culminated with the acceptance of Austria, Finland and Sweden into the European Union in January 1995. The Community that began with only 6 members in 1957 is now a Union of 15.

Yet, even before the full implications of this latest stage have been absorbed, the Union is already well advanced in its preparations for its most ambitious enlargement so far. The Copenhagen European Council in June 1993 accepted in principle the goal of membership for the associated countries of Central and Eastern Europe. Following the Cannes European Council in June 1995, there are ten current, or soon to be, associated countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), all of whom view EU membership as part of their security strategy. The European Council has also accepted that negotiations with Cyprus and Malta should commence six months after the conclusion of the IGC negotiations. There remain applications from Turkey and Switzerland on the table, and it is possible that Norway will also make another application, perhaps followed by Iceland. Although the obstacles to rapid enlargement remain formidable, it remains likely that, by 2005 or 2010, the Union will have a membership of between 25 and 30 states, even if Turkey, Albania and most of the successor states of the former Yugoslavia remain outside.

Such a radical enlargement provides a wealth of opportunities. But it also presents risks. If measures are not taken to define and agree the essential common interests of the Union and to reform the decision-making process, the process of enlargement could weaken, rather than strengthen, the cohesion and effectiveness of the Union's CFSP. The 1996 IGC must, therefore, consider reform of the CFSP in light of the prospect of a substantially enlarged membership, a radically different strategic environment, and against the background of the changing nature of security.

The importance of CFSP reform will be increased because of the very nature of the enlargement exercise. A result of enlargement to a Union of 25-30 is likely to be that the EU will find itself directly bordering areas which suffer from political instability and/or economic underdevelopment (for example, Russia, Ukraine, the Maghreb countries, with only a tenth of average EU levels of GNP per capita). A strong and effective CFSP will be vital if the EU is to manage relations with its neighbours in a way that is constructive rather than antagonistic.

Austria, Finland and Sweden

The accession of Austria, Sweden and Finland has significantly changed the geopolitical contours of the Union. Nordic enlargement means that Finland's 1200 kilometer border with Russia is also an external frontier of the Union, whilst Austrian enlargement means that the Union's frontiers have moved even closer to war-torn former Yugoslavia. Both Finland and Austria are thus more directly exposed to security risks than most other member states of the Union.

The addition of three prosperous new members to the EU in January 1995 has significantly enhanced the security resources of the EU, even if their neutral status has complicated plans for a common defence. Finland and Sweden are playing an active role in promoting reconciliation between Russia and the three Baltic republics, and all three are promoting cooperation between the EU and central and eastern Europe. Despite some recent reductions, all three newcomers remain amongst the most generous providers of development assistance to the Third World.

The three new states also bring significant contributions to the EU's military capabilities. Sweden provides significant military resources, as well as a defence industrial base of considerable sophistication (especially in combat aircraft, submarines and fast attack craft) for a country of its size. Although less 'high tech' than Sweden, Finland also possesses significant highly trained armed forces and is well experienced in managing relations with Russia. Both countries provide troops for the UNPROFOR mission in former Yugoslavia. Austria has given a lower budgetary priority to defence, which has traditionally been based on militia-based area defence. But recent policy changes have heralded a shift towards border defence, and a 15,000 strong rapid reaction force is to be established.

Table 1

Defence resources of new EU members (1994)

	Population	Armed forces	Defence Budget ($US)
Austria	8.0 million	51,250	$1,600 million
Finland	5.1 million	31,200	$1,600 million
Sweden	8.8 million	64,000	$4,800 million

The neutrality of the three during the Cold War did not prevent each playing an important international role, particularly through the UN. They have a long and distinguished history of involvement in UN peacekeeping operations, bringing a depth of experience that is invaluable for CFSP. Moreover, all three new EU members (unlike Ireland and Switzerland) have joined Partnership for Peace, and now take part in the WEU as observers. Full membership of WEU and NATO membership remains a matter of considerable controversy, but the continued relevance of neutrality in a Europe without blocs is under debate in all three countries, and elite opinion recognises that WEU and NATO membership is likely to be the long term consequence of joining the EU.

The current observer status of these three newcomers, together with those of Denmark and Ireland, complicates the process of integrating defence provision and planning into the CFSP. If the WEU is to become fully integrated into the EU at some stage, this anomaly will have to be resolved. Yet the practical consequence of this anomaly should not be overstated. The international policies of the three fit easily with those of the other twelve members, and none seems likely to become a persistent 'footnote' state. In the event of a serious deterioration in the European security situation, all three states would consider WEU and NATO membership more urgently. In the absence of

such a crisis, the EU's new members still seem likely to be net contributors to its capability for providing security, both in its immediate neighbourhood and further afield.

The Three 'Mini-States' of South-Eastern Europe

At the European Council of June 1994 in Corfu it was agreed that Cyprus and Malta would be involved in the next phase of EU enlargement. Both states are small (Malta with 0.4 million inhabitants would be the smallest EU member by population and Cyprus with 0.7 million would be the third smallest after Luxembourg), but each would pose significant problems for the EU, not least in the institutional field. In both cases, the delicate question of their representation as 'mini-states' in the Unon's institutions would have to be resolved in accession negotiations.

In the case of Malta, another issue would be the country's constitutional commitment to non-alignment. The rationale for this commitment, conceived as an attempt to stand back from the Cold War confrontation, has largely disappeared, and Malta's application to join the EU appears to signify a wish to align itself with the EU as partial protection against the possibility of instability to its south. Nevertheless, it appears likely that Malta will, at least initially, not want to join either WEU or NATO.

Table 2

Defence resources of the 'mini-states' (1994)

	Population	Armed forces	Defence Budget ($US)
Cyprus	0.7 million	10,000	$511 million
Malta	0.4 million	1,850	$26 million
Slovenia	2.0 million	8,100	$226 million

EU membership for Cyprus clearly poses problems as long as no lasting settlement to the island's division, acceptable to both communities on the island and to Greece and Turkey, has been found. At present this seems unlikely. As a result, the EU faces the prospect of having a new member state (on whose territory another member state has 'sovereign' bases) which does not control a large part of its national territory, and which may well hope and seek to enlist its fellow EU members in its quest to regain that control.

A third 'mini-state' - Slovenia, with 2 million inhabitants - is the richest republic of the former Yugoslav states and as such would face relatively modest problems in preparing itself for EU membership. Slovenia could be expected to apply to join the WEU and NATO, and to be accepted with little protest from either existing members or from other powers. With the settlement of its dispute with Italy, it has no territorial disputes with its neighbours. It may even, by virtue of its long history as a Yugoslav republic, be able to bring some useful expertise to EU mediation efforts in other parts of former Yugoslavia. Slovenian membership of the EU would add further to the need to reform EU decision-making and representational mechanisms. In other respects, however, it would pose far fewer problems than other prospective members.

The accession of Malta, Cyprus and Slovenia will not expose the Union to significant new risks, and, given the small size of the states concerned, the economic impact of their membership will be marginal for existing member states. But their membership will create significant problems for the EU's institutional structures and CFSP procedures.

The Central and Eastern European associated states

In sharp contrast, the prospect of membership for the six associated states in Central and Eastern Europe (Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovakia) is likely to pose much more fundamental challenges for the EU, the meeting of which are likely to require radical change in many aspects of Union policy, from regional policy to agriculture, from industrial policy to internal security. Not least, because of the central importance of security as a motivating force in the desire of Central and Eastern Europe to join the EU, enlargement will profoundly affect the nature of the CFSP.

What unites the six applicants of Central and Eastern Europe is that, for almost half a century after 1945, their foreign and security policies were (with the partial exception of Romania) subordinated to the requirements of the Soviet Union. The last Russian troops only left Poland in September 1993. Precisely because of this negative experience, all six have expressed a strong wish to be full members of both WEU and NATO, as well as the EU, as soon as possible. But the practical problems involved in the transition to full membership in these institutions are considerable.

As relatively poor states, the Central and Eastern European applicants are unlikely to contribute significantly to the 'soft power' resources available for the conduct of CFSP. They would appear to have greater potential in the provision of military resources, with 830,000 armed forces personnel last year (see table) equivalent to 40% of the strength of the EU's fifteen existing member states. Yet this gives a misleading indication of the value of Central and Eastern European forces for collective defence. The imperative of economic reform in preparation for EU membership, together with the absence of any immediate military threat from the east, has severely limited the resources available for defence. For example, the Czech republic has fixed its defence budget at 2.5% of GNP, down from around 7% in the late 1980s. Training standards are decreasing, and personnel numbers are in most cases likely to decline substantially over the next few years. Arsenals, although often large, consist predominantly of Soviet models, and interoperability of equipment, ammunition and logistics with NATO/ WEU forces is therefore virtually non-existent. Considerable investment will be required to bring forces up to the standards of even the less well-equipped members of WEU.

Table 3

Defence resources of Central and Eastern European states (1994)

	Population	Armed forces	Defence Budget ($US)
Bulgaria	8.4 million	101,900	$586 million
Czech R	10.4 million	92,900	$770 million
Hungary	10.4 million	74,500	$637 million
Poland	38.8 million	283,600	$2,200 million
Romania	23.2 million	230,500	$1,100 million
Slovakia	5.5 million	47,000	$315 million

In certain specialist areas, the countries of Central and Eastern Europe may be able to make a useful contribution to NATO and WEU capabilities for peacekeeping. As of May 1994, the six states were contributing a total of 3,804 personnel to UN peacekeeping missions: around the same number as the UK. The countries of Central and Eastern Europe are also starting to make a useful contribution to WEU and NATO through providing access to training facilities (for example, recent Franco-German-Polish exercises in Poland) and fly-over rights (for example, the use of Hungary for the AWACS mission for the control of the no-fly zone over Bosnia). In addition, some Central and Eastern European countries - such as Poland, Romania and Slovakia - have inherited large defence industries. But given the reductions in national defence budgets and the highly competitive nature of international markets, there is little prospect for retaining more than a few specialist elements of these capabilities. Indeed the economic and social problems created by the rundown of defence industries may increase the difficulties involved in harmonising arms export regulations with those of EU and NATO members.

The Baltic Republics

The three Baltic republics are on the margins of mini-state status ; Lithuania 3.7 million, Latvia, 2.6 million and Estonia 1.6 million inhabitants. Latvia, Lithuania and Estonia also have particular problems as a consequence of their former incorporation into the Soviet Union and their geographical situation between Russia on two sides (the Kaliningrad enclave and St Petersburg) and Belarus on the third. Although the current Russian government appears to accept that the three republics are not part of the 'near abroad', the presence of large Russian minorities in both Estonia and Latvia is a source of potential tension in future. It will be important, therefore, for the EU to continue to press both sides to improve their relatons - along the lines outlined in the Stability Pact.

The Baltic states are progressively aligning their foreign and security policies with the EU as a first step towards eventual full membership of the EU, WEU and NATO. In contrast to other former Soviet republics, the three Baltic republics have negotiated association agreements with the EU and have been granted associate WEU membership. Denmark, Finland, Norway, Sweden, and the UK are assisting the new states establish a joint infantry peacekeeping battalion, and several EU states are assisting in the provision of equipment and training.

Table 4

Defence resources of the Baltic republics (1994)

	Population	Armed forces	Defence Budget ($US)
Estonia	1.6 million	2,500	$20 million
Latvia	2.6 million	2,300	$51 million
Lithuania	3.8 million	4,900	$96 million

Security Guarantees

The inclusion of the Central and East European states and the Baltic states in the EU would raise a number of very sensitive security issues. First, it raises the prospect of possible EU involvement in disputes between Central and Eastern European states. Acting together, the existing EU states would be able to bring considerable resources (economic, diplomatic, even military) to bear to ensure a peaceful outcome to such disputes. In order to organise such an outcome, however, the EU would need to overcome the problems that might be posed if one of the new members directly involved in a dispute were to use its veto power to block any joint action. A first step should be to introduce the possibility of "positive abstention" allowing for the EU to take action if no direct opposition is voiced. If the Union's eastward enlargement is not accompanied by measures designed to allow for this possibility, there is a real danger that it may become increasingly difficult to agree CFSP joint action.

Second, the enlargement of the EU raises the issue of security guarantees by WEU (and NATO) against aggression from non-members. The pre-eminent problem in this regard is concern, most intensely felt in the three Baltic republics and Poland, about future developments in Russia. It is clear that, in the absence of radical change in the organisation of European defence, WEU on its own will not be able to offer credible military guarantees to these states. The EU therefore cannot consider the implications of enlargement without also considering how to link this process with NATO enlargement.

In conclusion, both because of the continuing possibility of conflict within the region, and because of the remote but real risk of a revived Russian threat, the security relationship between existing EU members and the prospective members from Central and Eastern Europe is bound to be an asymmetrical one. Enlargement of the EU to the East is in the long term security interests of existing members, consolidating the gains that democracy has made in the region and deepening the security perimeter of the Union. Yet the Union should not underestimate the seriousness of the commitment involved for all EU and WEU members, including those with little or no history of commitment to Central Europe. An important part of the 1996 process, and beyond, will be to educate EU members of this reality. An appropriate step in this process would be to turn the implicit security guarantee of EU membership into an explicit guarantee, with all member states accepting an article V type of mutual assistance clause.

3. The Strategic Environment

In the complex post Cold War international environment, security policy is no longer focussed only on containing the threat of military attack on Western Europe. Rather than relying primarily on defence and deterrence, European security now requires a multifaceted approach in which a variety of instruments are used together to reduce the risks of instability and insecurity on Europe's frontiers and in its neighbouring states. For security policy to be successful, it needs to be well resourced, swift and flexible. In current circumstances, it is more likely to be about the 'soft security' provided by instruments such as human rights monitoring, trade policy, economic and technical assistance than about the 'hard security' provided by military defence. If risks to European security develop to the stage at which European soldiers have to risk their lives, then these preventive policies will already, to a large extent, have failed.

The Stability Pact is a good example of the type of EU preventive diplomacy that is likely to be most relevant in the new environment. In this case the EU was able to deploy its considerable leverage to encourage states in central and eastern Europe to address some of the fundamental causes of instability in their neighbourhood. More needs to be done, and the effectiveness of EU initiatives is still often hampered by lack of resources and by 'lowest common denominator' decision-making rules. It is already clear, however, that in responding to the multiplicity of challenges it faces, the EU will need to define its security policy in a broad sense, giving due weight to the importance of policy instruments that are outside the formal purview of the CFSP. In other words, there must be greater coherence between the three pillers.

Of all the organisations involved in European security, only the EU has the potential to play a global security role. The military instrument of policy will remain important, both as a background presence and in direct application. But even when used, it will rarely be as dominant in policy as in the past. Nor, accordingly, should it command the degree of priority in resource allocation which it was given during the Cold War. Many of the potential challenges resulting from instability and conflict in the East and South, such as increased refugee flows, criminality and narcotics traffic, cross-border environmental pollution, and disruption of energy supplies, are not susceptible to military solutions.

Relations with neighbours

In addition to enlargement, a major concern of the EU is relations with neighbouring states who will not be joining the Union. In each case, the EU will have an interest in promoting stability and prosperity so that the consequences of instability - illegal migration, crime, etc - do not spill over onto European Union territory. None of the EU's neighbours to the east and south currently pose a direct military threat to the Union. But future political change could lead to such a threat developing, and the CFSP will have a central role in seeking to prevent such an occurrence.

Most immediately, the EU has a direct interest in promoting a lasting and just political settlement in former Yugoslavia. The EU's inability to develop a united and credible policy towards the wars in Croatia and Bosnia is eloquent testimony to the need for a coherent CFSP that has 'teeth'. With four of the new members of an enlarged EU (Slovenia, Hungary, Romania, and Bulgaria), as well as Greece, bordering at least one of the former Yugoslav republics, this will increase the EU's interest in stability in

this region, and thus perhaps increase the readiness of its members to devote scarce resources to the area. (Yet it could also result in a paralysis in decision-making if no progress is made in moving away from the ability of single member states to block decisions within the CFSP. Without CFSP reform, the result is likely to be a further strengthening of the tendency to rely on ad hoc bodies (such as the Contact Group on Bosnia) as the primary instruments for multilateral diplomacy.)

There can be no doubting the crucial importance of developments in Russia for the future of European security. A democratic, cooperative Russia will greatly facilitate the management of regional and global security problems. It will be vital, therefore, for the EU to ensure the success of the Partnership and Cooperation Agreement, and to maintain a firm, long-term commitment in support of the reform process in Russia (and Ukraine). Failure to stabilise Russian democracy could result in a further breakdown of order, with all the concomitant risks of environmental spillover, massive refugee flows and the spread of organised crime. It is also possible that the failure of economic reform could lead to increased support for political extremism, which might in turn lead to a worsening of relations between Russia and neighbouring state In the first instance this could affect the three Baltic states, all of whom have a common border with Russia and two of which (Estonia and Latvia) have significant ethnic Russian minorities.

An enlarged Union to the east should not signal a shift of EU concern away from the Union's southern and south-eastern neighbours. Turkey, a long-standing member of NATO and still a candidate for eventual EU membership, is likely to be of growing importance in EU foreign policy.

Finally, the EU cannot isolate itself from the long term effects of growing poverty and underdevelopment. Continuing underdevelopment in North Africa and the Middle East fuels support for political extremism. The resultant flows of refugees could in turn exacerbate domestic tensions within several EU members, and might conceivably, albeit in the long term, lead to the development of significant military threats to the Union. Some EU members are clearly more immediately concerned with events in Algeria than others. But the whole Union will be affected if solutions to the endemic problems of this region are not found.

In every direction, an expanded EU faces a similar choice. If it is able to develop good relations with its neighbours, and perhaps hold out the prospect of membership - or at least close partnership - then it can help ensure its own security. But if it finds itself surrounded by an 'arc of crisis', the Union's own internal stability will itself be a fragile one.

Relations with the US

The US commitment to the Atlantic Alliance remains a cornerstone of the EU's security. But US policy towards Europe is changing as a result of the end of the Cold War, domestic priorities and budgetary pressures. Current disagreements over Bosnia should not obscure the fact that the ties binding Europe to the US remain strong. Washington is now a strong supporter of ESDI and favours both enlargement of the EU and the development of an effective CFSP. Despite this generally optimistic picture, there remains some concern that, in the absence of an overriding common threat, the sense of common transatlantic purpose might erode over time. Consequently, there is a revival of interest in a transatlantic treaty, in which the whole

range of relations - economic, political, and military - between the US and the EU would be integrated into a single process. A new transatlantic treaty, however, would only be relevant if the EU can demonstrate that it is capable of operating a credible and effective CFSP. A realistic medium to long term aim would be an enlarged Union - deepened and widened - which would include a mututal security commitment and which would continue to share a mutual assistance guarantee with the US as a result of a new transatlantic treaty based on a genuine partnership between the EU and US. Together, the EU and US would have a security relationship with Russia and Ukraine.

Faced with the much more diverse set of risks that characterise the post Cold War world, the members of the EU can no longer rely on the US to take primary responsibility for organising their security. Nor can European states rely on a diversity of national actions or on 'ad hoc' coalitions to meet the considerable challenges that will face the continent over the next two decades. Leaving the primary responsibility for foreign and security policy in the hands of individual states not only erodes the bonds of Union solidarity, particularly given the difficulty of drawing a clear dividing line between foreign policy and other aspects of policy such as trade and aid, but it also diffuses the resources that can be applied to the solution of any single problem, and thus diminishes the chances of success.

Relations with the rest of the world

As global interdependence continues to increase, events elsewhere in the world will increasingly impinge on European interests and concerns. In several respects, the EU is emerging as a significant global actor. It has recently recognised the importance of key regions and has produced strategy papers eg on Asia, Africa, South America, the Middle East, which need to be followed up with concrete action.

By acting together, member states can ensure that the EU plays a key role in shaping global regimes. The EU was one of the key actors in the negotiations that led to the establishment of the World Trade Organisation, talks that were vital to Europe's prosperity. EU members play an increasingly important part in the deliberations of the IMF and World Bank. EU members account for just over half of global aid spending (around $30 billion in 1992). They provide more of the UN regular budget, as well as the budgets of its specialised agencies, than either the US or Japan. And the EU has recently taken a leading role in pushing for effective measures to tackle the problem of global warming, for example at the Berlin Climate Convention in April 1995.

In pursuing external policy goals in these fields, the EU and its members rely mainly on economic and political instruments. The selective use of trade concessions, economic assistance and, where necessary, arms embargos and economic sanctions can have a valuable role to play in signalling the EU's attitude and facilitating peaceful change. On the other hand, the continuing use of these instruments by member states on a unilateral basis suggests that there is still some way to go before a common policy is fully in place.

Military capacity will also remain an important element in international diplomacy. The EU states are unlikely ever to match the US's capabilities for power projection, so vividly demonstrated in the Desert Storm operation in 1991. Nor is it clear that it is necessary or even desirable for the EU to duplicate this capability. But it will be necessary for EU member states to provide increased military resources in order to establish a common defence. As regards peacekeeping missions, many EU members,

including its three latest members, have a good record in this regard. And several countries are now making it a priority to enhance their capabilities for such missions. But some EU members could still do more.

If the European contribution to UN peacekeeping is to increase, however, it will be increasingly important that it be properly co-ordinated. Many of the EU's smaller members rely on others to provide the support for even a small-scale military operation. The case for developing integrated peacekeeping units, on either a regional or European level, depending on the nature of the task involved, is therefore a strong one.

4. The need for an effective CFSP

Although the CFSP has only been in operation for eighteen months, it has been widely criticised for its cumbersome procedures and lack of effectiveness. Whilst it is indisputable that these problems are likely to increase following enlargement, this does not mean that the quest for a more effective CFSP should be abandoned. The main argument in favour of such a policy is quite simple : in most parts of the world, the EU will either speak with one voice, or its voice will not be heard at all.

An initial assessment of the CFSP in operation is not very encouraging. Certainly there has been a vast increase in the number of meetings and a considerable reorganisation of the various bureaucracies involved. The European Commission has established a separate Directorate General (DG1A) to cover CFSP, under the mixed authority of President Santer and Hans van den Broek ; the Council has also established a new Directorate to deal with CFSP, headed by a British diplomat ; whilst the WEU's Secretariat has moved from London to Brussels.

But a number of weaknesses can be cited such as confusion over the pillars which operate under different rules and procedures ; ambiguity concerning the respective roles of the Presidency and the Commission (disputes over the interpretation of "fully associated") and the form of the Union's external representation. Some Foreign Ministers holding the Presidency seem to have difficulty in making any distinction between representing a national position and an EU position. Furthermore, in many capitals outside Europe, the presence of the EU is conspicuous by its absence.

Since the TEU came into operation on 1 November 1993, the EU has agreed a number of Joint Actions including :

- monitoring elections in Russia and in South Africa

- providing humanitarian assistance in former Yugoslavia and establishing an administration for Mostar

- supporting the Middle East Peace Process

- lobbying for the extension of the NPT

- agreeing export guidelines for the use of dual use goods ; and for anti-personnel mines

- promoting the Stability Pact to tackle problems concerned with minorities in central and eastern Europe

In addition to these "joint actions", a number of "common positions" (ie. alignment of policies but not necessarily taking action together or committing resources) have been adopted on Libya, Sudan, Haiti, Rwanda, Ukraine and Burundi.

Whilst these actions have been useful (particularly the Stability Pact with its mixture of diplomatic pressure and community assistance) in concerting the positions of member states on some key issues, they have not led to increased EU visibility nor really decisive action. The scope has been modest and the added value of CFSP not always apparent. It is still often the case that member states - and particularly the larger member states - have preferred to use other mechanisms to pursue their policies. In seeking a negotiated settlement to the war in Bosnia, France, Germany and the UK have worked primarily through the five-nation Contact Group, leaving other EU members and associates (including those with troops on the ground in Bosnia) without an effective voice.

In part, the lack of decisive EU action has been a consequence of the unwillingness of member states to accept that they have an interest in common action, even when the limitations of any single nation states to influence events is reducing. While member states will continue to reserve the ultimate right to unilateral action in foreign and security policy, the Union has yet to create even the expectation that the possibility of joint action should be thoroughly explored before action is taken, far less the expectation that the Union should be the primary mechanism for developing multilateral foreign and security policy.

To create these expectations will require a CFSP that is capable of responding rapidly and effectively to new problems. While increasing emphasis is being placed on the central role which conflict prevention should play in the Union's security policy, the CFSP has yet to develop the mechanisms necessary for this role to be effective. Until it does so, member states will often continue to believe that it is better to rely on a combination of national action and ad hoc coalitions.

The lack of a coherent European voice on many important international matters not only weakens the ability of European states to pursue their interests effectively. It also makes it more difficult for the international community as a whole to reach consensus. By contrast, in trade policy, where the EU already acts as a single actor, it makes an effective contribution to the management of international regimes.

With no clear separation between economic and security issues, the difficulties involved in conducting one policy on a community basis, but the other on a national basis, are likely to grow over time. The need for CFSP reform will be even more imperative following enlargement. Indeed, the operation of CFSP on the current basis in an enlarged EU could condemn it to stagnation and irrelevance. If this occurs, member states - both old and new - will increasingly turn to national action and ad hoc coalitions to achieve their foreign and security policy aims. NATO may be able to play some role in preventing renationalisation of the military component of security policy. If there is no coherent European pillar in a NATO of 30-35, however, NATO may find itself facing the same difficulties in reaching decisions.

Pressure for change will be increased by the fact that most of the new member states will have small populations, and like smaller members of the existing EU, these smaller states often do not have the national foreign policy-making capacity necessary to come to an informed judgement on problems outside their immediate national concerns, far less the power capabilities necessary to make a difference to their

solution. The smaller member states, like the larger ones, can be expected to protect core aspects of their national sovereignty in security policy, but they may feel that their interests are served by some shift in the locus of decision-making from the larger member states towards the EU.

Proposals for Change

Given the prospect of a substantially enlarged Union in the not too distant future, an increasingly unstable international environment and encouragement from the US to achieve a credible CFSP, it is imperative that the IGC results in an enhanced and effective CFSP. Although an absence of political will cannot itself be tackled through procedural improvements, such improvements, taken together, may reinforce the sense of common objectives and common interests, leading to a greater propensity to act together. There is a strong case for abolishing the 'pillar' system established at Maastricht, and moving towards integrating the CFSP into the Community structures. But such a move would arouse strong opposition from a number of member states who contend that security policy, and in particular policy with a defence dimension, should be treated differently from policy in other areas. While not ruling out more far-reaching ideas in the long term, this report focuses on developing proposals for more incremental reform that could reasonably be considered in the IGC.

The Conceptual Phase

One of the main weaknesses of CFSP has been the absence of a body charged with the definition of the essential common interests of the Union, monitoring potential crisis situations, establishing priorities and preparing options for ministers. An awareness of common European interests can be increased by partially pooling the Union's capacity for policy analysis. This already takes place to some extent through the exchange of information on the EU telegraphic COREU network and by joint meetings of policy planning staff from the member states and the Union's institutions. Such cooperation is limited, however, and could be enhanced by establishing a joint structure for the evaluation of information, policy analysis and preparation of policy actions. There is a urgent need, therefore, for a **European Planning Staff**, which should be a joint Commission-Council body, maintaining close links with WEU and which could be enhanced by officials on detachment from member states and perhaps also academic specialists.

The TEU and recent European Council conclusions provide only a general guide to the objectives and priorities of the CFSP. This hampers decisive action when situations arise requiring preventive diplomacy, crisis management or conflict resolution. The Union's capacity for action could be enhanced if it were to produce an annual report and guidelines for the Union's external relations. This could be a task for the European Planning Staff. The Council would then debate the guidelines, having first sought the views of the European Parliament. After Parliament had given its opinion, the guidelines could be reviewed by the Council and then transmitted to the European Council for approval. These guidelines would then create the parameters for EU decision-making on external policy during the course of the year.

The Decision-making Phase

Until now unanimity has been required for joint action under the CFSP although, in principle, the Treaty allows for decision by qualified majority on the details of implementing measures. This means that the Union's capacity for action can be limited by the reluctance of a single member state. While respecting national prerogatives on matters of vital interest in fundamental areas of foreign and security policy, decision-making rules could be changed to allow for **QMV in policy areas not having military implications** ; and to permit member states wishing to take action together, to do so within the framework of the treaty. Such actions would only be agreed if they fell within the broad guidelines approved by the European Council. Other member states, though not necessarily participating directly, would not be able to prevent the joint action from taking place. Indeed, such an approach, which will be even more desirable in an enlarged EU, finds its origin in the declaration attached to the Treaty concerning the CFSP, which aims at preventing the blockage of unanimity where a qualified majority exists.

Obviously there needs to be a **reform of the voting system in the Council** to allow for a greater correlation with population size. In the proposal in Annex 4, the weighting of votes is based on degressive proportionality. Accordingly, for up to 18 million population member states would be given one vote per 1.5 million ; between 18 and 45 million, they would receive additionally one vote per 3 million ; and beyond 45 million they would rceive additonally one vote per 5 million.

Representation

The EU's credibility in the rest of the world continues to be undermined by both the six-monthly rotation of the Council Presidency and the 'troika' system of external representation. Under the TEU, the Presidency was given an increased role as regards external representation of the Union. The Commission was also tasked with ensuring coherence between the pillars. It is doubtful, however, whether the present six-monthly rotation system can be maintained in an enlarged Union.. Even with adjustments to the troika rotation, one cannot escape the fact that future enlargements will concern mainly small and indeed very small states. The EU's insistence on having four seats for its 'troika' at the ASEAN Regional Forum's first summit in Bangkok in summer 1994, to take but one example, was a subject of some derision amongst Asian states. The system only serves to confirm the image of a Union that is so internally fragile that it is willing to sacrifice effectiveness of representation in the interests of equity between all its member states.

As far as the Commission's role is concerned, it is fully associated with the implementation of the CFSP and has the right of initiative, a right shared with the Presidency and other member states. The Commission is uniquely well placed to provide an independent European perspective and has demonstrated this in the past year by preparing numerous, well-received papers covering EU policy towards central and eastern Europe, Russia, Ukraine, the Baltics, the Mediterranean, Asia, Japan, Mercosur, etc. Member states inevitably approach problems from a national perspective whilst the Council has neither the experience nor the critical mass of

officials to undertake new tasks in CFSP.

Furthermore, the Commission is an institution which provides continuity through changing presidencies and troikas. On the whole, the Presidency-Commission form of external representation (eg for demarches) is more coherent than the somewhat unwieldy troika formula. In the longer term, under the impact of enlargement, there is a strong case for the Commission to act, under a Council mandate, in the whole range of external policies. One could envisage a senior Vice-President for foreign affairs (rather like Sir Leon Brittan's role on the trade side) who would speak for, and represent the Union in areas agreed upon by the Council.

An alternative proposal which has been suggested would involve an independent CFSP Secretariat, roughly modelled on the NATO model, and headed by an independent political personality. This would inevitably create confusion to the outside world and worsen rather than improve the prospects of achieveing coherence between the three pillars.

Another proposal is for an elected Presidency. Instead of the existing rotation system, the Union Presidency should be held by one of the Member States elected by the others, with a term of office of at least one year. There would be a loss of the 'socialisation effect', but such a system would increase the legitimacy of the Presidency and reduce the costs of continual handovers between Presidencies, while preserving ample opportunity for a rotation of the Presidency between member

The solution to the question of external represntation is not a directoire nor a new body to oversee CFSP but rather a **strengthening of the Community institutions**.

It is worth adding that there is considerable potential for further rationalisation of the Union's representation in third countries. This is likely to be a particular concern of the Union's smaller members, many of whom lack the resources to maintain representation world-wide.

Finance

In order to be effective, CFSP needs to be adequately resourced. Over the last two years, difficulties in mobilising the necessary resources has at times held up the implementation of agreed joint actions (e.g. in Bosnia). In future CFSP should be financed through the Union's own budgetary procedure. Financing through the Union budget is preferable to national contributions for reasons of equity, transparency and, not least, the need for timely response.

In conclusion, these reforms would transform the effectiveness of CFSP and have a profoundly beneficial impact of the EU's image in the outside world. But if the CFSP is to fulfil its stated purpose, it will also need to address the thorny question of a common defence.

5. The Defence Dimension

Given the economic weight of the EU, the world expects it to take on a greater role on world affairs. Whilst this will in large measure be done through the exercise of soft power - economic, financial and technical assistance - the CFSP will not remain credible (and the EU's diplomacy will be unnecessarily weakened) if it is not accompanied by the ability to deploy European military force, under European leadership, in its support.

This was clearly envisaged in Article J.4.1 of the Maastricht Treaty, which states that the CFSP deals with:

'all questions related to the security of the Union, including the eventual framing of a common defence policy, which might in time lead to a common defence.'

The vehicle for this effort is the WEU, already designated by the Maastrich Treaty as "an integral part of the development of the Union." Since 1991, some progress has been made in transforming this ambition into a reality. The prospects for co-operation with both NATO and the EU have been improved by the transfer of its headquarters to Brussels in January 1993. The WEU's capability has been increased by the creation of a Planning Cell of around 30 military officers, which became operational in April 1993. NATO agreed in January 1994 to make available its own resources and facilities for WEU actions, through the Combined Joint Task Force (CJTF) concept, and multinational forces - such as ARRC and the Anglo-Dutch amphibious force - can now also be placed at the disposal of the WEU.

In addition, the WEU has created new categories of membership in order to reflect the rapid change in the security environment of the last few years, and in order to prepare for future enlargement in its own full membership. In addition to the ten full members, European NATO members who are not in the EU (Norway, Iceland and Turkey) are given 'associate member' status, participating fully in political consultation at all levels, and having permanent access to the military planning cell and communications networks. Those EU states not in the WEU (Austria, Denmark, Finland, Ireland and Sweden) have 'observer status'. Although they have no access to military arrangements, they normally attend council meetings and may be invited to working group meetings. Finally, since May 1994, the category of 'associate partner' has been created for nine countries of Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia). These countries can participate in certain Council meetings and sometimes in working groups, and they have some access to the military planning cell.

Yet considerable problems remain to be overcome before the WEU is capable of fulfilling the ambitious objective of a common defence for Europe. Clearly the foremost problem is the continuing lack of political will. In addition, the 15 members of the EU spent the equivalent of $177 billion on defence in 1993: less than the $297 billion spent by the US, but more than double Russia's $77 billion and around four times Japan's $40 billion. Yet a large part of Europe's armed forces, while still of value in the event of a major armed attack on NATO, remain ill-suited to new post Cold War roles such as peacekeeping and crisis management. Much of the impressive total budget is used to duplicate the national capabilities of fellow EU members, rather than make a net addition to the EU's military strength. More is devoted to maintaining small, and often uncompetitive, national defence industries.

As a result of these weaknesses, the members of the WEU are unable to maximise their effective contribution to NATO. They remain dependent on US help, not only in the unlikely eventuality of an 'Article 5' threat to Western Europe, but also - as events in former Yugoslavia have shown clearly - in all but the smallest military operations.

Yet perhaps the most pressing question in the security field is the possibility of enlarging the full membership of WEU and NATO, and how this should relate to the EU's own enlargement timetable. During 1995, the preparatory work is being done within NATO on the practicalities of enlargement eastwards. By 1996, therefore, NATO may well be in a position to take decisions on which membership applicants to accept, and on what timescale. It is vital that careful attention is paid to the interdependencies between this debate and the parallel discussions within the EU on its own enlargement.

It will be highly desirable to minimise, and in the long term end, the differences between the composition of the different organisations - the EU, the WEU and the European pillar of NATO - that are each now separately responsible for aspects of Europe's security. This will entail the medium/long term goal of incorporating the WEU into the EU, either as a separate pillar or as an integral part of CFSP.

Convergence in membership between WEU and EU will reduce the current plethora of organisations, each with a slightly different membership, currently charged with European security policy. In establishing a coherent position on a given issue, European countries now consult with fellow members of NATO, the WEU and the EU, with varying categories of observers and associate members in each of these three organisations, and with fellow members of the UN and the OSCE.

European interests are clearly not best served by this complex and opaque structure of interlocking, and often competing, institutions. As the difficulties experienced in relations with the former Yugoslavia demonstrate, this complexity provides ample scope for states to play off one institution against another, exploiting differences of emphasis in order to soften or prevent effective action. The obstacles to reducing the diversity of European organisations are considerable, and will take time to overcome.

At present there are five EU members not in the WEU - Austria, Denmark, Finland, Ireland and Sweden. With the IGC taking place less than two years after the accession of Austria, Finland and Sweden, it will not be appropriate to insist on their immediate WEU membership. Rather there should be a continuing campaign of persuasion designed to bring all five states eventually into WEU and NATO. (Denmark is of course already in NATO). Such a campaign should emphasise the anomaly of countries playing a full part in the CFSP but not contributing to the common military effort designed to support it.

Enlargement of WEU and NATO to Central and Eastern Europe

The enlargement of WEU and NATO to Central and Eastern Europe is a key issue in the European Union's own enlargement debate. Whether or not formal security guarantees exist, considerable de facto solidarity exists between EU members, as is amply demonstrated by the various links between all EU member states and the WEU. But this in turn means that, in considering EU enlargement, members of the EU must consider whether they are able to fulfil the requirements of solidarity in the case of

new members.

Because of such considerations, it is highly desirable that the EU and NATO consult closely concerning their respective enlargements. In principle, countries could join WEU but not NATO. But given the fact that only NATO currently has the capability to fulfil Article V guarantees to WEU members, such a development would be fraught with difficulties.

In addition to the issues of the 'who' and 'when' of EU/WEU/NATO membership for Central and Eastern Europe, there are additional problems relating to (a) the nature of the commitments that such membership would involve; (b) the concerns of states - most of all the Russian Federation - left out of both the EU and NATO.

It would be wrong to give Russia a veto on WEU/NATO enlargement. WEU and NATO membership should be available to all EU members who wish to join and are able to satisfy the requirements of membership. On the other hand, it is important to recognise the legitimate concern of the Russian government that NATO enlargement should not result in a new division of Europe into opposing blocks. The existing members of WEU and NATO should be prepared to take concrete measures in order to make clear that this enlargement could not be construed as an attempt to pose a new threat to Russia. For example, it could be agreed that no nuclear weapons would be based in any of the new NATO members. And, following the precedent set by East Germany's absorption into NATO, the Alliance would agree to include the forces of its new members in Central and Eastern Europe within its own collective ceiling for the purposes of the CFE Treaty. The previous allocation of these states would then be available for distribution amongst Russia and other former Soviet republics. In this context, NATO could agree to meet long-standing Russian demands for increased sublimits for its forces on its southern flank. It could also agree, within the CFE framework, to additional limits on the size of forces that could be stationed in Central and Eastern Europe, so as to ensure that NATO would be unable to concentrate substantial forces on Russia's borders. Adherence to these limits would, of course, be dependent on Russia also abiding by the constraints of the CFE Treaty. But it might find it to be in its own interest to support a revision of the Treaty to take account of its concerns.

The contribution of New Members to the Common Defence

Yet enlargement cannot be a 'one way street', with existing members of WEU and NATO providing security to new members without expecting anything in return. Existing members have a right to expect that their prospective partners, as part of their preparation for membership, devote the resources necessary to make military co-operation possible.

Although this is an issue for all new members, including the five existing EU members not in WEU, it is a particular issue for those states whose previous membership of the Warsaw Treaty Organisation has left them with equipment and procedures that are generally incompatible with those of the WEU and NATO. In order to advance their cases for membership, these states will need to invest a considerable proportion of their limited defence resources into efforts to shift to NATO/ WEU standards.

It would be unreasonable to expect these countries to raise defence budgets significantly while their economic recoveries remain fragile. Nor can prospective new

members be expected to spend more on defence, proportional to their national income, than do existing WEU members. As their prosperity increases, however, it would be reasonable for them to increase the size of their contribution to collective military efforts. Moreover, there is considerable scope within existing allocations for defence for a shift of resources into capabilities that would more directly contribute to common efforts.

Strengthening the WEU

In the longer term the WEU may be given direct responsibility for meeting the requirements for Article V defence. In the immediate future, however, it should continue to delegate this task to NATO. The focus of WEU efforts should be to develop an effective capability to fulfil the mandate it was given in the June 1992 Petersberg declaration to undertake crisis management, peace enforcement and humanitarian missions. The UK government, in its memorandum of March 1995, set out a number of proposals that are to be welcomed in this regard, including the establishment of a WEU Situation Centre and improving WEU intelligence handling capabilities. In order for the WEU to develop an adequate capability to fulfil its mandate, however, also requires progress on a number of other fronts:

First, prior to enlargement, the WEU will need to address the potential for paralysis as a result of existing decision-making rules based on consensus. It would be inappropriate to adopt qualified majority voting for defence matters. All members should retain the right not to take part in operations which they do not approve - but some means has to be found to prevent a single state using a veto to block action agreed by all other WEU members.

Second, there is much that can be done to strengthen the operational role of the WEU, building on the CJTF concept agreed at NATO's 1994 Rome summit. Practical steps can be taken to strengthen WEU - NATO links, for example by giving the WEU the right to nominate individuals for particular roles, such as Deputy SACEUR. Senior political roles within NATO could also be appointed through WEU. And WEU could organise exercises using NATO assets made available through CJTF. These measures could be a modest step towards institutionalising WEU's role as NATO's Europe pillar, and thus provide an opportunity for France to become more directly involved in the integrated structure.

One aspect of CJTF is that it attempts to enhance the WEU's ability to undertake operations without US participation. Yet, precisely because it leaves the WEU still dependent on NATO assets for certain operations, it also implies a form of US veto. There may however be some circumstances in which the EU would want to take military action without the need to seek US agreement for the use of its assets. Until the EU has this capability, even for quite modest operations, the credibility of the EU as an independent military actor must be seriously called into question.

Budgetary limitations preclude extensive duplication of assets already provided by NATO ; and the EU has no interest in seeking to replicate the US's capabilities for large-scale power projection. There is a strong case, however, for a programme of targeted investment, organised on a European level, to remedy the most obvious deficiencies: for example in airlift, intelligence and communications.

Integrated forces

In order to fund selective improvements of this sort, European defence must become more cost-effective. Fortunately, however, there is considerable potential for savings elsewhere in Europe defence budgets if governments are prepared to seriously address the enormous inefficiencies as a result of the fragmentation of defence provision into fifteen separate national forces.

Enlargement could make this problem worse, by adding even more complexity and duplication to what purports to be a 'European' contribution to NATO. Yet the preponderance of small states in the next batch of members may also, to some extent, make it easier for states to take the difficult decisions necessary to move forward. For smaller states, both inside and outside the current WEU/NATO membership, are the first to come up against the impossibility of maintaining a credible across-the-board military capability on a national level.

As a result, smaller states have been prominent in recent initiatives to integrate defence provision. Belgium and the Netherlands agreed in 1994 to merge their naval headquarters. The three Baltic republics are forming a joint peacekeeping battalion. The Nordic countries are working together to provide a joint force for UN peacekeeping missions.

The larger EU member states have also been active in the development of multinational formations, including the Eurocorps, ACE Rapid Reaction Corps (ARRC), and others.

How far an ad hoc 'bottom up' approach will be adequate, however, remains to be seen. There is a case for complementing this approach with a more radical 'top down' approach, in which the WEU would sponsor a series of studies of the practicalities of integration of particular components of defence provision, including details of potential savings, implications for training, infrastructure, equipment, etc. First candidates for such studies, which might be conducted both on a WEU and a sub-regional level, might include air defence, surface navies (learning from the Belgian/Dutch experience) and contributions to NATO and WEU ground forces.

Procurement reform

Considerable potential for savings also exists in the procurement budgets for Europe's armed forces. Where the US has only one advanced fighter under development, the EU has three - Eurofighter 2000, Rafale and Gripen - at a total cost (for development only) of $24 billion. Despite large falls in procurement budgets throughout the Union, a similar picture of duplication is repeated in tanks, helicopters, submarines, missiles and many other areas. In contrast to the rapid reorganisation of the US defence industry, European defence companies have been relatively slow to consolidate and reorganise. Despite the growing costs involved, the protection of 'national champions' remains a high priority for many European defence ministries.

If European defence industries are to be able to provide the equipment which European armed forces need at a price they can afford, the pace of change in the industry needs to accelerate. European governments need to accept that in the long run the Europe defence industry can only compete with US producers, even within Europe itself, by reducing its surplus capacity, consolidating purchases on a European scale, and allowing genuine competition for defence orders on a Europe-wide basis.

A major obstacle to progress in this area remains in the form of the marked differences in procurement philosophies within the EU, with the largest customers - Britain and France - occupying opposite ends of the spectrum with regards to the extent to which non military considerations should influence procurement decisions. One school believes that, as in the case of civil markets, the Union could reap considerable benefits from liberalisation of the market for defence goods just as it is already doing in civil goods. Another school contends that defence production has a special 'strategic' character which means that the distribution of defence production within the Union has to be determined, at least in large part, by a process of conscious inter-governmental planning.

There is consensus, however, that it is vital to take radical steps in order to improve the integration of Europe defence production.

First, the IGC must look seriously at abolishing or reducing the scope of Article 223 of the Treaty of Rome, which is used to exempt defence production from competitive provisions. There are some particularly sensitive goods and services which national governments will want to produce on a national basis, unless and until Europe has a genuinely integrated defence. But progress in 'containing' Article 223 can nevertheless be made by progressive opening of small and medium defence procurement contracts to European competition. A 1992 study for the European Commission by Hartley and Fox suggests that the annual savings from such a step might be between 6.5 billion and 9.3 billion ECU.

Second, the Franco-German proposal for a European arms procurement agency, which would eventually play a central role in co-ordinating European defence procurement, must be encouraged. The Agency should play the lead role in managing major multinational projects, such as Eurofighter 2000, Horizon frigate and a new European armoured car (presumably after its membership has expanded at least to include the other countries - Spain and Italy - involved in these programmes). In time, the Agency would become fully integrated into WEAG, the procurement arm of the WEU.

If the Agency is to fulfil its maximum potential, its members must also be prepared to allow the transfer of significant research and development programmes to Agency control, with national centres then acting as independent private contractors competing for Agency support. It should also progressively be given responsibility for the procurement of equipment for integrated formations - such as Eurocorps and ARRC.

Such a development will not be easy to accept, especially when the consequence of competitive procurement is the closure of national capabilities previously protected by government patronage. Yet Europe can no longer afford the fragmentation of capability it now has. If European armed forces are to obtain the equipment they need, and if Europe is to retain a viable defence industrial base in the face of strong competition from the US, rapid moves towards a single defence market for Europe are an urgent necessity.

Burdensharing within the EU and WEU

One of the most important obstacles to the development of a common EU defence policy is the perception that some states wish to share in policymaking without sharing in the responsibility, and risks, involved in carrying it out. In any field, the existence of such perceptions can have a corrosive effect on the morale and cohesiveness of an organisation. In defence, where countries can be asked to put at risk the lives of men

and women, it is essential that such concerns are addressed. If Europe is to develop confidence in a common defence policy, and with time a common defence, it is essential that all states be seen to be pulling their weight.

For this reason, it is unlikely that European defence will be facilitated by the emergence of a 'core group' of states most ready and willing to undertake collective action. The organisation of ad hoc 'coalitions of the willing' in response to particular crises is also unlikely to contribute to the strengthening of CFSP. Rather, there is a danger that such coalitions will be regarded as a reflection of the CFSP's weakness, illustrating the very real risk that, with the Soviet threat gone, European defence will become increasingly 'renationalised.'

There may be some scope for the idea of some form of military 'division of labour' between WEU member states on functional lines, with some states (for example) emphasising naval contributions and others ground forces. But this should not be extended to a geographical division of labour, since, by appearing to endorse the idea of national 'spheres of influence', it would tend to undermine rather than strengthen a common European approach. Some countries may have more military resources available for particular areas by virtue of geography - for example Sweden in the Baltic or Italy in the Mediterranean. But a primary purpose of a common defence policy is to ensure that members can rely on other members for support, wherever that support is needed.

If the criterion of ability to pay is applied to existing WEU members, it can and should also be applied to prospective new members. Some, such as Sweden, already make a defence effort that is roughly comparable with existing WEU members, allowing for size and wealth. Yet others, such as Austria, do not. In making such comparisons, some allowance should be made - as it is the funding formulae for the EU's general budget - for countries with low average GNP per head (including those in Central and Eastern Europe). But such an allowance should over time be reduced as average GNP levels converge.

All WEU members should be expected to contribute forces to operations authorised by WEU. It would be inefficient for every country to take part in every operation. Over a period of time, however, national contributions overall should be roughly proportional to national capabilities. The WEU Planning Cell might consider monitoring progress in this regard for consideration by the WEU Council.

The quality of contributions to collective efforts may be as important as the number of troops sent. It will be vital, therefore, that new WEU members, within the limits of their financial constraints, agree clear plans with NATO and WEU for the improvement of the quality of the forces that they plan to assign to these organisations. If the forces of Central and Eastern Europe are to be properly integrated into WEU and NATO, and are to play their part in common defence effort, considerable investment will be needed.

6. Conclusion

To meet the challenges of the next century, the EU needs a credible and effective CFSP. As the European Union expands, the need for an effective CFSP will increase further. A political and economic union of more than 450 million people cannot escape taking greater responsibility in global affairs and both its citizens and its partners will expect an enlarged Union to exercise greater influence.

Whilst the Union's attention is likely to remain focussed on its immediate neighbourhood, and developing stable relations with its most important partners (Russia, Ukraine, Turkey), it will also have to redefine its relationship with the US. For forty years the EU has relied on the US to provide for its security. In the post Cold War era, however, the Europeans will have to take on greater responsibility for their own security.

The CFSP established under the TEU in 1991 laid the foundations for a more independent European policy. But progress to date has been disappointing and much more needs to be done. The IGC in 1996 provides an opportunity to take the next steps forward, and this report has made a number of suggestions for change. No single conference can hope to cover all the security issues that will confront the EU in the years to come. The IGC can, however, take the first steps towards creating the structures that will be necessary to ensure that an enlarged Union is more, not less, secure than the present Union.

Annex 1: List of Papers

Franco Algieri, Potential Security Challenges for an enlarged European Union.

Fraser Cameron, The Institutional Dimension: The CFSP framework - problems and perspectives.

Josef Janning, Institutional and Procedural proposals for the Future

Mathias Jopp, The Developing European Security and Defence Identity: the specific input of present and future new EU members.

Peer Lange, CFSP, the Baltic nations and Russia.

Hanspeter Neuhold, Austria and the CFSP.

Gert C. De Nooy, Towards a Military Core Group in Europe?

John Peterson, Security Co-operation with the United States.

Thomas Ries, Security Implications of Nordic Membership for the European Union.

Michael Rûhle and Nick Williams, The Greater Union's New Security Agenda: NATO and EU.

Reinhardt Rummel, The Next Intergovernmental Conference: How to Reform CFSP?

Theo van den Doel, Security and Defence Policy Developments in Central and Eastern Europe and CFSP.

Pierre de Vestel, The Prospects for Defence Industrial Co-operation in an enlarged EU.

Franco Algieri	Research Group on European Affairs, University of Munich
Anton Bebler	Slovenian Mission, UN, Geneva
Amaya Bloch-Laine	Centre de Recherches et d'Etudes sur les Strategies (CREST), Paris
Yves Boyer	Centre de Recherches et d'Etudes sur les Strategies (CREST), Paris
Fraser Cameron	European Commission DG1A, Brussels
Malcolm Chalmers	University of Bradford
Giancarlo Chevallard	European Commission DG1A, Brussels
Robert Dalsjo	Swedish Defence Research Establishment, Stockholm
Theo Van den Doel	Netherlands, Institute of International Relations, Clingendael, The Hague
Jutta Frasch	European Commission DG1A, Brussels
John Van Haan	WEU Institute for Security Studies, Paris
Beatrice Heuser	King's College, London
Wolfgang Hôpken	University of Leipzig
Bo Huldt	Swedish Staff College, Stockholm
Arnaud Jacomet	WEU, Brussels
Josef Janning	Research Group on European Affairs, University of Munich
Mathias Jopp	WEU Institute for Security Studies, Paris
Patrick Keating	Institute of European Affairs, Dublin
Peer Lange	Stiftung Wissenschaft und Politik, Ebenhausen
Hanspeter Neuhold	Austrian Institute for International Affairs, Laxemburg
Gert C de Nooy	Netherlands Institute of International Relations, Clingendael, The Hague
Cornelius Ochmann	Bertelsmann Foundation, Gûtersloh
Fritz Rademacher	NATO, Brussels
Tomas Ries	Graduate Institute, Geneva
John Roper	WEU Institute for Security Studies, Paris
Michael Rûhle	NATO, Brussels
Dirk Rumberg	Bertelsmann Foundation, Gûtersloh
Reinhardt Rummel	Stiftung Wissenschaft und Politik, Ebenhausen
Jacques Rupnik	Institut Francais des Relations Internationales (IFRI), Paris
Walter Spies	German Ministry of Defence, Bonn
Jûrgen Turek	Research Group on European Affairs, University of Munich
Pierre de Vestel	GRIP, European Institute for Research and Information on Peace and Security, Brussels
Nick Williams	NATO, Brussels
Roberto Zadra	Italian Ministry of Defence, Rome

(all participants took part in an individual capacity ; not all attended every meeting)

Annex 3 Select Bibliography

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Keith Hartley and Andrew Cox, The Cost of Non-Europe in Defence Procurement, study carried out for European Commission DG III, July 1992, Executive Summary.

Patrick Keatinge, Towards a Safer Europe: Small State Security Policies and the European Union: Implications for Ireland, Institute of European Affairs, Dublin, 1995.

Lawrence Martin and John Roper (eds), Towards a Common Defence Policy, European Strategy Group and Institute for Security Studies of WEU, 1995.

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Reports by the Council, Commission and European Parliament on the functioning of the TEU.

Annex 4

Reform of Distribution of votes in the Council

	Population	Status quo	Proportional system
Austria	7,75	4	6
Belgium	9,9	5	7
Denmark	5,1	3	4
Finland	5	3	4
France	56,4	10	24
Germany	79,5	10	28
Greece	10,1	5	7
Ireland	3,4	3	3
Italy	57,7	10	24
Luxemburg	0,4	2	1
The Netherlands	14,9	5	10
Portugal	10,4	5	7
Spain	39	8	19
Sweden	8,4	4	6
United Kingdom	57,4	10	24
Switzerland	6,7	4	5
Malta	0,4	2	1
Cyprus	0,7	2	1
Norway	4,2	3	4
Poland	38,4	8	19
Hungary	10,6	5	8
Czech Republic	10,4	5	7
Slovak Republic	5,3	3	4
Slovenia	1,9	2	2
Bulgaria	8,8	4	6
Romania	23,2	6	14
Latvia	2,6	2	2
Lithuania	3,8	3	3
Estonia	1,6	2	2
EU 15	365,5	87	174
EU 29	483,1	138	252

In the above proposal, the weighting of votes is based on degressive proportionality. Accordingly, for up to 18 million population, member states would be given one vote per 1.5 million ; between 18 and 45 million, they would receive additionally one vote per 3 million ; and beyond 45 million, they would receive additionally one vote per 5 million.