EXECUTIVE SUMMARY

No big surprises are expected from the CSDP, which is a long-term plan administrative process. The Strategic Agenda for the Union in Times of Change was adopted by the European Council in June 2014. It outlines the key priorities for the EU over the next five years and acts as a basis for the work programmes of the institutions.

High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the Commission, Federica Mogherini is entrusted to review the European Security Strategy. She reported to the European Council in June 2015, while the final document will be adopted in June 2016.

On the other hand, we could hardly expect such a U-turn on the geographical centre of gravity of European crisis.

In 2014, the Ukrainian crisis was the big issue in European security, while illegal immigration in the Mediterranean Sea was just considered a local crisis to be faced by Greece and Italy.

In 2015, the Mediterranean Sea has become the main security concern for all EU Member States. The Ukrainian crisis is supposed to stay in the background for the long term. The Hectic political-economic situation in Greece grabbed the attention of EU Member States since the election of the new Tsipras government in January 2015 throughout the summer 2015, with a referendum on the Euro and new general elections in September. In the summer 2015, one of the hottest ever for the Mediterranean region, good weather conditions boosted the illegal immigration sea lane in the Mediterranean Sea, from Libya to Sicily. This route was promptly coped by the EU with EUnavfor MED Sophia since June 2015. Therefore, from mid-August, security gaps in the Eastern Mediterranean, mainly due to the Greek situation, caused a rise in illegal immigration in the land Balkan route from the Middle East, through the Western Balkans, up to Central Europe. At the time being, illegal immigration in Europe is still a matter of concern, and it has not found a solution.

Far countries such as Poland, are becoming more and more concerned by the illegal immigration crisis situation in the Mediterranean region.

One of the long-term effects of the Ukrainian crisis was the uptrend in defence budgets in Eastern Europe. In 2015, Germany decided to raise its defence budget, soon followed by France. As a result of Paris attacks, France has further increase defence expenditure.
General elections took place in the UK and Poland thus electing conservative governments. Defence white papers were published in Italy and Sweden at the beginning of 2015. A new SDSR was published in the UK in November 2015. Germany has announced its white paper to be published in mid-2016. France has eventually succeeded in exporting the Dassault Rafale to Egypt, and Italy has successfully sold the Eurofighter to Kuwait.

**SITUATION**

The CSDP progress has been taken forward by the European Council in June 2015. It confirmed the decisions taken in December 2013 and May 2015 to develop CSDP capabilities and strengthen European defence industry and SMEs, by asking Member States to allocate funds for CSDP projects, and in particular for a preparatory action to fund CSDP-related research.

The Strategic Agenda for the EU requires to manage migration, combining freedom, justice and security; strengthen the EU’s presence on the global stage, whilst the fight against terrorism is the first priority for internal security.

A major threat is posed by the foreign fighters, as EU residents and citizens may join terrorist groups in Syria and Iraq, and they may potentially return to Europe. They are able to perform terrorist attacks, as the Paris Attacks have demonstrated. Therefore a roadmap relating to foreign fighters is needed to fight terrorist financing, radicalization, and recruitment.

Beside foreign fighters, other emerging criminal phenomena such as cyber-crime, economic crime or environmental crimes are becoming increasingly widespread.

High Representative Mogherini is entrusted with preparing a new European Security Strategy. She has started the strategic thinking process for a review of the security strategy. A first report was presented to the European Council in June, but she says that such a strategic issue needs a democratic debate in European capitals and public opinion. So the process will take a full year, EU Member States governments, think tanks and other stakeholders are involved into the debate which will serve as a basis for drafting the new European Security Strategy to be presented to the European Council in June 2016 for approval.

High Representative Mogherini has also been planning a hybrid response to Russia’s propaganda in Ukraine, by setting a special team in EAAS.

The European Council was monopolized by immigration issues. Italy called for an extraordinary European Council in April 2015, and on 22 June 2015 the first phase of EUnavfor MED operation was launched.
The June European Council focused on three strands:
1. relocation/resettlement;
2. return/readmission/reintegration
3. cooperation with countries of origin and transit.

The European Council has decided to help 60,000 displaced people; EU Member States shall decide how to distribute these people among themselves, reflecting the specific situations of each Member State. These people include:
- 20,000 asylum-seekers in clear need of international protection, and about 40,000 persons to be temporary and exceptionally relocated over two years from the frontline Member States Italy and Greece to other Member States. Italy and Greece shall also receive financial aid.

These initiative sparked debate among Member States. According to German Industry Association, Germany may host as much as 500,000 people to be utilized as workforce by the German Industry. The UK proposed to pick up individuals directly from asylum seekers in Syria. Poland said it would allow only Christian asylum seekers to settle down in its territory.

Illegal immigrations became a security concern for small Member States in the land route, which from Syria passes through Turkey, Greece and the Western Balkans, up to Hungary, Austria and eventually Germany. In this route, the tragic increase in the growth rate of the number of illegal immigrants created turmoil in small Member States, whose borders are crossed by large numbers of people, or for those which become the final destinations for asylum seekers. For instance, Hungary decided to build an anti-immigrants fence. Slovenia has decided to filter migrants, thus rejecting economic migrants.

The large phenomenon of immigration also blurred the lines between asylum seekers and economic immigrants, in particular from Africa, who are mainly utilizing the Sea route from Libya to Sicily.

In October 2015, EUnavfor MED entered phase 2, the naval force commanded by Italian Admiral Credendino will be able to board, search, seize and diverse, on the high seas vessels suspected to be utilised for human trafficking.

The EU leaders also took a role in the Ukraine crisis, when French president Hollande and German chancellor started the Normandy negotiation for the 2nd Minsk agreement. The EU+3 participated to the negotiations which finally reached an agreement on 14 July 2015 in Vienna on the Iranian nuclear issue. The EU Council has prolonged until 14 January 2016 the suspension of the EU restrictive measures agreed in the Joint Plan of Action with Iran of 24 November 2013.

The Ukraine crisis has set high the level of ambition of European Defence, but this requires military credibility.
In April 2015, president of the Commission, Jean-Claude Juncker, has proposed to establish a European Army. This proposal was welcomed by Berlin, but it was met with skepticism in London and other European capitals. The only credible action by EU member States would be to raise their defence budgets. In 2015 only Estonia and Greece have met the NATO target of 2% of GDP. NATO estimates on 2015 defence budget also add Poland to this group, while the UK met this target with the Summer Budget 2015, by including security and intelligence budgets and conflict pool in the defence budget.

OUTLOOK
The Strategic Agenda for the EU set the priorities until 2019. By February 2016, the EU Council will review the EU internal security strategy to be based on the Commission “EU agenda on Security”, to cope with terrorism and other threats. At the June 2016 European Council, High Representative will present the new European Security Strategy. The Commission will draft a preparatory action on CSDP-related financing in 2017. This will set the principles for future financing of CSDP defence research projects, in the multiannual research framework 2020-2027.

In January 2016, the EU-Ukraine agreement will enter into force, thus raising Russian opposition to it. After Paris attacks, France invoked art.42.7 of Treaty of the EU. Above all in 2015, many EU Member States have decided to raise their defence budgets to face security threats, and the uptrend is becoming widespread. The newly elected UK Conservative government assured it will meet the 2% target again from 2016 on. Poland increased its defence budget by 20% to €9.3 Bn in 2015 or about 2.1% of GDP, Lithuania by 50% to spending €400 M only in 2015, Estonia by 7.3% and Latvia 14.9%. The Romanian parliament has approved in January 2015 a document to set the 2% threshold in 2016, for at least 10 years. Czech Republic will raise its budget by 4.2% in 2015 and it has announced in November 2015 a major military procurement plan to equip the Army, and reserve units. The Czech government is concerned not only by the Ukraine crisis, but also by illegal immigrants crossing its border. A major obstacle to defence spending for Eurozone members is that the State budget is subject to stability pact requirements. Several countries, like France and Italy, have requested that defence spending be exempted from it, but countries like Germany and the Netherlands, insist on strict budgetary orthodoxy while relying on other EU members to pay for military and humanitarian operations that benefit all. The agreement on immigration issues and the Paris attacks have become a watershed for this stance and a u-turn in this defence budget downtrend is now becoming evident.
Budget hikes also hit Western European major Member States. In April 2015, President Hollande has committed a total increase of €6.1 Bn in the current Military Planning Law to 2019. These additional resources are needed to pay for French military operations in Iraq and Africa, and to replace and maintain military equipment, as wear of equipment deployed in operation faces a faster rhythm than expected. After Paris attacks, France has asked European countries to join its operations in Syria and Iraq or to support or relieve its troops in Africa or Lebanon.

The UK joined France in bombing ISIS in Syria, after a House of Commons vote authorized it. Germany decided to send reconnaissance Tornados, a tanker and a frigate to join Charles De Gaulle carrier group. About 650 German soldiers will relieve French troops in Mali. Chancellor Angela Merkel decided to increase defence spending by 6.2% by 2019. This means an extra €8 Bn over the next five years, to reform and expand its armed forces. Last year’s independent report on major armaments has highlighted serious gaps in military capability that harm German commitment to NATO and EU engagements. Germany did not adopt F-35 programme, deciding to keep Tornado operational to 2025 or even 2030, and to upgrade Eurofighter’s ground attack capabilities. Beyond 2030, Luftwaffe will perform only limited fighter missions, with ageing Eurofighters and the last Tornados. It will rely on Airbus Alenia Dassault RPAS MALE project for reconnaissance missions, while air defence will be assured by MEADS through the TLVS programme approved in July 2015.

In the UK, recently reappointed Prime Minister, David Cameron, has announced a referendum in 2016 on the UK participation to the EU (Brexit). If the referendum on Scotland was a challenge to British security, but only a minor concern for European security, the Brexit could be a major challenge for EU security. The UK is a huge contributor to NATO, one of the largest armed forces in the EU, and one of the two European nuclear powers. Both the US and France are seriously concerned that a Brexit could decouple the UK from European defence.

Moreover, by the end of 2015, the Conservative government published in November 2015 the NSS and SDSR. During the electoral campaign, the Conservatives made several pledges on military spending, including boosting defence equipment spending by 1% in real terms per year until 2020, while maintain NATO 2% target; building four Successor-class nuclear submarines and making no further cuts to regular forces. These commitments are confirmed by the SDSR. The Army has been set at 82,000 strength. A Joint Force 2025 include a maritime task group centred on the Queen Elizabeth carrier to be
European Defence Initiatives

operational in 2018 with a F-35B squadron onboard by 2023; three mobile
brigades; an air group with combat, transport and surveillance aircraft; and a
special forces task group. The second carrier has been confirmed, but Type 26
frigates will be cut from 13 to 8, and the fleet shall maintain 19 frigates and
destroyers. All 138 F-35s will be procured together with an additional two
Eurofighter squadrons. Eurofighter will be upgraded and operated until 2040.
The nuclear deterrent “successor” programme has been confirmed, but it will
be postponed to 2030s. Personnel cuts will reduce by 30% civilian employees
to 41,000. A national shipbuilding strategy document is expected by 2016.
In Poland, presidential elections took place in May 2015, followed by general
elections in October 2015. Conservatives won both elections. This would imply
a bolder stance towards the Ukrainian crisis and illegal immigration. Arms race
in Poland will continue as set by the long-term armaments plan to 2022 and
Navy modernization plan to 2030. Though new government would revise
contracts assigned by previous government such as Multirole Helicopter Airbus
H225M and Patriot missile.

In Greece, defence budget has dropped from 3.3% of GDP in 2009 to 2.2 in
2014, and it is still one of the largest in Europe. For this reason, it is an ideal
candidate for the huge budget cuts required by the EU. Defence cuts may
seriously maim armed forces readiness. In January 2015 a Greek F-16D
crashed during a NATO exercise in Spain killing 10 persons, and a month
earlier, another Greek F-16D had crashed into the Mediterranean Sea with no
casualties. More incidents are expected from the low troop’s morale and
training, and poor equipment maintenance.

In Finland, the newly elected centre-right government announced that in 2016
the armed forces should save $80-100 M, and transfer resources from non-core
functions to operational units. This trend could be extended for the term in
office up to 2019. In fact, Finnish armed forces have asked fund for a A/F-18
fighter replacement in the HX bid announced in November 2015.

Sweden is quietly rearming: in April 2015, a defence white paper asked for a
fleet of six squadrons of Saab Gripen E/F from 2019 to be fully operational in
2023, and for replacing ageing C-130J and Saab 105 trainers. Moreover,
according to 2014 LoI, FMV has entrusted Saab Kochums with an order for 2
next generation A26 submarines to be delivered in 2022, for its underwater
capability beyond 2030.

European Industry reorganization is ongoing, and after Airbus and Thales,
Finmeccanica too will have a divisional structure by January 2016. Rafale first
foreign sale assure Dassault’s survival. France exported Rafale and
Mistral-class ships to Egypt. Italy’s country system has successfully sold
Eurofighter to Kuwait.
All quiet on the Eastern front, Mediterranean security takes centre stage

This marked a revival of government support to arms sale, and the UK has decided to entrust again the MoD with defence export support. German defence export dropped by 32% in 2015, the lowest value since 2007. This downtrend is going to be maintained in the actual Bundestag, as SPD ruling coalition party, and opposition parties have denied authorizations to Middle East Countries on human rights protection concerns. The Volkswagen scandal is going to add pressure to German defence industry, which is strongly linked to automotive industry: half of Rheinmetall AG revenues are from car components.