Wilfried Martens Centre for European Studies

PESCO at the Crossroads:

Delivering Capabilities, Anchoring Allies

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Summary

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Europe's deteriorating security environment is reinvigorating EU defence cooperation. Key to credible cooperation in this area is Permanent Structured Cooperation (PESCO), which the EU launched in 2017 to enhance joint capability development and operational readiness. To assess whether the initiative is delivering on its objectives, this policy brief analyses the origins, legal framework, functioning, third-country participation and overall performance of all 83 PESCO projects to date across 26 member states. PESCO still faces significant institutional hurdles to reach its full potential as the EU's core platform for focused, scalable defence cooperation and enhanced third-country participation. The brief concludes with recommendations for targeted, pragmatic reforms.

Keywords European defence – PESCO – CSDP – NATO–EU cooperation – Third-country participation – Strategic autonomy – Joint procurement – Ukraine – Transatlantic relations

Introduction: Europe's defence gap and the case for cooperative power

In 1991 Belgian foreign minister Mark Eyskens famously opined that Europe is 'an economic giant, a political dwarf, and a military worm'.[1] Three decades later, the resurgence of large-scale war in Europe has exposed long-standing weaknesses in the EU's defence. Despite a rhetorical *Zeitenwende*, EU member states collectively spend about one-third of what the US spends on defence yet generate barely 10% of the equivalent military capability.[2] Duplicated systems and a lack of coordination are the principal causes. For example, while the US military relies on about 30 major weapon systems, European forces operate nearly 180 different platforms.[3] Fragmentation drives up costs and impedes interoperability. The result is an imbalance: despite being the world's third-largest military spender at $3.1 trillion over the past decade, Europe has struggled to demonstrate that it has a credible force that can function without outside, primarily American, support.[4]

Cognisant of these shortfalls, the EU has launched parallel initiatives to spur defence investment and integration. To drive a once-in-a-generation surge in defence spending, in March 2025 the European Commission and High Representative (HR) Kaja Kallas presented their *Joint White Paper on the Future of European Defence*.[5] It sets forth a plan that includes new financial tools, such as the Security Action for Europe (SAFE) programme, a €150 billion package of low-interest loans and joint procurement financing to help member states 'spend more, better, together and European'.[6] Additionally, at the June 2025 NATO summit in The Hague, European leaders committed to raising defence spending to 5% of GDP by 2035, with 3.5% dedicated to core military capabilities, marking a significant increase in collective ambition.[7] This decision followed a meeting on 5 June 2025,

1 E. Eyskens, 'Transcription of the Interview With Mark Eyskens (Brussels, 30 March and 30 April 2010)', interview by Étienne Deschamps, Luxembourg Centre for Contemporary and Digital History.

2 G. Verhofstadt and D. Ruiz Devesa, 'Trump Is Just What Europe's Defense Needs', *Politico*, 19 February 2025.

3 N. McCarthy, 'Europe Has Six Times as Many Weapon Systems as the U.S.', *Forbes,* 19 February 2018.

4 A. Tooze, 'Chartbook 389: Europe's Zombie Armies. Or How to Spend $3.1 Trillion and Have Precious Little to Show for It', *Substack* (8 June 2025).

5 European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *Joint White Paper for European Defence Readiness 2030*, JOIN (2025) 120 final (19 March 2025).

6 European Commission, 'Proposal for a Council Regulation establishing the Security Action for Europe (SAFE) through the reinforcement of European defence industry Instrument', COM (2025) 122 final (19 March 2025), 1.

7 P. Kirby, 'Trump Says Nato's New 5% Defence Spending Pledge a "Big Win"', *BBC*, 25 June 2025.

at which NATO defence ministers agreed on a new set of capability targets aimed at closing gaps in persistent readiness and interoperability.[8]

The EU is also forging deeper security partnerships with third countries. In March 2022, shortly after Russia invaded Ukraine, the EU launched its *Strategic Compass*. One of its four pillars focused on partnerships, setting out the ambition to 'engage more coherently, consistently and comprehensively with . . . bilateral partners around the world'.[9] Since then the EU has established eight tailor-made Security and Defence Partnerships (SDPs), with more to come. In 2024 partnerships were established with Albania, Japan, Moldova, North Macedonia, Norway and South Korea. In 2025 partnerships were also established with Canada and the UK. These SDPs are legally non-binding instruments designed to deepen cooperation with like-minded countries in the areas of peace, security and defence. They are based on 'shared values and interests, while taking into account the intensity and specific characteristics of our existing relationships'.[10] They aim to provide mutually beneficial frameworks to boost the EU's political and practical cooperation with its partners. Although Ukraine does not have an SDP with the EU per se, it benefits from the joint security commitments signed on 27 June 2024. Backed by macro-financial support, various commitments bind both parties to deepening defence planning, capacity-building and industrial cooperation.

Despite these promising developments, a European Defence Union is a long way off. The Lisbon Treaty enshrines defence as being within the purview of sovereign member states and requires a careful approach to avoid overstepping the national prerogative. The conceptual lens of the defence pyramid proposed by the authors of the *Defence Extended* volume of *The 7Ds of Sustainability*[11] is helpful in this context: laying a proper foundation is necessary to move up the ladder. The 10 building blocks for a robust European Defence Union (see Figure 1) range from cutting waste through EU-wide joint procurement and ensuring cross-border military mobility (to deploy forces rapidly) to initiatives such as establishing a European Defence Advanced Research Projects Agency. The EU's recent measures (e.g. consolidating demand via SAFE, military mobility and funding innovation via the European Defence Fund (EDF)) directly address several of these layers.

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8 Ministry of Defence, Government Offices of Sweden, 'NATO Defence Ministers Agree New Capability Targets to Strengthen the Alliance' (5 June 2025).

9 European External Action Service (EEAS), *A Strategic Compass for Security and Defence – For a European Union That Protects Its Citizens, Values and Interests and Contributes to International Peace and Security* (March 2022), 41.

10 Ibid.

11 I. M. Ciolan and K. Welle (eds.), *The 7Ds for Sustainability – Defence Extended*, Wilfried Martens Centre for European Studies (Brussels, July 2024).

Figure 1 Defence pyramid

Source: Ciolan and Welle (eds.), *The 7Ds for Sustainability*.

Note: 'MFF' refers to the Multiannual Financial Framwork; 'DARPA' refers to the proposed Defence Advanced Research Projects Agency.

Within this perspective, a mechanism that was activated in 2017 provides a platform for the pragmatic defence integration that is fundamental to many of the steps outlined in the defence pyramid. This mechanism is Permanent Structured Cooperation (PESCO). Enshrined in Articles 42(6) and 46 of the Treaty on European Union (TEU), PESCO is an intergovernmental framework: participating member states (PMSs) make binding commitments to develop capabilities under common governance rules, which allows 'states to make pragmatic progress in defence without fear of veto'.[12] With 83 projects and all but one EU member state involved, PESCO has become a central hub in the EU's defence ecosystem, introducing structure to ad hoc cooperation. Crucially, it enables even smaller states to lead niche projects and compels a minimum of cooperation among larger powers, laying the groundwork for defence capabilities no single country could build on its own.

However, realising PESCO's potential also means navigating transatlantic sensitivities. In May 2019 the US Department of Defense issued a formal statement expressing concern that EU defence initiatives, more specifically PESCO and the EDF, could lead to 'duplication, non-interoperable military systems, diversion of scarce defence resources and unnecessary competition between NATO and

[12] M. Cordet, *PESCO Must Step Up*, Policy brief, EU Defence Series 2, no. 1, International Centre for Defence and Security (Tallinn, Estonia, March 2025), 1.

the EU'.[13] This pushback revealed a recurring dilemma: while Washington wants Europe to contribute more to collective defence, it is wary of greater strategic autonomy that might dilute US influence within NATO.[14] Therefore, EU defence integration must not be framed as a transatlantic competition with Europe vying for greater independence. Instead, European efforts should be presented as a complementary force multiplier for transatlantic security. This approach has already been outlined in the document *Joint White Paper for Defence* and was proposed in the *Defence Extended* volume of the *7Ds for Sustainability* series published by the Wilfried Martens Centre.[15]

Indeed, PESCO's inherent value lies in harnessing synergies, which involve pooling EU instruments, aligning national plans and ensuring interoperability with NATO. Its scale and legal underpinning make it a potential linchpin for both intra-EU and EU–NATO cooperation. By reimagining and strategically opening more projects to trusted non-EU partners—such as the UK, Canada, Norway and, above all, Ukraine—PESCO can enhance the EU's operational relevance, industrial expertise and geopolitical influence. While the *Joint White Paper for Defence* rightly envisages Ukraine's participation across all EU defence initiatives, PESCO provides a uniquely structured and binding framework to translate that ambition into concrete, capability-driven cooperation. With its battle-tested armed forces and strategic imperative for Western integration, Ukraine is a compelling new partner. Investing in Ukrainian defence will reinforce its sovereign ability to defend itself sustainably while accelerating European defence production. Managed smartly, third-country participation can make PESCO a 'deal-making tool', a bridge to keep Atlantic allies anchored in EU defence, which is more important than ever now that Europe must be deliberate about ensuring the US's commitment to NATO.

13 A. Brzozowski, 'Pentagon Warns EU Against Blocking US Firms From Defence Fund', *Euractiv.com*, 29 September 2024.

14 C. Leuprecht and R. Hamilton, 'New Opportunities in Common Security and Defence Policy: Joining PESCO', Special Issue: New Opportunities for the EU–Canada Strategic Partnership, *Australian and New Zealand Journal of European Studies* 11/3 (2021).

15 Ciolan and Welle (eds.), *The 7Ds for Sustainability*.

1. From a Sleeping Beauty to political reality: the creation of PESCO

The need for greater flexibility and deeper cooperation across EU policy domains emerged between the TEU, or Maastricht Treaty, (1992) and the Treaty of Nice (2001). PESCO was initially included in the draft Constitutional Treaty, which was rejected in national referenda. The initiative was preserved in the 2007 Lisbon Treaty, which entered into force in 2009. PESCO was formally enshrined in Article 42(6), and its governance was outlined in Article 46 TEU. From the outset, PESCO has represented a rare instance of formal differentiated integration in the EU's Security and Defence Policy.[16] As stipulated in Article 42(6) TEU, participation is limited to those member states 'whose military capabilities fulfil higher criteria' and that are willing to make 'more binding commitments' to deepen defence cooperation.

Protocol 10 to the TEU outlines the operational objectives and commitments that underpin PESCO. Article 1 requires PMSs to enhance their national capabilities, contribute to multinational forces and collaborative equipment programmes, and actively engage in the work of the European Defence Agency (EDA). Moreover, they are expected to be capable of supplying combat-ready units, structured as Battlegroups, for rapid deployment missions. With EU Battlegroups technically operational in most EU countries since 2005, this latter requirement has been met de facto, making PESCO primarily a tool for capability development.[17] This view is reinforced in Article 2 of the Protocol, which outlines five specific commitment areas: (1) increasing defence spending; (2) harmonising military standards; (3) enhancing interoperability; (4) addressing critical capability gaps, including through multinational solutions; and (5) contributing to major joint or European equipment programmes via the EDA.

The initiative is a framework to foster more structured and consistent defence cooperation among PMSs. As outlined in the notification on PESCO, the framework is 'output oriented',[18] aimed at making tangible progress in defence investment,

16 S. Aydin-Düzgit, 'PESCO and Third Countries: Breaking the Deadlock in European Security', *FEUTURE Voices*, no. 3 (January 2018).

17 N. Nováky, 'The EU's Permanent Structured Cooperation in Defence: Keeping Sleeping Beauty From Snoozing', *European View* 17/1 (2018), 99.

18 Council of the European Union (EU), *Notification on Permanent Structured Cooperation (PESCO) to the Council and to the High Representative of the Union for Foreign Affairs and Security Policy* (13 November 2017), 2.

collaborative capability development and the availability of deployable defence capabilities. Additionally, capability development mainly focuses on the 'fulfilments of the capability shortfalls related to the EU Level of Ambition and Common Security and Defence Policy objectives and priorities.'[19] Crucially, national sovereignty in defence remains fully intact. PESCO is a voluntary mechanism that does not modify the existing legal framework governing the Common Security and Defence Policy (CSDP). Under Article 42(4) TEU, decisions related to the CSDP, including the launch of missions, must be taken unanimously by the Council. Decision-making within PESCO follows the same intergovernmental logic. Only limited procedural matters, such as the admission or suspension of members, are subject to qualified majority voting, as stipulated in Article 46 TEU. This further ensures that no member state can be compelled to act against its core national interests. PESCO is not intended to be a basis for creating common armed forces at the EU level but rather to co-develop projects of value for its participants.

Despite being enshrined in the Lisbon Treaty, PESCO remained inactive for nearly a decade. In 2017 then Commission president Jean-Claude Juncker famously referred to it as a 'Sleeping Beauty'.[20] Initial efforts to advance the initiative emerged under the Spanish Council Presidency. It hosted a 'reflection exercise' in March 2010 to achieve a common understanding of PESCO, despite declining interest from key players, notably France and the UK.[21] During its Presidency, which followed Spain's, Belgium, together with its partners Poland and Hungary, put forward a vision of an 'inclusive PESCO' model, aimed at enhancing defence efficiency while explicitly seeking to prevent the emergence of a 'two-speed Europe' in the field of security and defence integration.[22] In addition, a written request submitted by Italy and Spain in May 2011 to HR Catherine Ashton, urging that PESCO be placed on the agenda of the Foreign Affairs Council, ultimately failed to gain traction.[23]

After the Lisbon Treaty entered into force, member states essentially lost interest in activating PESCO. During the EU Constitutional Convention, a strong sense of frustration spread across Europe, particularly in response to the Iraq crisis. While member states were divided over whether to join the US-led invasion, they were

19 Ibid.

20 J.-C. Juncker, 'In Defence of Europe', speech made at the Defence and Security Conference, Prague, 8 June 2017.

21 S. Biscop and J. Coelmont, *Europe, Strategy and Armed Forces: The Making of a Distinctive Power*, 1st edn. (London: Routledge, 2012).

22 Belgian Presidency, 'Position Paper by Belgium, Hungary and Poland on Permanent Structured Cooperation' (Brussels, June 2010).

23 S. Blockmans and D. Macchiarini Crosson, *Differentiated Integration Within PESCO – Clusters and Convergence in EU Defence*, CEPS Research Report no. 2019/04 (Brussels, December 2019).

united in recognising that Europe had virtually no influence over events.[24] This stance echoed earlier failures observed during the Yugoslav wars of the 1990s, which had sparked calls for stronger defence integration. However, this political momentum gradually faded after the failure of the Constitutional Treaty. As Andries observed, 'due to the intergovernmental nature of the CSDP and the stagnation of the CSDP dynamic, there is not much excitement today for the implementation of this institutional instrument.'[25]

It took another series of external shocks to catalyse real progress. First, Russia's annexation of Crimea in 2014 reshaped the EU's threat perception.[26] In 2016, Brexit created political space for reforms and deeper defence cooperation, which had previously been blocked by London.[27] Lastly, Donald Trump's questioning of US commitments to NATO added further urgency, while spurring the EU to deepen cooperation.[28] The EU's 2016 Global Strategy underlined that '[e]nhanced cooperation between Member States should be explored and might lead to a more structured form of cooperation, making full use of the Lisbon Treaty's potential.'[29]

In December 2016, member states tasked the EU's HR Federica Mogherini with proposing a modular and inclusive approach to PESCO, including concrete project options and implementation elements.[30] At the heart of negotiations over PESCO was a fundamental tension in design. France advocated for an 'elitist', high-ambition model featuring an avant-garde of key defence actors committed to stringent targets and acting as enablers of EU strategic autonomy.[31] Germany, by contrast, favoured an 'inclusive' model aimed at maximising participation and reinforcing EU unity.[32] In keeping with its long-standing insistence on an inclusive approach to the EU that respects smaller and medium-sized countries alike, Germany viewed PESCO as a tool of European integration first and foremost, not a project for a select few.

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24 Biscop and Coelmont, *Europe, Strategy and Armed Forces*, 77.

25 J. Andries, *The 2010 Belgian EU Presidency and CSDP*, Egmont Royal Institute for International Relations, Security Policy Brief no. 21 (Brussels, April 2011), 4.

26 Aydin-Düzgit, 'PESCO and Third Countries'.

27 L. Béraud-Sudreau and A. Pannier, 'An "Improbable Paris–Berlin–Commission Triangle": Usages of Europe and the Revival of EU Defense Cooperation After 2016', *Journal of European Integration* 43/3 (2021).

28 Aydin-Düzgit, 'PESCO and Third Countries'.

29 EEAS, *Shared Vision, Common Action: A Stronger Europe – A Global Strategy for the European Union's Foreign and Security Policy* (June 2016), 11.

30 European Council, *European Council Meeting (15 December 2016) – Conclusions*, EUCO 34/16 (Brussels, 15 December 2016).

31 E. Fabry, N. Koenig and T. Pellerin-Carlin, 'Strengthening European Defence: Who Sits at the PESCO Table, What's on the Menu?', *Notre Europe Tribune*, 20 October 2017

32 Ibid.

A preliminary compromise emerged in July 2017 at a bilateral Franco-German summit, endorsed by Italy and Spain. Thanks to strong leadership from Paris and Berlin, the initiative advanced rapidly, culminating in a Council decision less than six months later.[33] The initiative was established officially as both 'inclusive and ambitious'.[34] France, however, grew disenchanted.[35] Mere months after the launch of PESCO, France initiated the European Intervention Initiative (EI2), a non-EU ad hoc framework designed to cultivate a shared strategic culture and readiness to act in crises. The project was intended to be 'resource neutral' and use existing assets.[36] The EI2 'is generally seen as a French response to an overly inclusive and underambitious PESCO.'[37] Whereas PESCO has since evolved into a legally grounded framework with over 80 collaborative projects and growing institutional integration, the EI2 has remained largely informal and has struggled to generate tangible outcomes.

PESCO emerged alongside other key initiatives to enhance defence coordination among EU member states, including the Coordinated Annual Review on Defence and the EDF.[38] On 7 September 2017 EU foreign affairs ministers agreed to move forward with PESCO.[39] The initiative was formally established by Council Decision (CFSP) 2017/2315 of 11 December 2017, with 25 out of 28 member states joining. Denmark did not take part in PESCO due to an opt-out from the CSDP. This exemption remained in place until its abolition in July 2022 after a referendum, at which point Denmark became part of the PESCO initiative. The UK did not join either, having chosen to leave the EU in 2020. Malta opted out over concerns that participation could contradict its policy of neutrality.[40]

Although only three countries formally opted out of PESCO, several others initially expressed reservations. Poland viewed the initiative with suspicion at first, concerned that it might undermine NATO's central role in European security.[41]

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33 S. Biscop, 'European Defence: Give PESCO a Chance', *Survival* 60/3 (2018).

34 Nováky, 'The EU's Permanent Structured Cooperation in Defence', 6.

35 Ibid.

36 Ibid.

37 N. Koenig, 'The European Intervention Initiative: A Look Behind the Scenes', Jacques Delors Institute (Berlin, 27 June 2018), 2.

38 B. Martill and C. Gebhard, 'Combined Differentiation in European Defense: Tailoring Permanent Structured Cooperation (PESCO) to Strategic and Political Complexity', *Contemporary Security Policy* 44/1 (2023).

39 EEAS, 'Permanent Structured Cooperation on Defence Could Be Launched by End 2017' (8 September 2017).

40 *Times of Malta*, 'Malta Among Three Countries Opting Out of EU's New Defence Agreement', 11 December 2017.

41 A. Billon-Galland and M. Quencez, *Can France and Germany Make PESCO Work as a Process Toward EU Defense?,* German Marshall Fund Policy Brief no. 33 (1 October 2017).

Lithuania also voiced caution: President Gitanas Nausėda stressed that PESCO and EU strategic autonomy should be developed in close coordination with NATO allies outside the EU, warning that any perception of rivalry between the two would represent 'the worst scenario'.[42] These concerns were also echoed by the US, particularly regarding the potential exclusion of American defence firms from EU contracts and fears that PESCO could challenge NATO's pre-eminence.[43] In response, France and Germany ensured that the July 2017 design explicitly preserved NATO's centrality in territorial defence, with PESCO positioned to bolster European capabilities within the transatlantic framework.[44]

Admission criteria and commitments were deliberately flexible to allow broad participation while setting convergence as a long-term goal. Instead of demanding entry conditions, PMSs could define their timelines for achieving capability targets. These would be treated as outcomes to be delivered within PESCO, rather than as prerequisites for entry.[45] This progressive approach was key: PESCO would become a dynamic framework for gradual capability convergence, thereby sidestepping deeper disagreements on the strategic future of EU defence.[46] Crucially, the 'inclusive model' agreed in 2017 left the door open for non-EU allies to participate.

2. How PESCO functions: from binding pledges to joint projects

Commitment to PESCO is two-fold: first, the framework outlines 20 binding commitments that PMSs must meet to align their national defence efforts and enhance collaboration. Second, joint projects can be formed to serve as practical vehicles to advance collective defence objectives.[47]

To coordinate and oversee PESCO, a dedicated Secretariat (PESEC) was established under Article 7 of Council Decision (CFSP) 2017/2315. It is run jointly by the EDA, the European External Action Service (EEAS) and the EU military

42 F. Eder, 'Do or Ditch Brexit – Lithuania's Russia Warning – Message to Donald', *Politico Brussels Playbook*, 6 September 2019.

43 Martill and Gebhard, 'Combined Differentiation in European Defense'.

44 Billon-Galland and Quencez, *Can France and Germany Make PESCO Work?*

45 Fabry, Koenig and Pellerin-Carlin, *Strengthening European Defence*.

46 Billon-Galland and Quencez, *Can France and Germany Make PESCO Work?*

47 S. Rutigliano, 'Ukraine Conflict's Impact on European Defence and Permanent Structured Cooperation (PESCO)', *European Papers* 8/2 (2023).

staff (EUMS), under the authority of the HR. In line with Article 3 of Protocol 10 TEU and the Council Decision establishing the EDA, the agency explicitly supports the HR in capability development. The EEAS, including the EUMS and other relevant CSDP structures, provides operational support to ensure that PESCO remains fully integrated within the CSDP framework. PESEC acts as a single point of contact, facilitates the adjudication of project proposals, supports national reporting on implementation, and manages the secure online workspace through which member states exchange information and update implementation plans.

The Council laid out the structural basis for PESCO implementation in two decisions in 2018. First, the Council Recommendation of 6 March 2018 (2018/C 88/01), also known as the PESCO Roadmap, defined the sequencing of implementation in two multiannual phases (2018–20 and 2021–25), accompanied by specific objectives and assessment mechanisms. Second, Council Decision (CFSP) 2018/909 established a common set of governance rules for PESCO projects. It clarifies the responsibilities of project members, coordinators and observers, and ensures transparency via standardised reporting to the Council.

PESCO governance operates on two distinct levels. First, the overarching level has the purpose of safeguarding coherence and ambition. This layer relies on existing EU structures. When EU foreign and defence ministers meet in a joint session of the Foreign Affairs Council (typically twice a year), PESCO matters can be addressed (with only PMSs holding voting rights). Similarly, preparatory bodies of the Council convene in this 'PESCO format', meaning all EU member states may attend, but only PMSs may vote. Informal meetings can be held exclusively among PMSs to facilitate coordination. Additionally, meetings of the Political and Security Committee may be convened to discuss shared priorities among PMSs, including project planning and new membership applications. These meetings are supported by the Politico–Military Group. Lastly, the EU Military Committee likewise gathers as part of this configuration, primarily to provide military advice.

The second layer of PESCO governance concerns the project dimension, driven by groups of willing PMSs. As outlined in Article 4(1) of the Council Decision 2018/909, each project is managed by its PMSs, which must agree unanimously on the scope, governance, contributions and admission of new members. Members have the flexibility to become project coordinators, participants or observers and are generally free to organise governance and management as they see fit. Decisions are taken unanimously by participants; observers (usually) do not have decision-making powers. PESCO projects may vary in size and ambition, but all follow a similar structure. Each project must appoint one or more coordinators.

Coordinators are responsible for annual reporting, stakeholder coordination and alignment with broader EU defence goals. Project members decide on contributions (money, personnel, equipment) and may grant observer status to other PMSs under specific conditions. They are also expected to inform non-participating EU members about project developments where appropriate. The project layer remains decentralised and modular. PESCO PMSs can propose new projects or join ongoing ones, subject to the unanimous agreement of existing members.

As per the Council Notification, a 'realistic phased approach is key to preserve the participation of . . . Member States in PESCO and thus, to preserve the principles of ambition and inclusiveness. While participating Member States will work towards achieving all of their commitments as soon as PESCO is officially launched, some commitments can be fulfilled sooner than others.'[48] Commitments undertaken by PMSs are to be met through national efforts and concrete projects, with a view to gradually achieving all obligations. Cognisant that not all commitments can be fulfilled at the same pace, PMSs agreed to implement PESCO in sequenced phases, structured in accordance with key timelines such as the European Defence Action Plan and the Multiannual Financial Framework. Two initial phases were defined: 2018–21 and 2021–5. A strategic review was planned to take place at the end of each phase to assess progress, decide on whether to launch the next stage and, if necessary, revise commitments accordingly. To ensure commitments are met, there is a two-layer assessment mechanism: the National Implementation Plan (NIP) and the annual review (as well as the previously mentioned strategic review at the end of each phase).

Each PMS must submit an annual NIP to explain how it is meeting the 20 binding commitments. NIPs must demonstrate both the capability and willingness of each state to fulfil its obligations. For transparency, all PMSs have access to one another's plans. Every second year, the NIP must be accompanied by a political letter from a national authority, reaffirming high-level political ownership, which reinforces the initiative's political character.[49]

NIPs are assessed annually through the PESEC. Additionally, the HR submits an annual report to the joint Foreign Affairs Council, with input from the EDA, EEAS and EUMS, which informs the Council's recommendations. At the end of each multiannual phase (e.g. 2021–25), a strategic review evaluates compliance and helps define the next stage of integration. Although PESCO participation is voluntary, once a member state joins, these commitments become legally binding. This provision aims

48 Council of the EU, *Notification on Permanent Structured Cooperation*, 9.

49 Cordet, *PESCO Must Step Up*.

to ensure political accountability and continuity, even though no member state has ever been suspended for non-compliance under Article 46(4) TEU.

As of mid-2025, PESCO had launched 83 projects across 6 waves. These projects aim to address critical capability gaps in PMSs' armed forces. As reaffirmed in the 2017 Notification, PESCO is 'output-oriented' insofar as it prioritises tangible improvements in deployability, joint procurement and strategic readiness.[50] Project outputs, such as new equipment and training facilities, can be used in EU, NATO or UN missions. Indeed, the capability improvements achieved through PESCO should be understood as a means to bolster the European pillar within NATO, rather than as a step towards strategic decoupling.[51] As former NATO secretary general Jens Stoltenberg put it, PESCO 'can strengthen European defence, which is good for Europe but also good for NATO.'[52]

The primary value of PESCO lies in establishing a structured institutional framework through which PMSs systematically collaborate on defence projects. As Leuprecht and Hamilton emphasise, it holds 'the opportunity to harness defence synergies more effectively and precisely by capitalizing on EU resources, collaborating with NATO, and enabling member-state capabilities to be shared.'[53] This synergy positions PESCO as a central player in defence cooperation, both within the EU and in the broader transatlantic relationship. By replacing fragmented and ad hoc efforts with common project governance, political visibility and alignment with EU-wide strategic objectives, PESCO fosters the development of capabilities that no single country could feasibly achieve on its own.

50 Council of the EU, *Notification on Permanent Structured Cooperation*.

51 C. Leuprecht and J. J. Sokolsky, *Multilateral Unilateralism: Europe's Second Chance . . . on America's Terms*, Konrad Adenauer Foundation (Ottawa, 2021).

52 J. Stoltenberg, Doorstep statement made at the start of the European Union Foreign Affairs Council in Defence format, NATO, Brussels, 13 November 2017.

53 Leuprecht and Hamilton, 'New Opportunities in Common Security and Defence Policy', 80.

3. Third-country participation in the PESCO framework

The same Council Decision that established PESCO (CFSP 2017/2315) outlines in Article 4(2)(g) that in 'due time […] the general conditions under which third States could exceptionally be invited to participate in individual projects' shall be specified.[54] The issue gained traction following a joint position paper in May 2018, led by the Benelux countries. The proposal aimed to retain a pathway for the UK's involvement in EU defence matters, given London's historical commitments to European security, its status alongside France as a leading military power and its advanced defence–industrial base.[55] The proposal emerged against the backdrop of pre-existing precedents, as countries such as the US, Canada and Norway were already involved in CSDP missions through Framework Participation Agreements.

Divergent national preferences further complicated the discussion. A 2020 Globsec preference mapping showed that pragmatically minded states and smaller countries, such as the Benelux countries and Scandinavian nations, viewed transatlantic collaboration as indispensable.[56] Conversely, PESCO's original architects and major defence–industrial actors—France, Germany, Italy and Spain—were more cautious, being wary not only of allowing US firms into the EU defence ecosystem but also of dependencies on British and Norwegian capabilities.[57] Berlin, notably, was more open than Paris to third-country involvement. Meanwhile, Cyprus, Austria and Greece opposed the idea altogether, primarily due to the prospect of Turkish participation.[58] To bridge these divides, the Finnish Council Presidency circulated a draft text in November 2019 that allowed for third-country participation on a case-by-case basis, provided the country shared 'EU values'. The clause was explicitly designed to exclude countries such as China and Türkiye. A senior EU diplomat at the time described the compromise as 'the only solution' to navigate internal divisions.[59] The resulting Council Decision 2020/1639 of 5 November 2020

54 Council of the EU, Council Decision (CFSP), 2017/2315 (Brussels, 11 December 2017)

55 T. Valášek, 'And Now for Something Completely Different', *ESharp!*, *Carnegie Endowment for International Peace*, 13 February 2018

56 K. Brudzińska, M. Zaborowski and A. Kudzko, *Third Country Participation in EU Defence Integration Initiatives: How It Works and How It Is Viewed by EU Member States*, Globsec (October 2020), 9.

57 Ibid., 10.

58 Martill and Gebhard, 'Combined Differentiation in European Defense'.

59 J. Barigazzi, 'UK and US Will Be Allowed to Join Some EU Military Projects', *Politico*, 1 October 2018.

codified the procedures under which third states may exceptionally participate in PESCO projects, with conditions laid out in Article 3.

Politically, third countries must (a) share the fundamental values of the Union as enshrined in Article 2 TEU and maintain a structured political dialogue with the EU, particularly on security and defence matters (Article 21 TEU). Substantively, they must (b) generate significant added value for the project by contributing technical expertise, capabilities or financial support, while (d) avoiding any dependency risks or restrictions related to arms procurement, research and development, or the use and export of resulting technologies. Participation must (c) strengthen CSDP and (e) contribute to the operational availability and interoperability of EU forces and comply with the broader obligations of PESCO. Furthermore, third countries must (f) have a security of information agreement with the EU, that is, a treaty-level agreement between the EU and the third country that governs the exchange and protection of classified information. Lastly, third countries need (g) an administrative arrangement with the EDA if the agency is involved, as well as (h) a commitment to respect the rules set out in the 2017 decision that established PESCO and the 2018 decision that governs its operation.

The procedural framework requires third countries to submit participation requests to the lead state of the respective PESCO project. Approval must be granted unanimously by all PMSs. The Council, in coordination with the HR, must be informed and provide final authorisation. The terms of cooperation are defined in a project-specific administrative arrangement, which outlines the third country's rights and obligations, the extent of its decision-making power, the scope and modalities of information exchange, and the conditions under which participation may be terminated.[60]

The Military Mobility (MM) project became the first operational test case under this framework. Coordinated by the Netherlands, it involves nearly all PESCO members. The MM project aims to streamline cross-border military transport by eliminating bureaucratic bottlenecks.[61] It is also known as the 'Schengen of Defence'. In May 2021 the Council approved the participation of the US, Canada and Norway in the MM project. Josep Borrell, HR at that time, welcomed the decision, citing shared transatlantic interests and the operational expertise of the three NATO allies.[62] Later that year, Türkiye submitted its request to join

60 EEAS, 'Questions & Answers: Third States' Participation in PESCO Projects' (23 May 2023).

61 PESCO, 'PESCO Projects: Military Mobility (MM)'.

62 Council of the EU, 'PESCO: Canada, Norway and the United States Will Be Invited to Participate in the Project Military Mobility', Press release, 6 May 2021.

the MM project by formally sending a request to the Ministry of Defence of the Netherlands.[63] However, its application was sidelined due to political tensions and its non-compliance with EU values. The UK followed suit in October 2022. It became the fourth non-EU country to join a PESCO project. The latest country to join the project was Switzerland at the beginning of 2025.

In addition to the MM initiative, Canada, following its request in May 2022, was invited in February 2023 to join the PESCO project Network of Logistic Hubs in Europe and Support to Operations (NetLogHubs), coordinated by Germany. NetLogHubs connects existing logistics sites, enabling multinational cooperation on equipment preparation, shared depots and coordinated transport, thereby improving reaction times and operational sustainability.[64] It is closely linked to the MM project.[65]

Lastly, in May 2025 Switzerland was formally admitted to the PESCO project Cyber Ranges Federations (CRF) by the project coordinator, Estonia, following its initial expression of interest in 2024.[66] The project aims to integrate national cyber ranges into a centralised cluster to boost capacity, standardise services, and enhance interoperability for cyber training and testing. By developing shared platforms, CRF seeks to reduce manual input and improve the sophistication of cyber defence capabilities across participating states. Switzerland's membership will be finalised upon completion of the necessary administrative arrangements.

Despite Ukraine's strong interest in joining PESCO projects, the EU was initially reluctant to grant participation, with no direct Ukrainian involvement before Russia's full-scale invasion.[67] This means that Ukraine is currently neither a project member nor an official observer of any PESCO project. Nonetheless, Ukraine benefits indirectly from capabilities developed under PESCO. Notably, in February 2022, the Lithuanian-led Cyber Rapid Response Teams were deployed operationally at Ukraine's request for the first time.[68]

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63 A. Brzozowski, 'Turkey's Participation Request in EU Military Project Apprehended as "Trojan Horse"', *Euractiv.com* 6 June 2025.

64 PESCO, 'PESCO Projects: Network of Logistic Hubs in Europe and Support to Operations (NetLogHubs)'.

65 Council of the EU, 'PESCO: Canada Will Be Invited to Participate in the "NetLogHubs" Project', Press release, 20 February 20233.

66 Council of the EU, 'PESCO: Switzerland Will Be Invited to Participate in the "Cyber Ranges Federations" Project', Press release, 20 May 2025.

67 H. Maksak, M. Drapak and S. Gerasymchuk, *EU Defense Cooperation With Ukraine*, SCEEUS Guest Report no. 15 (12 September 2023).

68 EDA, 'Activation of First Capability Developed Under PESCO Points to Strength of Cooperation in Cyber Defence' (24 February 2022).

Following the EU–Ukraine joint security commitments signed on 27 June 2024, member states recognised the strategic importance of deepening defence cooperation with Ukraine.[69] The November 2024 PESCO strategic review calls for 'bringing Ukraine closer to EU defence initiatives' by supporting its military needs through relevant PESCO projects.[70] In this context, the Council encourages PMSs, with support from the PESCO Secretariat, to facilitate Ukraine's involvement in projects within the existing legal framework for third-country participation and to 'provide possibilities to share lessons learned stemming from Russia's war of aggression'.[71]

4. Taking stock: a data-driven map of PESCO's progress

Mapping all 83 projects (as of July 2025) allows us to evaluate participation patterns, project performance and partnership dynamics. While initial assessments acknowledged PESCO's promise, they also criticised projects for lacking ambition and failing to realise their full potential.[72] So, is PESCO fit for purpose?

4.1 Participation patterns: who takes the lead?

Participation by PMSs shows that countries with the largest and most capable armed forces are the principal drivers. France leads with 53 project slots, followed by Italy (45), Germany (36) and Spain (34). On average, a member state actively participates in approximately 17 projects and acts as an observer in another 11. This pattern underlines a key feature of PESCO: each member state calibrates its level and mode of engagement according to its own strategic preferences, capabilities and priorities, choosing when to coordinate, participate or observe. This differentiation reveals notable dynamics, as seen in Figure 2.

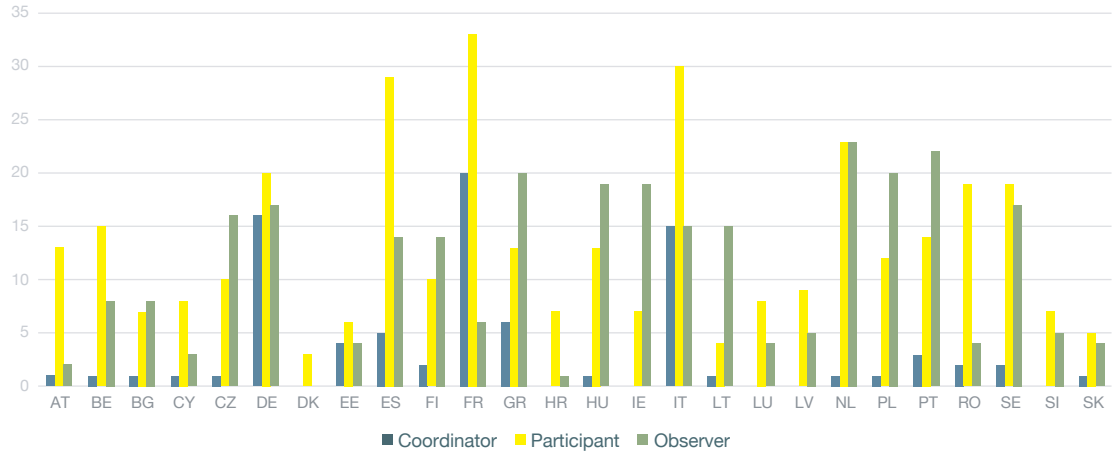
69 Council of the EU, *Outcome of Proceedings: Council Conclusions on the PESCO Strategic Review*, 14374/24 (Brussels, 18 November 2024).

70 Ibid., 4.

71 Ibid., 11.

72 Y.-S. Efstathiou and A. Billon-Galland, *Are PESCO Projects Fit for Purpose?* International Institute for Strategic Studies (21 February 2019).

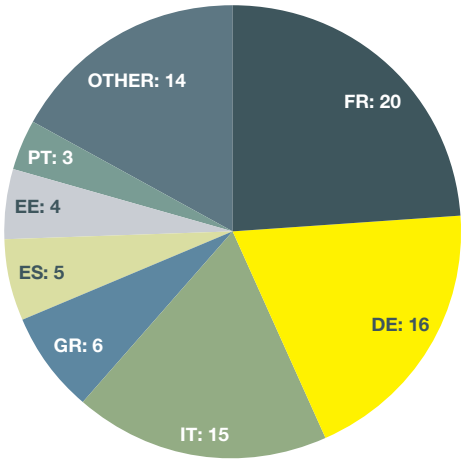
Figure 2 PESCO project participation per participating EU country



Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO): Deepen Defence Cooperation Between EU Member States' (homepage).

As Figure 3 shows, responsibility for coordinating projects is concentrated in the hands of a few countries. France leads the list with 20 coordinator roles, followed by Germany with 16 and Italy with 15. Together, these three account for 61% of all lead positions. This concentration largely reflects the distribution of defence budgets, industrial capacity and political ambition within the EU: France, Germany and Italy have the scale, expertise and political will to sponsor and steer the most complex capability initiatives. Only four other member states (Greece, six; Spain, five; Estonia, four; and Portugal, three)) lead more than two projects each. Six countries do not coordinate any projects: Slovenia, Luxembourg, Latvia, Ireland, Croatia and Denmark. A closer look at observer roles shows that the Netherlands (23), Portugal (22), Poland (20) and Greece (20) are the most active in following projects without making formal commitments.

Figure 3 PESCO projects per project coordinator

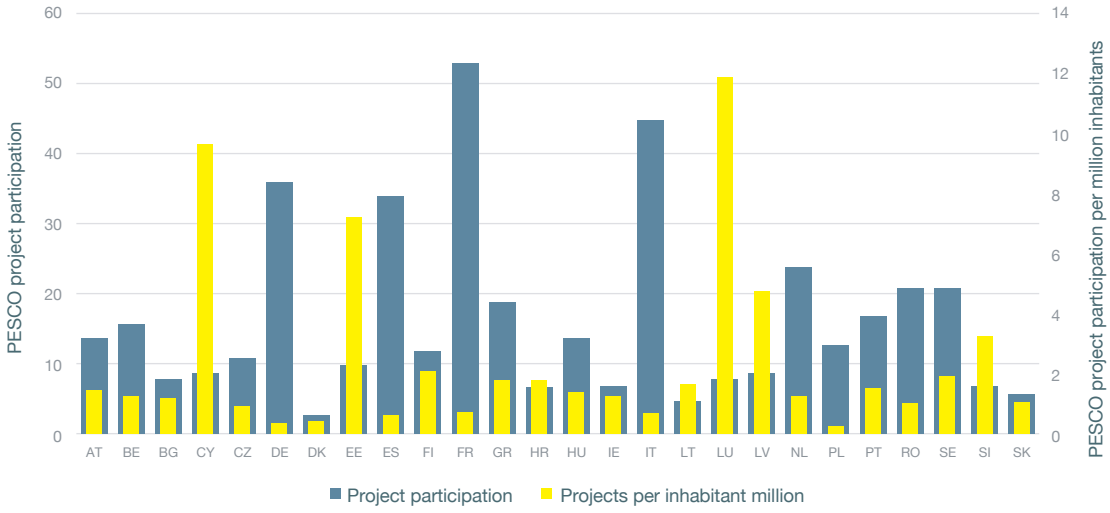


Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

Adjusted for population size, smaller states such as Estonia or Luxembourg are overrepresented relative to their size (see Figure 4). Others with large and capable armed forces remain on the margins: despite having the highest military spending per GDP within the EU, having significantly ramped up its defence in response to Russia's aggression, Poland stands out for its restraint in PESCO involvement. This limited participation reflects strategic calculations: Poland has prioritised immediate, tangible military enhancements over longer-term, multinational procurement cycles. National defence planning has focused on rapid capability acquisition, most notably through large-scale arms deals with South Korea and the US, offering faster delivery timelines and assured interoperability with NATO standards. In this context, the EU's slower-moving project logic and perceived duplication risks are less appealing.

Poland's preference for direct bilateral ties and NATO-heavy frameworks thus partly explains its limited footprint in PESCO, despite its crucial role on Europe's eastern flank.

Figure 4 PESCO project participation by EU member state (total and per million inhabitants)



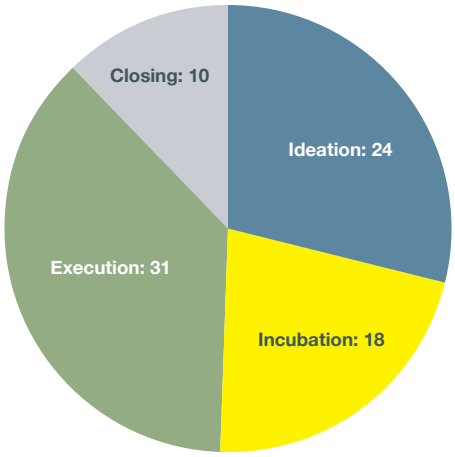
Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

Lastly, as previously discussed, third-country participation in PESCO remains limited, with only three projects currently involving non-EU states. The MM project includes five third countries: the US, Canada, Norway, the UK and Switzerland. The MM project is also the most broadly supported PESCO project, with participation from 26 PMSs and observer status granted to Ireland. The two other projects with third-country involvement are the related NetLogHubs, which Canada, and CRF, which includes Switzerland. Other EU strategic partners, such as Australia, Japan, South Korea and, notably, Ukraine, are not currently involved in any PESCO project.

4.2 Project performance: life-cycle trends and bottlenecks

In terms of progress, out of 83 launched projects, 10 have reached the final 'Closing' phase as of 2025 (see Figure 5), of which just 4 have fully met their objectives. The majority—31 projects—are still in the active 'Execution' phase, with another 18 in 'Incubation' (planning) and 24 in the initial 'Ideation' phase. In other words, nearly half of all projects are still being designed or defined rather than executed, and only about 12% have delivered a finished product or capability. This underlines the long timelines inherent in defence collaboration: even seemingly modest projects can take over five years to implement across multiple nations. It also reflects initial delays. Many projects have stalled or moved slowly due to staffing, funding or coordination challenges.

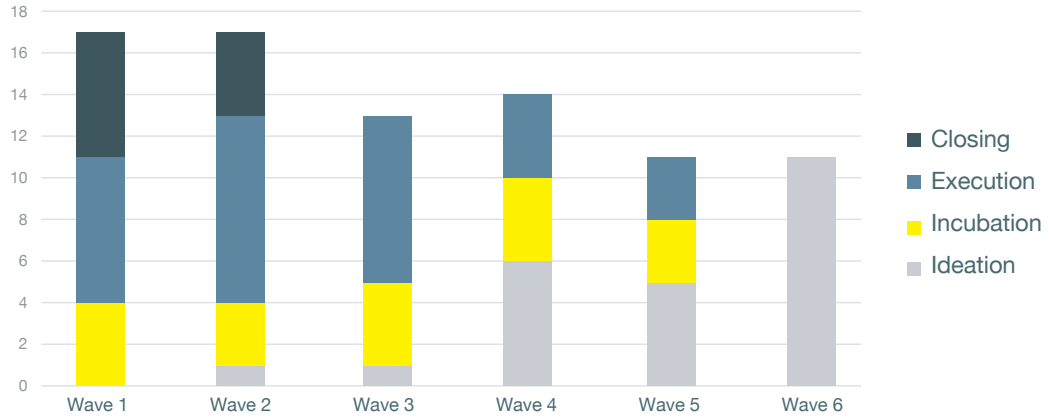
Figure 5 Progress of PESCO projects



Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

Timing has an impact on results: the first two project waves are the ones that have completed projects (see Figure 6). In contrast, more recent projects (especially the 11 new projects added in the sixth wave of 2025) are still at the concept stage, with deliverables years away. The fact that 24 projects remain in the Ideation phase raises concerns about stalled progress, which is often due to difficulties in defining scope or securing firm commitments. Moving from paper to procurement remains a common stumbling block in collaborative defence efforts.

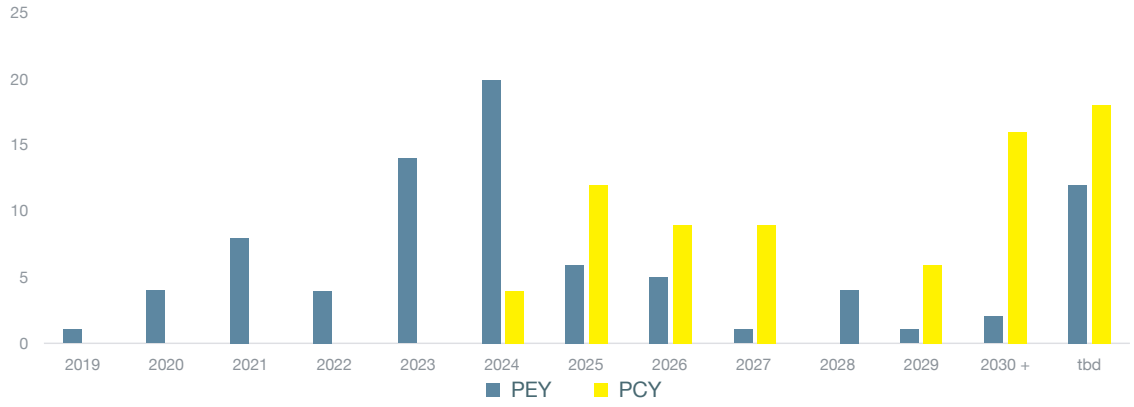
Figure 6 Progress of PESCO projects per project wave



Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

Each project includes two key milestones: the envisaged Project Execution Year (PEY) and the Project Completion Year (PCY), which are used to assess timelines. This temporal reality check suggests that PESCO's real payoff will likely come in the latter half of the 2020s—assuming projects stay on track. As shown in Figure 7, 2025 emerges as a critical benchmark year: for the first time, more projects are scheduled to conclude than to be executed.

Figure 7 Planned execution and completion dates of PESCO projects

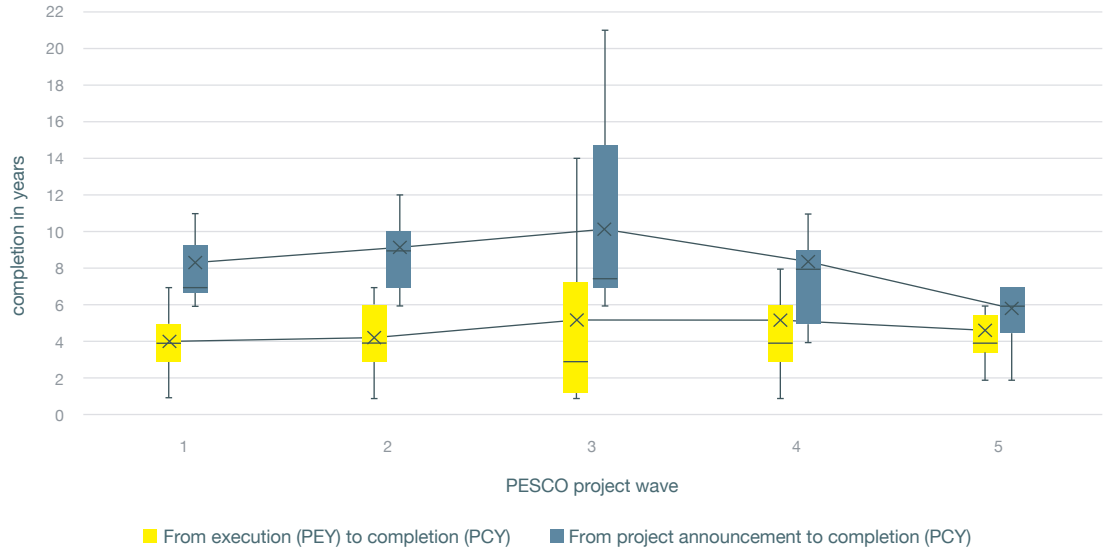


Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

On closer inspection, the median PESCO project spans approximately seven years from announcement to completion. Typically, there is a three-year lead time from announcement to the start of execution (PEY), followed by a four-year execution cycle until finalisation (PCY). Figure 8 compares project durations from execution to completion (yellow) and from announcement to completion (blue) across the five official PESCO waves. The sixth wave was excluded, as none of

its projects have defined PEY or PCY values (yet); similarly, cancelled projects and those categorised as 'yet to be determined' were omitted. While execution durations remain relatively consistent, with medians clustering between four and six years, the whole project cycle (from announcement to completion) exhibits more variation across waves. Wave 3 stands out with a broader spread, driven by some initiatives under the Strategic Enablers and Force Multipliers strand, such as EU Collaborative Warfare Capabilities or Materials and Components for Technological EU Competitiveness.

Figure 8 Median duration of PESCO projects per wave (PEY to PCY and announcement to PCY)



Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

Of the 10 projects labelled as Closing, 6 were terminated or cancelled without achieving their intended outcome. In the first PESCO batch, the German-led European Training Mission Competence Centre was cancelled after it became clear that its functions duplicated existing EU structures (and members saw little value in parallel efforts). A training-related project led by Italy (Certification Centre for European Armies) was scrapped in 2023 due to a lack of tangible progress and unclear added value. A Slovakian-led project on indirect fire support (Euro Artillery) never gained momentum and was quietly shelved. From the second wave, France had to cancel three projects it coordinated: the EU Test and Evaluation Centre, a TIGER attack helicopter upgrade and a co-basing initiative—primarily due to shifting national priorities or insufficient buy-in from partners. A pattern emerges: PESCO projects launched without a fully mature concept or guaranteed commitment from all relevant players are vulnerable to cancellation when political winds change or when there is overlap with other efforts.

Conversely, four projects were completed in 2024. They include the European Medical Command (a multinational medical coordination unit), a *Cyber Threats and Incident Response* platform, an Integrated Unmanned Ground System for land forces and the EUFOR Crisis Response Operation Core (which improves the readiness of Battlegroups). The latter not only improved Battlegroup readiness but also paved the way for the EU's new 'Advanced Planning' concept, presented in early 2025. Although modest, these deliverables are tangible contributions to European defence capability. They also demonstrate that, with sufficient political support, clear focus and adequate resourcing, PESCO projects can yield results.

4.3 Capability focus by military domain

Results vary by military domain. Land, Formations & Systems (15 projects), Strategic Enablers & Force Multipliers (15) and Air Systems (14) each account for more than one-sixth of the portfolio. Their prominence is to be expected: Russia's war against Ukraine has forced Europeans to modernise 'hard power' fleets while simultaneously investing in lift, logistics and stockpiles that make those fleets usable at scale.

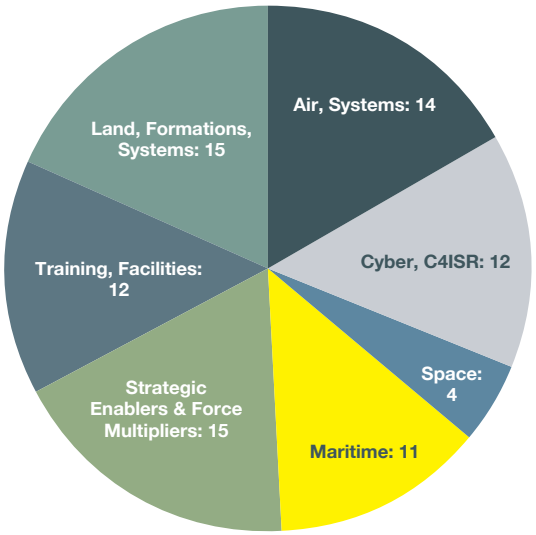
Three clusters absorb the largest share. Land, Formations & Systems (15 projects) centres on rebuilding high-intensity combat mass: examples range from Substitute for Lead in Infantry Ammunition and the Next-Generation Dismounted Soldier System to integrative test beds such as Main Battle Tank Simulation & Testing Centre and the two-step Integrated Unmanned Ground System. Air Systems (14) modernises lift, reach and survivability, combining flagship platforms such as the European MALE RPAS (Eurodrone) with enablers such as the Strategic Air Transport for Outsized Cargo, Integrated Multi-Layer Air & Missile Defence and Future (unmanned) Air-to-Air Refuelling Capability. Strategic Enablers & Force Multipliers (15) underpin every domain. Military accelerates cross-border movements, while the Network of Logistic Hubs and Materials & Components for EU Competitiveness strengthen supply chains. Moreover, TWISTER provides space-based early warning and EU Collaborative Warfare Capabilities experiments with collaborative effects networks.

A second tier tackles Europe's digital backbone and human capital. Cyber/Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (12) projects knit together hardened communications (ESSOR Radio, ROCOMIN Resilient Networks), shared ranges (CRF) and response mechanisms (Cyber Rapid Response Teams, Cyber & Information Domain Coordination Centre). Training & Facilities (12) pool scarce high-end infrastructure:

from the European Defence Airlift Training Academy, Joint EU Intelligence School and EU Cyber Academia & Innovation Hub to the Special Operations Forces Medical Training Centre.

Finally, Maritime (11) and Space (4) sustain freedom of manoeuvre in the global commons. The naval portfolio couples hull programmes such as the European Patrol Corvette with specialised kits—the Modular Seabed Vessel and Maritime Autonomous Systems for Mine Counter-Measures—to secure contested chokepoints. Space projects remain few but pivotal: the Common Hub for Governmental Imagery, Defence of Space Assets, EU Radio Navigation Solution and the EU-SSA-Network contribute to reinforcing the European space architecture (more specifically the sovereign Intelligence, Surveillance and Reconnaissance and Positioning, Navigation & Tracking layers) which EU and NATO military operations rely on.

Figure 9 PESCO projects based on military domain



Source: Own calculation based on data from PESCO, 'Permanent Structured Cooperation (PESCO)'.

Note: C4ISR: Command,Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance.

5. Structural bottlenecks and how to remove them

The performance review reveals several challenges that impede the effectiveness of PESCO as the EU's flagship defence cooperation mechanism, since the volume of projects is not an indicator of progress/performance per se. Earlier evaluations

of PESCO projects in the literature emphasised their potential but found a lack of ambition, leaving much untapped.[73]

One major issue is the slow decision-making and project start-up cycle. Many initiatives have struggled to move from Ideation to Execution due to lengthy consensus-building processes among diverse participants and the difficulty of aligning national budgetary cycles. These delays not only dampen momentum but also reduce the credibility of PESCO as a mechanism to address capability gaps. Without a more streamlined and coordinated governance structure, this inertia is unlikely to be overcome. Moreover, capability development across the DOTMLPF spectrum (Doctrine, Organisation, Training, Matériel, Leadership and Education, Personnel and Facilities) inherently follows a mid-term horizon. Still, robust governance is essential to coordinate national inputs, prioritise resources, enforce accountability and track milestones so that projects stay on schedule and deliver tangible results.

Furthermore, the process for identifying and launching PESCO projects must better reconcile national prerogatives with collective European priorities. Understandably, PMSs are cautious about relinquishing control over defence planning, particularly as national capability development is closely tied to NATO's Defence Planning Process and is considered a core expression of sovereignty. The absence of common ambition dilutes impact and prevents the emergence of a critical mass for meaningful interoperability or deterrence. This is precisely where EU-level coordination could add real value: by guiding project selection without undermining national autonomy. A shared strategic framework is not only compatible with sovereignty but necessary to make PESCO function effectively.

A third constraint is the lack of sufficient resources and industrial backing. Since PESCO itself does not provide funding, projects rely on national contributions or complementary EU financing tools such as the EDF. This results in a bias towards immature research and technology initiatives with limited near-term utility. Without more substantial financial incentives for capability-oriented and deployable outcomes, this imbalance will persist. Uneven commitment among PMSs further exacerbates the issue: in multinational projects, disengagement by one or two leading countries can stall or derail progress entirely. Lastly, the current fragmented procurement planning and industrial coordination may hamper delivery timelines.

Finally, PESCO remains handicapped by bureaucratic complexity and administrative friction. Although it operates outside the EU's strict regulatory

[73] Efstathiou and Billon-Galland, *Are PESCO Projects Fit for Purpose?*

framework, projects are still subject to burdensome approval cycles, unclear reporting structures and slow implementation mechanisms. These challenges are especially acute for smaller member states, which often lack the institutional capacity or procurement experience to lead or co-lead major projects. The current voluntary and decentralised model does not incentivise deeper cooperation or burden-sharing. More strategically oriented governance is, therefore, essential, not to centralise control, but to facilitate coordination, provide leadership and reduce entry barriers.

5.1 Third-country participation: constraints and prospects

One of the most promising tactical shifts for PESCO is the increased systematic participation by third countries. Cózar-Murillo described third-country participation as a 'game-changer', most notably that of the UK after Brexit.[74] Recent EU agreements with the UK and Canada have paved the way for these close allies to join PESCO projects. Likewise, Norway and the US have already been involved on an exceptional basis. Looking ahead, expanding PESCO to include trusted partners such as Ukraine, the UK, Canada and Norway (and potentially others, such as Japan or Australia, in specific projects) holds promise to yield significant benefits.

First, there is the operational value. Partners bring unique capabilities and experience. Ukraine's military has acquired hard-earned expertise in modern high-intensity and hybrid warfare, which could greatly inform EU capability development, for instance, in drones, electronic warfare and logistics under fire.[75] The UK has top-tier intelligence and cyber and expeditionary assets. Norway contributes advanced niche technologies (such as anti-submarine warfare know-how and domain awareness in the Arctic region). Including those countries in more PESCO projects would raise the overall quality and ambition of outcomes.

Second, third-country participation harnesses economies of scale by enlarging the market for European defence projects. A collaborative project that includes, say, British or Canadian armed forces as end-users would automatically have a larger potential production run, which would make it more cost-effective and provide greater incentives for longer-term private-sector contracts. Their defence industries could join consortia, which would increase innovation and competition.

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74 B. Cózar-Murillo, 'PESCO as a Game-Changer for Differentiated Integration in CSDP After Brexit', *European Papers* 7/3 (2022).

75 N. Antonyuk and I. Zinko, 'Cooperation Between Ukraine and the European Union Within the Framework of the Common Security and Defense Policy of the EU', *Language Culture Politics International Journal* 1 (2023).

For example, a PESCO project on military mobility or next-generation vehicles with Canadian participation could leverage North American industrial suppliers, thereby bolstering the resilience of supply chains.

Strategically, opening up PESCO is a way to anchor transatlantic links. It would provide a new mode of engagement with NATO allies. At a time when the US political commitment to Europe can no longer be taken for granted, institutionalising EU–NATO partner cooperation through PESCO could act as an important anchor. Doing so would send a signal that European defence efforts are inclusive, not exclusive.[76] A more open PESCO could function as a deal-making tool, an institutional bridge that ensures key allies remain tightly integrated in Europe's defence even outside the EU framework.

For Ukraine, participation in PESCO projects (before EU membership) would accelerate its European integration. Ukrainian forces could adopt EU interoperability standards, participate in training initiatives and contribute to European capability-building teams. Given Ukraine's status as an EU candidate and front-line state, bringing it into PESCO projects would also be a powerful political symbol of the EU's sustained commitment to Ukraine's security.

However, several structural obstacles dampen enthusiasm for PESCO in partner capitals. One key issue concerns funding. As previously noted, PESCO itself does not provide direct financial support. However, the EDF offers a 10% bonus for any EDF project linked to a PESCO initiative, which should incentivise stakeholders to align their EDF proposals with PESCO projects. However, a crucial distinction exists between the third-country participation rules of PESCO and those of the EDF.[77] When a non-EU country associates with the EDF, it is effectively treated as an EU member state, which means third-country restrictions no longer apply. By contrast, participation in PESCO projects remains subject to specific legal limitations, which creates regulatory asymmetry.

This gives rise to a paradox: a country associated with the EDF may find its industry exempt from third-country restrictions under the EDF but still subject to stricter and at times conflicting rules under PESCO. Article 3(d) of the Council Decision on third-country participation in PESCO stipulates that their participation must not create any 'dependencies'.[78] Nevertheless, the very purpose of associating

[76] Leuprecht and Sokolsky, *Multilateral Unilateralism*.

[77] T. Lawrenson & E. Sabatino, *The Impact of the European Defence Fund on Cooperation With Third Countries*, International Institute for Strategic Studies. (London, October 2024).

[78] Council of the EU, Council Decision (CFSP), 2020/1639, 3 (Brussels, 5 November 2020)

with the EDF is, *inter alia*, to ensure a country's defence industry is engaged in joint capability development. This objective inherently involves greater interdependence. This rigid interpretation of 'no dependencies' may deter third countries from joining corresponding PESCO projects, which would ultimately make their industry ineligible for the EDF funding bonus.

Article 3(d) creates further complications. Joint intellectual property resulting from PESCO projects may not be fully accessible or usable by third-country participants;[79] consequently, no ongoing PESCO projects involving capability or technology developments currently allow third-country involvement. Finally, beyond legal and financial constraints, third countries also face several structural disincentives. They are granted limited decision-making power within projects they join, cannot initiate their own PESCO projects and can only be added if they demonstrably add value. Furthermore, the EU's uniform participation framework restricts the ability to negotiate tailored arrangements with individual third countries, which limits flexibility and reduces the attractiveness of engagement.

5.2 Recommendations for revitalising PESCO

Considering the structural constraints outlined above, credible improvement of PESCO will require targeted reforms that are both politically feasible and institutionally coherent. The following proposals aim to enhance PESCO's strategic relevance, operational effectiveness and institutional attractiveness, without undermining national prerogatives. The goal is to transition PESCO from being a bottom-up coordination platform to becoming a more strategically anchored framework that delivers concrete capabilities for European defence, while including trusted third-party partners.

Make PESCO the default platform for EU-supported capability cooperation

Rather than functioning as one among many parallel initiatives, PESCO should serve as the default framework for launching collaborative capability-related projects. To this end, the Council should declare it the default gateway for any capability-related initiative seeking EU co-funding, including EDF grants. This reclassification must be backed by carrots rather than sticks: PESCO-aligned proposals should receive fast-track review and an 'operational readiness premium', a new top-up bonus of up to 15% on life-cycle support costs when PMSs commit forces,

[79] M. Becker, J. Flach and N. von Ondarza, *Third-State Participation in the EU's Common Security and Defence Policy: Opportunities and Conditions for the United Kingdom*, SWP Working Paper no. 2 (Berlin, February 2025).

personnel or infrastructure to EU missions. Together with the existing 10% EDF research and development bonus, this funding incentive directly rewards both capability development and force provision, thus tackling the current bias towards immature, lab-only projects.

Establish a rotating PESCO sherpa to provide strategic coordination

PESCO needs stronger strategic governance to address the current limitations of the bottom-up and politically fragmented project landscape. PMSs should hence elect a PESCO sherpa for a (renewable) two-year term. Drawn from national defence or foreign affairs ministries, the sherpa would chair the PESEC and be assisted by it. This person would hold preparatory meetings to refine project scopes, convene yearly progress reviews and discuss third-party participation in projects. This model would preserve national sovereignty over project participation while offering a clear focal point for strategic guidance and cross-project coordination.

Introduce an annual 'PESCO Level of Ambition' to guide project selection

The current fragmentation of PESCO projects reflects the absence of a shared view on which capabilities are most needed. As a remedy, an annual PESCO Level of Ambition should be adopted to offer non-binding strategic guidance on a limited number of high-priority gaps. These would be identified through a Joint Gap Analysis led by PESEC, drawing on capability shortfalls identified by the EUMS through the High-Level Planning process, and collaborative opportunities identified by the EDA through the Coordinated Annual Review on Defence. The role of the EDA should be consolidated as the analytical backbone of this process. This Joint Gap Analysis would be reviewed and discussed by the sherpa and PMSs. While participation would remain voluntary, projects in line with identified gaps could be prioritised for funding and, access to pooled procurement frameworks and operational support mechanisms.

Clarify and modernise the framework for third-country participation

Fourth, to strengthen PESCO's role as a bridge to trusted partners, its third-country participation regime requires pragmatic reinterpretation and legal clarification. The Council should issue guidance to confirm that 'managed interdependence', ensured via dual-sourcing or diversification clauses, can be compatible with the restriction on dependencies set forth in Article 3(d). This would permit deeper cooperation with partners without compromising strategic autonomy. In parallel, standardised administrative arrangements should be concluded with EDF-associated countries such as the UK, Canada and Norway to harmonise rules on intellectual property

rights, eligibility and participation. To enhance engagement, a new 'contributing participant' status could be introduced. It would grant third countries voting rights on technical and budgetary matters while reserving strategic governance for PMSs only.

Offer a tailored integration path for Ukraine into PESCO

Finally, Ukraine is an outlier that requires a tailored approach. Given its status as both a front-line state and an EU candidate, Ukraine should be offered 'operational user' status in PESCO projects, such as MM, conditional on progress in reforming its security sector and aligning with EU standards on classified information. This would allow Ukraine to gain early interoperability benefits and contribute to European force generation, while safeguarding sensitive technologies. A review clause linked to institutional progress could enable the gradual expansion of Ukraine's participation in line with its EU accession trajectory.

Conclusion: making PESCO Europe's capability engine

Europe's changing security environment renders purely national, fragmented approaches to defence unsustainable. PESCO was created to knit those fragments together. Although progress in its first eight years has been uneven, it already supplies the only EU-wide framework under which states commit to binding obligations, transparent peer review and tangible capability projects. The portfolio may still be maturing, but indications are that cooperative procurement can deliver results when political focus, funding and industrial backing align.

However, the mapping exercise shows that scale without strategy is insufficient. Too many projects remain stuck in the Ideation phase or have been cancelled because ambitions outstripped resources, scopes overlapped or leadership waned. Streamlining governance, tightening project vetting and hard-wiring EU funding instruments, such as the EDF and SAFE, into promising consortia would transform PESCO from a loose marketplace of ideas into a disciplined instrument for priority capabilities.

Opening up the framework further to trusted partners would be an equally powerful force multiplier. The inclusion of the US, Canada, Norway, the UK and Switzerland in the MM project demonstrates that third-country participation can be effective without compromising EU control. Inviting those allies—and above

all, Ukraine—into additional projects will inject combat-tested expertise, deepen industrial supply chains and signal that Europe's defence renaissance strengthens, rather than sidelines, the transatlantic bond. Ergo, a structured, fast-track process for partner access should become a standing feature of PESCO governance.

If member states act on these lessons, PESCO can shift from incremental progress to strategic impact just as its most significant wave of projects approaches fruition in 2025–7. By focusing on deliverables, financing them coherently and anchoring key allies within the tent, the EU will not only close long-standing capability gaps but also establish a credible European pillar within NATO. PESCO's evolution thus offers a pragmatic path towards a Union that is no longer a 'military worm' but a security provider that can defend its citizens and shoulders its fair share of the transatlantic burden.

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