

# SWP Comment

NO. 38 AUGUST 2025

## Strengthening Europe's Defence Capabilities through Clear Tasks and Objectives

**To Secure Additional Funding, the EU Must First Define Its Security Priorities**

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The member states of the European Union are once again arguing about money. More specifically, they are arguing about how much they want to spend on defence, where this money should come from and whether they should spend it jointly. That Europe needs to defend itself better is not in dispute in Brussels or the national capitals. However, despite many discussions, summit decisions, documents and initiatives, it is still unclear what goals the EU should pursue or how it should spend money to improve European defence capabilities. In addition to fresh funding, what is needed above all is agreement on shared European objectives. This would enable the continuation and strengthening of military support for Ukraine, the creation of a single market for armaments and services and the financing of these from the EU budget.

As early as 2016, the EU member states had already concluded that Europeans needed to significantly increase their defence and armaments policy efforts. This was the year that the newly elected US President Donald Trump first publicly questioned US security guarantees for Europe. The EU-27 therefore opted for greater independence in security and defence policy. Through Permanent Structured Cooperation (PESCO), a Coordinated Annual Defence Review (CARD) and a European Defence Fund (EDF), they aimed to address capability shortfalls together, improve operational cooperation between armed forces and strengthen the European defence industry.

Following Russia's full-scale invasion of Ukraine in February 2022, the EU member states adopted their first independent defence policy strategy, the Strategic Compass, in March of that year. In this document, they pledged to significantly increase their military capabilities by 2030. Alongside the ongoing increase in defence spending, a quantum leap was made when EU member states supplied lethal weapons to a warring country for the first time and decided to train Ukrainian soldiers who would subsequently be involved in combat operations. The European Commission financed the joint procurement of military equipment using EU budget funds.



## Increasing pressure – weak response

Two developments have led to many EU states wanting to drastically increase their national defence spending in 2025 and to the EU seeking to support its members in providing sufficient equipment more quickly. Firstly, European intelligence agencies agree that Russia will be in a position to wage a conventional war against Europe in about five years. Secondly, the contours of an isolationist US policy towards Europe are becoming clearer. Washington is distancing itself from the post-war European order and is not shying away from blackmailing its European partners on security issues. At the NATO summit at the end of June 2025, President Trump urged allies to increase their defence spending to 5 per cent of their gross domestic product (GDP) annually by 2035. At a meeting of NATO defence ministers in February 2025, US Secretary of Defence Pete Hegseth stated that the US would not send troops to Ukraine to secure a ceasefire or peace settlement. He added that this was solely the responsibility of the Europeans, who would also have to organise this mission outside of NATO.

This dual pressure to act prompted EU heads of state and government to “accelerate the mobilisation of the necessary instruments and financing in order to bolster the security of the European Union and the protection of our citizens.” in early March 2025. They decided to expand air and missile defence, and increase the stock of artillery systems, missiles, ammunition, drones and drone defence systems. They also intend to procure strategic support systems for protecting space and critical infrastructure, as well as improving military mobility, cyber defence and the use of artificial intelligence in electronic warfare. Furthermore, they have pledged to reduce their strategic dependence on the United States and bolster the technological and industrial foundation of European defence across the EU.

In June 2025, the European Council reaffirmed its commitment to significantly increasing defence spending, accelerating

efforts and improving the coordination of commitments.

In October 2023, the EU Commission had launched the European Defence Industry through Joint Procurement (EDIRPA) instrument. The programme has a total budget of €300 million until the end of 2025. It promotes cooperation between Member States on measures to establish and expand the production capacities of European defence industry companies, as well as cross-border cooperation and the joint procurement of defence equipment. Since 2018, the Commission has been using action plans to improve the mobility of military personnel and equipment. Under the 2022 – 2026 Military Mobility Action Plan 2.0, the EU and its Member States are investing in multimodal corridors and logistics hubs, supporting the digitalisation of administrative processes and protection against cyberattacks, and strengthening cooperation with NATO and other regional partners. A total of €1.69 billion of EU budget funding has been allocated to these dual-use transport infrastructure projects through the Connecting Europe Facility.

Most recently, in March 2024, the European Commission presented a European industrial strategy for the defence sector. The strategy calls for a rapid and significant improvement in European defence capabilities through private and public investment, and above all, a fundamental transformation of the European defence and armaments industry. The European Defence Industry Programme (EDIP) as central element of the strategy aims to facilitate increased, improved and joint investment in the expansion of the EU’s defence industry. To this end, the programme will promote interoperable and interchangeable defence capabilities, facilitate the certification of armaments and organise joint programme planning and procurement.

## Readiness 2030 and the White Paper on European Defence

Currently, EU primary law (art. 346 of the Treaty on the Functioning of the European Union (TFEU)) protects the national autonomy of Member States in matters of essential security, “which are connected with the production of or trade in arms, munitions and war material”. When it comes to tenders and the awarding of defence contracts — and thus the procurement of defence equipment and services — Member States usually pursue their own industrial policy interests. Member States largely determine the size of their national defence markets, issuing export licences and setting the direction and scope of innovation and new product development while protecting their national companies from domestic and international competition. Markets for armaments are subject to high confidentiality requirements and permanent delivery and service guarantees. In most cases, armaments are not standardised mass products. Production volumes are small and can be further limited by export restrictions. As the primary clients of armaments companies, the nation states define demand for military goods and consequently their production.

Nevertheless, in March 2025, the European Commission proposed the ReArm Europe plan. This programme, later renamed “Readiness 2030”, comprises five measures: (1) Member States are allowed to activate the national escape clause of the Stability and Growth Pact. This should give them fiscal leeway to spend more public funds on defence. According to the Commission’s calculations, this equates to approximately €650 billion across the 27 EU Member States. However, only 15 countries have made use of this option so far. (2) The EU Commission is borrowing up to €150 billion on capital markets on behalf of the EU with the help of the SAFE instrument (Security Measures for Europe). This money is being made available in the form of long-term loans to those Member States that are “willing to invest in industrial

production in the defence sector through joint procurement with a focus on priority capabilities”. (3) The Commission is offering Member States the opportunity to discuss how EU budget funds could benefit defence purposes more. Cohesion policy programmes could be used for defence or dual-use expenditure. (4) To generate further comprehensive funding, the European Investment Bank Group is expanding the scope of its lending to defence and security projects. (5) The plan envisages the use of private capital for defence.

On 19 March 2025, the EU High Representative for Foreign Affairs and Security Policy and the European Commission published the White Paper on European Defence — Readiness 2030. The paper calls on Member States to carry out at least 40 per cent of their procurement jointly. They are also urged to deepen the integration of the European and Ukrainian defence industries and establish an internal market for armaments. The Commission has undertaken to engage in strategic dialogue with the defence industry, streamline industrial programmes and develop a defence technology roadmap for investments in advanced dual-use capabilities. On 17 June 2025, the Commission presented measures under the heading “Omnibus for Defence Readiness” that are intended to facilitate joint investment in defence capabilities, offer the industry greater predictability and simplify access to EU funds.

### What will the money be used for?

It remains unclear what these significantly increased financial expenditures will be used for. Five different tasks are being discussed, each with a different level of urgency.

#### First task: military support for Ukraine

Since the start of Russia’s war against Ukraine, the EU has firmly supported Kyiv. It has been providing the attacked country, with which it has been conducting acces-

sion negotiations since June 2024, political, humanitarian, military and financial support. Given Russia's determination to continue the war, Ukraine requires ongoing and increased support from its European partners. So far, the EU and its Member States have mobilised around €60 billion in military aid for Ukraine. Of this, over €6 billion has been financed through the European Peace Facility to deliver military equipment by 2024. A further €5 billion has been allocated from an additional support fund for Ukraine to cover the cost of protective equipment, fuel, ammunition and missiles. Furthermore, the European defence industry has increased its ammunition production capacity by 40 per cent. The July 2023 Regulation on the Promotion of Ammunition Production (ASAP) mobilised €500 million from the EU budget to promote the expansion of production capacities for ground-to-ground and artillery ammunition, as well as missiles. As part of the EUMAM UA (European Union Military Assistance Mission to Ukraine) training mission, over 78,000 Ukrainian soldiers have received training in tactical and operational warfare, as well as training on modern combat equipment.

The EU came under additional pressure when the US significantly reduced its military aid to Ukraine. Washington did not provide any new support in March and April 2025 for the first time, and, in July, previously agreed arms deliveries were halted but then approved again. Above all, EU countries hardly have any capabilities in reconnaissance and strategic air defence, which Ukraine urgently needs.

### **Second task: Preparing security guarantees for Kyiv**

Although there are currently no signs of a ceasefire, let alone a peace plan, between Russia and Ukraine, the US administration has made it clear that Europe should provide military support for a potential ceasefire agreement and offer Ukraine comprehensive security guarantees. There is speculation about a European peacekeeping force

of around 40,000 troops. Ukrainian President Zelensky has suggested an even larger force of 200,000 troops.

To fulfil this task, EU states would need to significantly increase their armed forces. In Germany, for example, growth in the size of the armed forces has stagnated for years. The Bundeswehr does not have significantly above 182,000 soldiers. Even the permanent deployment of a 5,000-strong brigade in Lithuania would represent a significant undertaking for the Bundeswehr. Furthermore, the EU-27 would need to substantially enhance their military cooperation and reconcile their divergent armament policies. Otherwise, maintaining and upkeeping their military capabilities would be a Herculean logistical task.

### **Third task: Keeping the US in Europe**

Many Member States regard this as crucial to their interests. Most NATO countries in Europe are prepared to meet the US president's demand to spend 5 per cent of their GDP on defence. This demonstrates the importance of the security guarantees that the US offers its European partners by stationing up to 100,000 soldiers in Europe and by nuclear sharing within NATO. To this day, Europeans follow American guidelines for strategy and capabilities within the Alliance. To be militarily interoperable with the US, they purchase much of their military equipment from it. As with the start of the war in Ukraine, when European countries purchased around 63 per cent of their additional military equipment from the US, many EU countries continue to source capabilities from America to maintain transatlantic relations.

### **Fourth task: Defending Europe without the US**

The Trump administration's drastic change of course has thrown the coordinates of the European security order into disarray. It continues to send contradictory signals to its allies regarding the reliability and durabil-

ity of American engagement in Europe, as well as its adherence to the NATO consensus on Russia and Ukraine.

The debate about an independent nuclear deterrent in Europe demonstrates the extent to which some EU countries are convinced that they must prepare for a US withdrawal from the continent. Replacing American military capabilities entirely would require Europeans to increase defence spending significantly, even in the conventional sphere. Furthermore, there must be political willingness among Europeans to coordinate strategic goals and priorities in the future. The institutional framework in which this coordination should take place would then need to be determined — whether intergovernmental or supranational, within NATO or the EU.

### **Fifth task: As a long-term goal, establishing a European Defence Union**

Replacing the US as the guarantor of European security will be a long-term task, as will establishing a European Defence Union. Currently, supranational control in this policy area is far from achieved. Member States have considerable freedom to act in the defence sector and primarily pursue their national interests. At most, they coordinate their actions at an intergovernmental level. The European Commission is trying to counteract this. For decades, it has criticised the inadequacies, weaknesses and fragmentation of European armaments and defence services markets, repeatedly pushing for the creation and regulation of a European defence goods market. However, it has not yet succeeded in implementing its reform proposals. The Commission aims to promote European networking and closer cooperation on armaments policy. Its goals are to improve the interoperability of armaments, reduce opportunity costs and expenditure duplication and achieve greater economies of scale. EU Member States will incur significant costs in building and expanding their defence capabilities, which will put pressure on national

budgets. In view of this, the Commission considers the Europeanisation of the arms industry to be inevitable. The first essential step towards a defence union would therefore be to establish a single defence market. This would grant the Commission access to a policy area that has previously been off-limits under the EU treaties.

### **Combining financial windfalls with priorities**

Examining these various objectives reveals that European rearmament requires functional prioritisation, appropriate sequencing and the most effective institutional structure.

### **First step: Support Ukraine**

The most important task for Europeans is to support Ukraine in its defensive fight against Russia. Uncertainties regarding Washington's support for Kyiv are putting pressure on Europeans to increase their military aid. Until now, the EU has used the European Peace Facility to compensate Member States that have supplied Ukraine with weapons and ammunition. However, this off-budget instrument has been criticised because some Member States are using the compensation to supply Ukraine with obsolete equipment and replace their own capabilities by European funding. Meanwhile, numerous arms companies have relocated their production to Ukraine and are collaborating with local businesses. The European Commission has submitted proposals to integrate the Ukrainian arms industry closely with the EU's. According to the Commission, this approach is intended to achieve further economies of scale in terms of the capabilities required for defence against Russia. It is also intended to reduce the cost of supporting Ukraine.

However, the extent of assistance still varies greatly between Member States. As a result, Russia is equipping itself with important capabilities more quickly than Ukraine.

In the short term, it is important to use the upcoming EU budget negotiations to increase the financial volume of the European Peace Facility. Furthermore, Member States should be obliged to channel part of their additional defence spending into the Facility. This would to some extent circumvent the often difficult Council negotiations on increasing the Facility's financial resources. EU funding for ASAP from the EU budget could also be boosted. These measures could enable the EU to purchase from the US the military capabilities that Kyiv urgently needs.

### **Second step: Create an EU internal market for armaments**

Member States should prepare to establish an internal market for armaments and services. This market should be governed by European competition and state aid rules, as well as transparent public tender and contract award criteria. The cost and price structures of defence contracts should be made more transparent, and the isolated national defence markets should be opened up to new (and often more innovative) European suppliers. In a common market, production figures could increase, and defence manufacturers could benefit from economies of scale. Additionally, purchasing defence industry intermediate products within the EU should be made easier to strengthen cross-border competition in this single market.

Europeanisation would therefore have to be accompanied by the opening up of national defence markets and the liberalisation of intra-Community trade. Regarding exports to third countries, guidelines for defence equipment produced in the EU would need to be harmonised. This could also help to make European defence manufacturers more competitive and innovative.

However, Member States have so far resisted these steps and are keeping a close eye on their national leeway. The European Commission's economic and industrial policy incentives still fall short. It is making concessions, particularly with regard to

cooperation requirements, and reducing demands for companies to work together in consortia. However, only a single European market for defence equipment would enable EU countries to swiftly and cost-effectively close critical capability gaps. Such a market would allow the European Commission to influence planning, development and procurement for the benefit of the EU.

The partnership agreements recently concluded by the European Commission with Canada, Japan, South Korea and the United Kingdom could benefit from a strengthened EU defence policy and regulatory framework for arms control. The stronger the European defence industrial base, the greater the interest of partner countries. Ideally, standardisation would be achieved through the Commission's internal market requirements and the opening up and transparency of national armaments markets. In the long term, this could ensure better interoperability between the armed forces of EU Member States and their partner countries.

A joint approach by like-minded countries could mitigate the potential consequences of a US withdrawal from Europe, both politically and in terms of the arms industry. If Europeans were to assert their independence more vigorously, this might persuade the US to open its arms market to European competitors for the first time, paving the way for a transatlantic market.

### **Third step: Joint financing**

The European budget negotiations could be used to increase funding for the European Defence Fund (EDF) within the EU budget. To date, the fund has a total volume of €7.3 billion to promote the innovation, industry and science of the European defence sector. However, if the scope of EDF funding is to be extended to include other defence policy tasks, such as the joint procurement of ammunition or other military equipment, the EU Treaty (art. 42(3) TEU) would need to be amended.

Finally, incentives could be created to promote dual-use capabilities with the help of

other European programmes. For instance, the new regulations for the European Structural and Cohesion Funds, which are currently under negotiation, could include provisions for a minimum funding rate to finance the expansion of European transport routes in accordance with military mobility requirements, using European funding. Funds from European support programmes could also be used for cyber defence measures, protective measures for critical infrastructure facilities and European armaments research networks. The general aim would be to relax the strict distinction between civil and military support measures.

### **Forth Step: Building community structures**

The Europeanisation of national defence markets and industries requires the establishment of appropriate structures and institutions at a European level. Beyond the European Commission's traditional market-regulating role, the EU needs institutions capable of coordinating strategic and military priorities, their political implementation and financial resources. In doing so, care must be taken to ensure coordination with transatlantic institutions within the NATO framework.

Clearly, an irregular meeting of EU defence ministers in the EU Council will not suffice to address fundamental strategic issues. The requirement for unanimity in the Common Security and Defence Policy (CSDP) is also no longer appropriate given the enormous time pressure EU states are under to increase their defence capabilities. Furthermore, greater transparency is needed between NATO's military planning and that of the European Commission. To date, NATO has negotiated with Member States individually. Consequently, there is currently no transparency regarding military objectives and required capabilities, either between Member States or between NATO and the EU. A European Security Council could serve as an important link between Member States and NATO. It could be headed by a High Representative, attached

to the European Commission, and supported by a military planning group. This would be particularly useful given that Europeans are not currently seeking to establish a European pillar within NATO.

### **Wise spending increases security and sovereignty**

What is necessary is long-term comprehensive support for Ukraine, an EU internal market for armaments and a stronger commitment to shared European goals and interests. If the EU and its Member States cannot agree on this, it is likely that Europe will once again miss the goal of becoming capable of defending itself quickly and comprehensively, despite the financial resources that have been provided and announced. This focus on European defence requires Member States to set aside their wish to bind Washington to Europe primarily through the purchase of American weapons systems.

At the same time, the increase in EU funding for defence and armament policy measures, coupled with the Commission's collaborative approach, is becoming increasingly incompatible with the current practice of Member States negotiating their military capability targets individually within the framework of NATO. To make Europe more capable of defending itself more quickly, EU states will have to grant the Commission insight into these NATO plans in future and enable Brussels to encourage member states to cooperate.

Ultimately, the Europeanisation of armaments and defence policy will require reduced state powers and national leeway. In the long term, Europeans' dependence on the US's goodwill in NATO would be complemented by relinquishing sovereignty in favour of a more integrated, common European defence policy. In the medium term, these steps are likely to strengthen Europe's defence policy, particularly with regard to Russia, and improve its attractiveness to partners, including the US, in terms of industrial policy.



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ISSN (Print) 1861-1761  
ISSN (Online) 2747-5107  
DOI: 10.18449/2025C38

(English version of  
SWP-Aktuell 35/2025)

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August 2025