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Analysis of today
Assessment of tomorrow

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# What could stand in the way of European plans to rely on its own defence industry?

The European Union has been rapidly moving towards "war economy mode", guided by the 2-year experience of Russian aggression against Ukraine, which revealed all the weak points in the functioning of European defence systems.

The new European Defence Industrial Strategy is an ambitious document with high-set goals. It is the EU's reaction to both current deficiencies in shared defence capability and, more significantly, preparation for a highly conflictual future.

The European Commission, under the leadership of former German Defence Minister Ursula von der Leyen, adopted a strategy during the last weeks of its mandate, ahead of the European Parliament elections in early June.

Even though the strategy had been prepared over a long period, the timing of its adoption last March, right before the end of the mandate of the European Commission, means that a new set of European leaders will assume all the risks associated with the harmonisation and subsequent implementation of the Strategy.

Regardless of how severe those risks are and the possibility of member states redefining some significant provisions, the new Strategy has already established the path the EU intends to take in the next decade in terms of equipping its security systems.

## Europe wants to buy its own weapons

There are 2 principal goals of the strategy: for EU member states to buy more weapons at home and to do it together.

Without a doubt, defence expenditures have been increasing in the EU, just like the rest of the world. With the new Strategy, the European Commission wants to reduce Europe's dependence on imports and encourage member states to cooperate more in equipping their armies.

> The collective defence spending of the EU member states is record high

The collective defence spending of the EU member states is record high, about $295 billion in 2023, which is at the level of the Chinese defence budget for 2022, so the EU is the second-largest military spender globally.

Half of the EU's defence spending (about $140 billion) has been allocated to only the 3 largest member states: France, Germany, and Italy.

Therefore, in the process of final adoption of the new European Defence Industrial Strategy and possible modification of the plans presented by the European Commission, their influence will be the greatest.

## French support

France has long been a strong advocate of strengthening the shared European defence industry complex.

"We must develop a genuinely European defence technological and industrial base in all interested countries and deploy fully sovereign equipment at the European level", French President Emmanuel Macron said in May last year.

As an economy that has now overtaken Russia as the second largest global arms exporter, France will be keen to see the new EU Defence Industrial Strategy succeed.

> The new strategy of the EU defence industry has a strong political effect for Paris

French producers regarded it as a regulation providing a fresh opportunity given that it foresees EU member states spending at least half of their budgets on purchases within the

EU by 2030 and 60% by 2035.

At the same time, the new strategy of the EU defence industry has a strong political effect for Paris because it follows Macron's concept of the Union's Strategic Autonomy, that is, much greater reliance on its own potential in the security aspect.

## American manufacturers will not be benevolent

On the other hand, Europe’s shift to its own potential in the defence industry could face sceptics and even opponents on many sides.

Given that the strategy envisages a significant reduction in arms imports from non-EU sources, American manufacturers will be the most affected.

Currently, the EU meets little more than 20% of its member states' security system demands through production. Imports are significant, and that is why the goal of the strategy is to reduce them to less than 50% by the end of the decade.

The majority of imports come from the United States. Two-thirds of all European arms imports are from American manufacturers. They must be dissatisfied with the European intentions to shift to domestic production as well as the strategy's requirement to participate in procurement as much as is feasible collectively.

One source of pressure on the Europeans regarding the new strategy will be the US military industry and certainly the US government as a factor that, by definition, protects the economic interests of its country.

## Scepticism in the east of the EU

However, EU member states could also oppose the new strategy because their security systems and policies have been more focused on cooperating with the US than with other partners in the European family.

This primarily applies to EU member states in the east. Their defence budgets have been increasing faster than in the rest of the Union, given their direct exposure to the Russian threat.

In this effort, they rely more on alliances with non-EU partners, primarily the US and the UK, as more efficient than the long and complicated decision-making process in the Union to which they belong.


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Under the influence of numerous assessments of the growing risk of Russian intervention and given their strong commitment to supporting Ukraine, the Eastern European EU member states will rather remain committed to relying on the US and UK defence industries in moving towards "war economy mode" than enthusiastically embrace the EU's plans for strengthening domestic potential in the defence industry.

The new European strategy is also designed as a defence mechanism for Europe in the event of Donald Trump returning to the White House, given his isolationist policy towards Europe and aspirations to reduce the US security presence on the continent.

In the event of his victory, the Trump administration will undoubtedly be a great ally of the American military industry in preventing the implementation of the European strategy.

Perhaps the biggest obstacle to implementing the EU Commission's ambitious strategy is the very modest financial incentive it offers. Initially, only €1.5 billion would be available as incentives for implementing the set goals.

This incentive seems like a drop in the ocean in a sector that employs almost half a million people and has an annual turnover of €70 billion, even though only intended to last for the next 2 years.