



By: Tomorrow's Affairs Staff

150 billion euros for defence—a new course for European security



The finance ministers of the EU member states **agreed** on Tuesday in Brussels to set up a fund of 150 billion euros earmarked for defence projects.

It is the largest joint loan programme in the history of the EU, and it clearly shows that Europe no longer wants to wait for outside help but is taking primary **responsibility** for its own security.

The idea is to secure the money through a joint bond issue and distribute it via favourable loans to states and companies that finance shared military programmes.

Each project must use at least two-thirds of its materials and labour from the EU or Ukraine, which strengthens the domestic industrial base. Ukrainian companies can participate on the basis of new agreements with the UK.

European officials emphasise that it is time to stop hesitating. The 2022 Russian invasion of Ukraine has shown that a united European defence is not just a political goal but a practical necessity.

If each country relies on its own capabilities and buys equipment individually, this leads to a waste of resources and slows down the process. The SAFE Fund should **provide** a fast and efficient financing system that increases the defence capabilities of all EU member states.

Critics warn of the risks of Europe's over-indebtedness. Joint borrowing could affect the credit rating of the Union or individual countries and increase interest costs.

Those in support argue that the new repayment instruments will keep budgets under control and, at the same time, create space for the development of the domestic military industry. They maintain that the cost of freedom and security outweighs any long-term financial commitments.

Financing critical technologies

The fund will not only finance traditional production lines but also the development of critical technologies such as hypersonic missiles and satellite early warning systems.

French company MBDA has already expressed **interest** in loans from the SAFE fund to accelerate work on the A3M hypersonic missile, while German researchers at the Fraunhofer Institute have launched a pilot project for autonomous unmanned ships to monitor maritime borders.

Such initiatives are expected to create a chain of subcontractors across Europe, from Spain and Sweden to Poland and Romania, and lay the foundations for the next generation industry.

A change in the perception of security as a collective obligation rather than exclusively a national one

Public opinion polls in several member states show that more than 60% of citizens support the idea of joint borrowing for defence purposes, a significant jump compared to 2022.

This speaks to a change in the perception of security as a collective obligation rather than exclusively a national one.

When citizens feel they are directly involved in strengthening European security, politicians gain additional legitimacy to take further steps towards building a joint defence pillar.

Member states with developed defence industries, such as France, Poland, and Italy, which can expand production lines and modernise weapon factories, expect the greatest benefits.

Less-developed countries can participate in joint programmes and gain access to advanced technology.

The European Commission intends to channel some of the funds into research for artificial

intelligence and autonomous defence systems, which will further elevate the level of strategic autonomy.

A test of investor confidence

Public support and political consensus were necessary for such an ambitious plan.

Although some centres of power in Brussels and Berlin had been sceptical about joint borrowing for a long time, the pressure from events in Ukraine and uncertainty about US guarantees led to a shift.

Opponents pointed to the constitutional restrictions of the individual member states, yet flexible financing mechanisms and adaptation to capital market rules led to compromises.

Bond yields will be an indicator of investor confidence in the Union's ability to repay its debts

One of the most important tests for the SAFE fund will be the bond issue in July.

Analysts expect that the market will respond positively to the offer due to the shared European guarantee.

Bond yields will be an indicator of investor confidence in the Union's ability to repay its debts. If interest rates remain at or below one per cent, which is realistic based on current forecasts, this will provide an incentive for further investment.

Strengthening European independence

European strategists are also considering the implications for NATO. While the fund strengthens internal capabilities, it is an open question how this will affect transatlantic co-operation.

Some believe that the EU, with its own stronger military capabilities, will take an equal position in negotiations with Washington.

Others, however, point out that strengthening European independence should not jeopardise operational structures or interoperability within the NATO alliance.



While the fund strengthens internal capabilities, it is an open question how this will affect transatlantic co-operation – Mark Rutte, Antonio Costa, Emmanuel Macron

From the perspective of global stability, this is an important signal. Russian officials have already reacted with criticism, accusing Brussels of fuelling tensions.

On the other hand, Washington has expressed its support and announced the continuation of co-operation on training and equipment, showing that the transatlantic partnership will remain strong despite new European initiatives.

In the coming period, the fund will have to prove its value by implementing key projects.

Performance evaluations and reports will be published after the first year of operation, allowing review of conditions and adapting funding mechanisms to changes in the security environment.

Transparency and flexibility will be crucial to ensuring that the fund remains more than just an ambitious name but an operational pillar of European defence.

This is the most ambitious European defence

project to date since the establishment of Permanent Structured Cooperation (PESCO).

If the SAFE Fund succeeds in strengthening the production of ammunition and modern defence systems, it will make the EU a major player in global security. If not, it will be a blow to Brussels' credibility and a sign that further integration of the Union in the field of defence remains a long-term challenge.

The forthcoming bond issue, the selection of the first projects, and the market's reaction to interest rates will be important indicators of success.

The political will to transform defence autonomy from an idea to a reality will be crucial to ensuring that the fund is not just on paper but actually protects European citizens.