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Analysis of today
Assessment of tomorrow

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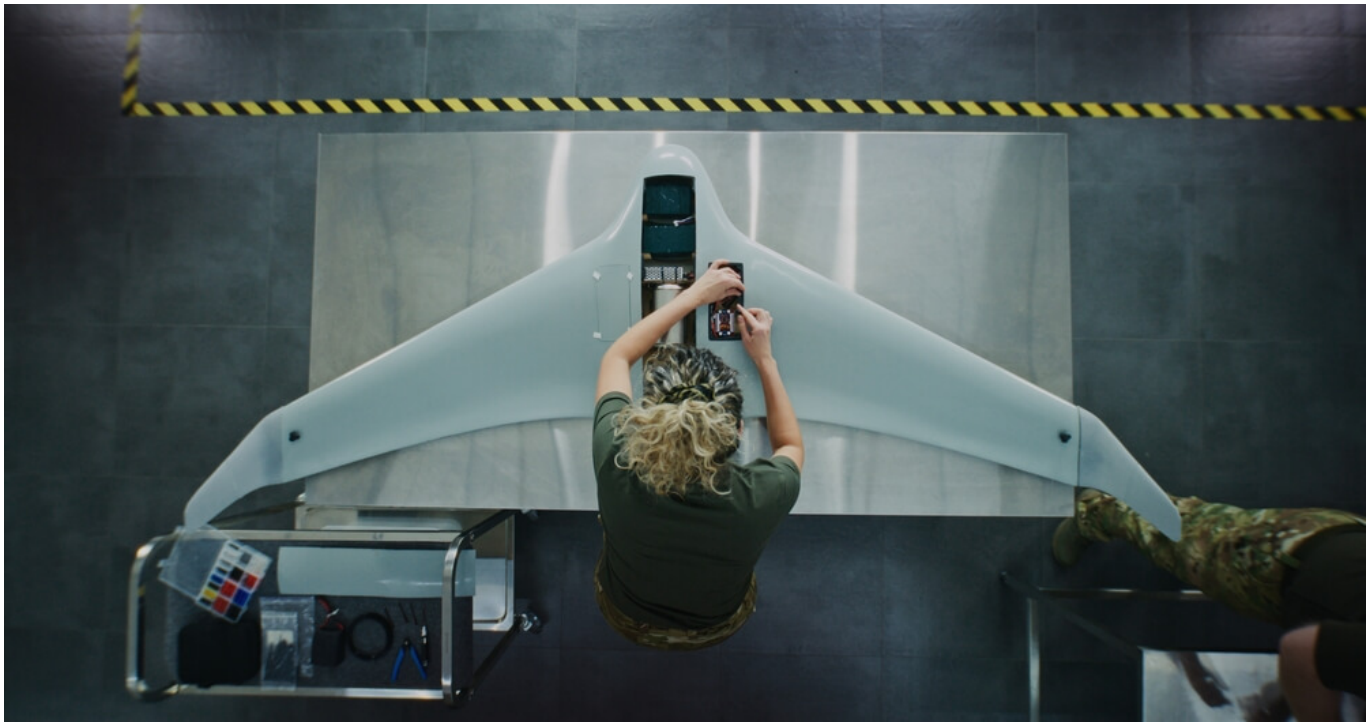
The dual-use market is a solution for Europe's defense commitments



Poland has led NATO in defense spending in relative terms for three consecutive years, with an annual budget of roughly zł200 billion ($54 billion), or 4.8% of GDP.

Poland was also the first country to draw on the European Union's Security Action for Europe (SAFE) loan facility, securing some €43.7 billion ($50 billion) in loans to support military spending through 2030.

The question is how to ensure that such investments produce innovations which simultaneously bolster security and build national wealth.

One might associate the pursuit of dual-use technologies with the Cold War. But the concept is centuries old.

Consider the Venetian Arsenal, a cluster of armories and shipyards that formed Europe's largest industrial complex in the 15th–17th centuries.

Four centuries before Henry Ford's first moving assembly line, some 16,000 workers were towing hulls from one specialist crew to the next and fitting them with standardized parts to turn out nearly a galley a day.

This was pure defense spending, but it had enormous positive spillover effects, including proto-industrial management, standardization, materials science, and skilled labor.

The Italian astronomer Galileo Galilei played a central role in this process: a consultant to the Arsenal, he gave his re-engineered telescope to the Venetian Senate in 1609 as a naval early-warning instrument—earning himself a doubled salary—before turning it toward the sky.

Converting security spending into prosperity

Today, military procurement remains a critical means of converting security spending into prosperity.

The internet, GPS, the semiconductor industry, and Silicon Valley all sit downstream of defense demand, much of which is channeled through the Defense Advanced Research Projects Agency.

The Pentagon was among the first major customers for integrated-circuit manufacturers.

DARPA grantees have often gone on to staff corporate labs such as the Xerox Palo Alto Research Center.

When Apple co-founder Steve Jobs visited PARC in 1979, the story goes, he walked out with the graphical user interface and the mouse.

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It is up to private actors to translate state-funded research into commercial inventions.

To facilitate this, policymakers must go beyond funding laboratories to create military-to-civilian transmission mechanisms for technology, processes, and people.

Effective spin-out rules would help, as would opening procurement to startups and ensuring that entrepreneurs have access to knowledge and capital.

Israel's Yozma venture-capital fund, which was launched as a government-funded program in 1993, offers one useful model.

Talent is equally important. The Israel Defense Forces' Unit 8200 selects promising 18-year-olds, gives them operational responsibility in intelligence and cyberwarfare, and releases them into the startup economy three years later.

The Talpiot program is even more exclusive: a small number of exceptional young people study advanced physics, math, and computer science, while training with soldiers from

other military branches, in order to lead in military research and development.

Alumni of these programs founded much of Israel's digital sector, including cyber-security firms like Check Point Software Technologies, Palo Alto Networks, and Wiz, as well as the navigation app Waze.

Ukraine as a role model

As EU countries increase defense expenditure, they must choose: buy foreign hardware, which depreciates from the day of delivery, or foster a thriving innovation ecosystem.

Only the second scenario can ensure that the technologies, institutions, and people that underpin a strong military benefit the civilian economy as well.

Ukraine can be a role model. Once a mere recipient of military aid, the country is now emerging as an exporter of military hardware and expertise, turning out ten million drones per year by President Volodymyr Zelensky's count.

In recent months, Ukraine has signed defense-cooperation agreements, which include joint drone production, with multiple NATO countries.

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The key to Ukraine's success is speed of iteration: frontline feedback drives weekly hardware and software cycles. And its innovations are inherently dual-use.

Drones, sensors, radars, resilient communications, autonomous operations, and AI targeting all have direct civilian applications in logistics, agriculture, inspection, and satellite services.

Poland is the natural entry point for this technology to be integrated into EU industry.

Beyond sharing a frontier with Ukraine, Poland is home to firms like WB Electronics, which produces drones there.

Poland's armed forces already work with ICEYE, a microsatellite firm co-founded by a Pole, and Warsaw-based Eycore launched its first radar satellite in May. Both firms exemplify the dual-use satellite model.

But unlike smaller NATO states such as Denmark, Estonia, and the Netherlands, Poland has yet to sign a full "drone deal" with Ukraine, and the letter of intent on joint production that the two governments signed in February remains largely unimplemented.

Meanwhile, Poland continues to import roughly 70% of its military equipment, mainly from the United States and South Korea.

Some economists put the fiscal multiplier of such spending at just 0.3, meaning that most of the money leaks abroad.

Offset agreements and licensed local production of K2 tanks help, but licensed assembly is not innovation.

A new European dual-use market

To tap the dual-use dividend, Poland must carve out a fixed share of its defense budget and SAFE drawdowns for competitive procurement from startups and small and medium-size enterprises, with fast contracting.

Built on top of NATO's Defense Innovation Accelerator for the North Atlantic, this would give Poland a kind of counterpart to the US Defense Innovation Unit, which accelerates military adoption of commercial technology.

Poland should also build a talent flywheel modeled on Unit 8200 and Talpiot, to channel military alumni toward the domestic startup sector, and improve capital transmission.

NATO's new 5%-of-GDP spending requirement—3.5% on hard defense, and 1.5% on resilience and infrastructure—implicitly recognizes that effective defense investment delivers dual-use outcomes

Policymakers should introduce co-investment vehicles that crowd private money into dual-use ventures, tap the European Investment Bank's new openness to defense financing, and promote a genuine European capital market.

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Poland should make the most of it, including by institutionalizing the defense relationship with Ukraine by establishing joint ventures and knowledge-sharing agreements.

Europe's innovation landscape has never lacked talent. What it has lacked is scale: insufficient investment combined with fragmented capital markets and procurement.

But large new defense commitments—including the €800 billion ReArm Europe/Readiness 2030 strategy and the €150 billion SAFE facility—could change that.

Poland should seize this opportunity to become the demand anchor of a new European dual-use market.

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