White Paper on the Future of European Defence

1 – INTRODUCTION

The European Union is facing an unprecedented security threat since conventional war returned to Europe in February 2022. Russia's full-fledged invasion of Ukraine shattered universal values and principles that lie at the heart of the international order built since the Second World War such as national sovereignty, territorial integrity and the inviolability of borders.

Three years later, the war in Ukraine remains the most central and consequential crisis for Europe's future because Ukraine's security is an integral element of EU's own security. It is not only Ukraine's destiny that is at stake but Europe's destiny as well. Russia has transformed into a war-economy and a posture of systemic and long-term confrontation with European democracies. In addition to the moral imperative, supporting Ukraine is also in Europe's self-interest. Russia is an existential threat to the Union and given its past record of invading its neighbours and its current expansionist policies, the need to deter from Russian armed aggression will remain even after a just and lasting peace agreement with Ukraine.

Besides these immediate risks, Europe faces other medium-term threats to its borders, also coming from instability in its Southern Neighbourhood. That Ukraine succeeds in remaining free, and sovereign is also an investment in the prevention of future wars elsewhere. Weakness in our response would only lead to more wars on the European continent and beyond. Authoritarian regimes around the world could be emboldened if a violation of international borders is met with impunity.

Considering the accelerating US pivot towards the Indo-Pacific area and in line with repeated calls for fairer burden-sharing within NATO, which remains the cornerstone of European collective defence, Europe cannot take the US security guarantee for granted and must substantially step up its contribution to preserve NATO strong.

The territorial integrity and sovereignty of each EU Member State is inextricably linked with that of the others, and with that of the EU. An attack against one Member State is an attack on all others. Strengthening European defence makes NATO stronger. Yet, decades of defence underinvestment have resulted in poor defence readiness across the EU, compromising Member States' deterrence. As the risk of an attack against one of the EU Member States can no longer be excluded, Europe needs to rearm and build-up its ability to deter armed aggression to ensure peace. This requires Europe to be ready for all scenarios, even the most extreme military contingencies such as armed aggression.

On aggregate, EU Member States have spent less on their defence than Russia, China, let alone the US. To develop the necessary capabilities and military readiness to credibly deter armed aggression and ensure peace, a surge in European defence spending is an urgent imperative. However, a simple surge in Member States' national defence spending, production and procurement will not by itself solve the problems, since it would intensify the already acute fragmentation of European defence along national borders. We therefore need to spend better, together and European. Only together, Member States will be able to make the difference. Increased defence spending must go hand in hand with a substantial consolidation of the European defence industrial base.

The Draghi Report highlighted that a strong defence industrial sector is also crucial for European competitiveness given its spill over in terms of innovation across the economy. The

Competitiveness Compass identified building an effective European defence industrial sector as a priority work-strand. Establishing a genuine Single Market for defence will provide the best environment for European companies to invest, expand and reach critical scale, fostering coordination, partnerships and integration.

For Europe to remain safe and resilient, it needs to rearm to defend itself. This White Paper provides a framework for the Rearm Europe plan, laying out the case for a once in a generation surge in European defence investment. It sets out the necessary steps to rebuild European defence, to support Ukraine, address critical capability shortfalls and establish a strong and competitive defence industrial base. The European defence industry is a strategic asset. All these elements are indispensable for Europe to take ownership of and greater responsibility for its defence.

For the short term, it lays out concrete options for collaboration among Member States to urgently rearm through the replenishment of their stocks of ammunition, weapons and military equipment. This is essential also to maintain and enhance military support to Ukraine.

For the medium-longer term, it points to several critical capability areas, where gaps have already been identified by Member States in the EU and NATO's capability priorities' initiatives. It proposes that Member States pool their efforts to address these gaps, including through a set of European Flagship projects that benefit from EU incentives. EU support to collaborative capability development will thus facilitate EU Member States in NATO to deliver on their NATO capability targets in a faster and cheaper way and with enhanced interoperability from the outset.

Rebuilding European defence requires a massive investment over a sustained period. The President of the European Commission presented a comprehensive Rearm Europe plan in her letter to the Heads of State and Government ahead of the special European Council on 6 March 2025, identifying five options to substantially increase defence expenditure.

The special European Council agreed to accelerate the mobilisation of the necessary instruments and financing in order to bolster the security of the European Union and stressed the need to continue to substantially increase defence expenditure on Europe's security and defence.

Rearming Europe and building-up European defence paves the way for a true European Defence Union in which Member States will remain in the driving seat for defence whilst benefitting from the added value offered by the EU and fully leveraging the Single Market. This is without prejudice to the specific character of the security and defence policy of certain Member States. .

Further to the threat of armed aggression, the EU needs to also scale up its ability to anticipate, prevent, prepare for and respond to the full spectrum of threats or hazards: from hybrid attacks to terrorism or the devastating effects of climate change. Thus, this White Paper will be complemented by the upcoming Preparedness Union Strategy and the EU's Internal Security Strategy.

2 – A RADICALLY CHANGED STRATEGIC CONTEXT

The geopolitical situation has rapidly deteriorated during the last decade. And there is no sign that it will improve in the foreseeable future. Europe now faces an unprecedented level of multifaceted threats and security challenges, from the return of high-intensity conventional war to the continent, with Russian's war of aggression against Ukraine, to growing **hybrid operations** including cyber-attacks, sabotage, electronic interference in global navigation and satellite systems, disinformation campaigns and political and industrial espionage. Hybrid activities in the Baltic and the Black Seas are on the rise. Maritime traffic and critical undersea infrastructure are under threat, notably in the Baltic and Black seas. Europe's freedom of action in air and space is also increasingly threatened.

Even if a cease-fire is agreed in Ukraine, **Russia** will likely continue to scale up its war economy, supported by Belarus, China, the Democratic People's Republic of Korea and Iran. A revanchist Russia is the immediate military threat to the EU. It has been massively expanding its military-industrial production capacity with an estimated spending in 2024 of 40% of the Russian federal budget and up to 9% of its GDP (up from 6% in 2023) on defence. In 2025, Russia is expected to surpass Member States' defence spending in purchasing power parity terms. Russia will therefore remain a fundamental threat to Europe's security in the foreseeable future, including its more aggressive nuclear posture and the positioning of nuclear weapons in Belarus. Russia is exploiting a network of systemic instability, including through close cooperation with other authoritarian powers. It is persistently fuelling tensions and instability in Europe's neighbourhood, whether it is in the Western Balkans, Georgia, Moldova or Armenia and has a growing destabilizing influence in Africa.

While **China** is an important trading partner for the EU, it is also steadily increasing its defence production capacities and now possesses a first-rank military force with unprecedented maritime capabilities. It continues to develop and modernise its military as well as increase its defence production capacities. China is substantially building up its forces, including its nuclear weapons, as well as acquiring high-end weapons systems and equipment, at a pace that is catching up with that of our allies and partners. It also leads on many critical technologies. As a result, the strategic balance in the Indo-Pacific is under pressure, affecting European security. China is using its complete toolbox of economic, military and cyber measures to exert pressure on Taiwan but also on countries on the South China Sea, is undermining regional stability and increasingly tying up US foreign security and defence policy and military assets. Also, China has become a main hybrid actor threatening the EU.

Geopolitical rivalries fuel more instability in several parts of the world. This not only affects European security, but it also puts our economy at risk. In the **Middle East**, both the ceasefire in Gaza and the fall of the Assad-regime in Syria provide opportunities to reduce regional tensions and end human suffering. This could also reduce economic insecurity and avoid spill overs, including around the Red Sea. The fragile situation in Israel/Palestine, Syria and Lebanon will however have to be closely monitored, to avoid renewed tensions. Iran's direct link with Russia, its military ambitions and its role in destabilising the region continue to be a concern for European security.

Conflicts, instability and growing violent extremism across **Africa**, including in the Sahel, Libya and Sudan, have direct security and economic implications for Europe and will continue to breed instability. Increasing Russian and Chinese influence have already led to several African countries distancing themselves from the European Union.

Geopolitical rivalries not only lead to a new arms race but have also provoked a **global technology race**. Disruptive technologies such as Artificial Intelligence, cloud and quantum computing and autonomous systems, such as drones, are already shaping the battlefields. The EU's strategic competitors are heavily investing in this area. While dependencies from Russia have been significantly reduced, many Member States still heavily depend on technologies from other third countries, including China and the US.

The same applies to security of supply of **critical raw materials,** fundamental for our economic and industrial production, defence capabilities and competitiveness. They are increasingly a cause for competition and conflicts and part of power politics. As an example, an escalation of tensions in the Taiwan Strait could cut the EU off from access to key materials, critical technologies and components.

Europe's interests and values have not changed. But the world around us has dramatically changed. In a harsher world of hyper competitive and transactional geopolitics, the EU needs to be able to effectively counter any challenge and be ready, even for the most extreme military contingencies such as armed aggression.

3 – REARMING EUROPE AND BUILDING-UP EUROPEAN DEFENCE

Decades of defence under-investment across the EU has led to critical capability shortfalls, depleted and under-resourced armed forces and a fragmented defence industrial base, incapable of producing at scale and in time. Substantial donations of military equipment to Ukraine have further depleted Member States' arsenals.

The massive presence of US forces in Europe and the availability of US strategic enablers and its willingness to make them available to Europe over the past decades, made European owned strategic enablers seem redundant. This resulted in a high degree of dependency on the US. Over-reliance on the US protection has impaired Europe's ability to defend itself and its autonomy to act in its neighbourhood. The only way to overcome this dependency is to develop the necessary capabilities through joint European capability projects, particularly now that the US is reconsidering its approach and may decide to restrict the use or even halt the availability of those enablers.

Rebuilding European defence requires massive investment, deeper collaboration amongst Member States and a sustained effort over the years to come. Closing the critical capability gaps and reinforcing Europe's defence industrial capacity are indispensable elements of Europe's defence and deterrence. Military capabilities and industrial production capacity are inextricably linked. European defence industry needs to be able to meet Member States' demand and produce at scale, stockpile, and quickly move equipment within the Union.

The rebuilding of EU defence strengthens NATO and its ability to ensure collective defence of the European continent. NATO also benefits from EU efforts to stimulate a more robust European defence industrial base that will be able to fully cater for the capability needs of the 23 Member States in NATO.

At this crucial point in time, rebuilding European defence begins in Ukraine. The most pressing priority is thus to increase and maintain support to Ukraine to enable it to defend itself against continued Russian aggression, particularly since support from other partners may be reduced.

3.1 Increased military support for Ukraine

Since February 2022, the EU and Member States have provided around EUR 50bn in military support to Ukraine, including through the European Peace Facility. This support has been critical but insufficient to put an end to Russia's aggression. Without significant additional military resources, particularly now that the US has suspended its support, Ukraine would not be able to negotiate a just and lasting peace from a position of strength. Moreover, Ukraine's defence needs will remain high beyond a peace agreement to ensure that it lasts and deter any possible further attacks. Therefore, the EU needs to urgently increase its military assistance to Ukraine.

EU military support to Ukraine should focus on three mutually reinforcing priorities:

a. Step up EU military and other forms of assistance to Ukraine

As part of long-term security guarantees and in line with the initiative by the High Representative on enhanced military support to Ukraine, EU and Member States should cover the following:

- The provision of large-calibre artillery ammunition with a minimum objective of 1.5 million rounds. There is a critical, short-term requirement to fully fund ammunition deliveries to Ukraine throughout 2025. Ensuring stable deliveries requires financial commitments now. The EU will intensify ways to accelerate the production, procurement and donation of ammunition and other military equipment to Ukraine including through incentivised donations from stocks and procurement.
- The provision of air defence systems, missiles (deep precision strike) and drones are priorities shared by Ukraine and Member States. Building on the Letter of Intent of November 2024 where 18 Member States affirmed their willingness to collectively fill urgent capability gaps on the short-term by procuring ground-based air defence systems and counter-unmanned aerial systems, a two-track 'Air Defence Initiative' could be launched with Ukraine, encompassing collective procurement and financial support to Ukraine for accelerated production of interceptors for short and medium air range air defence system.
- Drones are an indispensable capability in the Ukrainian fight against the Russian aggression. The EU and its Member States will continue to support Ukraine's procurement of drones.
- EU and Member States' efforts to train and equip Ukrainian brigades and battalions must consolidate further. EUMAM Ukraine shall continue to deliver training while equipment could come from Member States' stocks, repair of battle-damaged equipment (through dedicated support to maintenance, repair and overhaul), European defence industry, and Ukrainian industry.
- Direct support to Ukraine's defence industry is the most effective and efficient way to support Ukraine's military efforts, notably through direct procurement orders from its defence industry, whose estimated capacity will reach approximately EUR 35bn in 2025, with a remaining unused capacity worth EUR 17-18bn. The EU could provide direct support to strengthen the capacity of the Ukrainian defence industry and the deployment of new technologies building on the recent implementation of the windfall profits and possibly through the G7-led Extraordinary Revenue Acceleration (ERA) loans initiative. To accelerate delivery, the EU could provide upon request technical support to Ukraine's procurement efforts.
- Enhanced Military mobility is needed to ensure smoother deliveries of military assistance. The EU should expand its military mobility corridors into Ukraine, which would enhance interoperability and serve as additional security guarantee to deter against future aggression.
- Enhanced access to EU space assets and services could be a key enabler to enhance Ukraine's defence capacities. Ukraine should be partially associated to the EU Space Programme including access to space-based governmental services in the field of positioning and navigation, telecommunication and Earth observation. Fostering cooperation between the EU and Ukrainian space ecosystems and enhancing the use of EU space services and data will ultimately support the reconstruction and recovery efforts of Ukraine. The EU should also fund Ukrainian access to services that can be provided by EU-based commercial providers,

including start-ups and scale-ups, in support of and upon demand of the Ukrainian Armed Forces. This will help Ukraine to diversify its sources of space-based services. In addition, the EU should closely cooperate with Ukraine on the protection of strategic assets (e.g. cyber threats targeting space assets) and invite Ukraine to participate to the EU Space Information Sharing Analysis Centre (ISAC).

The EU and Ukraine could set-up a Task Force to facilitate Ukraine's procurement needs and streamline the EU and Member States' military support to Ukraine. The activities of the EU-UA Task Force would be coordinated with and complement the work of the Ukraine Defence Contact Group and NATO's Security Assistance and Training for Ukraine.

b. Associate Ukraine to EU initiatives to develop or procure defence capabilities

The EU should closely associate Ukraine in its development and procurement of defence capabilities. Ukraine should be invited to share its defence priorities and operational needs, that could be incorporated in the EU's capability development priorities. Furthermore, Member States should mandate the EDA to expand Ukraine's participation in its activities, including the Hub for EU Defence Innovation and support for the activities of the EU Defence Innovation Office. Ukrainian participation in PESCO projects and in collaborative opportunities stemming from the Coordinated Annual Review on Defence (CARD) should also be encouraged and Member States could factor in Ukrainian needs in the identification of new PESCO projects.

The ensuing staff-to-staff interaction and cooperation between the EU, Member States and Ukraine would allow Ukraine to transfer some of its experiences with high-intensity warfare to the EU. The lessons would in turn inform and support the identification of future defence needs by Member States.

c. Integrate Ukrainian defence industry into European defence industry

Ukraine has a highly innovative and thriving defence industry with a lot of expertise in sectors like AI and drones. The can-do attitude and entrepreneurial spirit of young and dynamic Ukrainian companies can provide important impulses to Europe's competitiveness.

Ukraine is using experience from the frontline to continuously adapt and upgrade equipment to the point that Ukraine has become a frontrunner in defence technology innovation. Closer cooperation between Ukrainian and European defence industries would enable first-hand knowledge transfer on how to best use innovation to achieve military superiority on the battlefield, including on rapidly updating existing capabilities.

Yet, whereas the Ukrainian defence industry has demonstrated its ability to scale up production and adapt to the requirements of high-intensity warfare, the European defence technological and industrial base (EDTIB) remains at the forefront of the development of more advanced large scale defence systems and technologies. The integration of the Ukrainian defence industry into the EDTIB will support it to scale-up, modernise and consolidate. This will in turn enable the Ukrainian defence industry to contribute to Ukraine's economic recovery and providing cost-efficient defence products to the global market.

The rapid adoption of EDIP is also a top priority. Once it enters into force, it will pave the way for Ukraine's integration in the European defence equipment market through a dedicated Ukraine Support Instrument (USI) and by opening the programme's activities to Ukraine's participation. In this context, the EU Defence Innovation Office in Kyiv could easily be scaled up to expand defence industrial collaboration, allowing the EU to support and profit from Ukraine's war experience.

3.2 Closing Europe's critical defence capability gaps

To credibly deter against foreign armed aggression, EU Member States need to have the assets necessary to conduct the entire spectrum of military tasks. Today, Member States suffer from critical capability gaps that hamper the execution of complex military operations over a sustained period. Given the rapid deterioration of the geopolitical context and rising tensions, Europe needs to acquire the necessary assets in a reasonably short timescale.

Rebuilding European defence requires action across several dimensions. Urgent action and investment are needed to replenish Member States' depleted stocks of military hardware and equipment. Going forward, developing large scale, pan-European Flagship projects to address critical capability gaps in priority areas is a strategic necessity that will take several years to accomplish.

The rapid development and procurement of many capabilities needed can no longer be conducted by Member States individually. Enhanced cooperation within the EU can therefore add value, as it generates economies of scale, boosts interoperability, and ensures the necessary means to develop, acquire and maintain capabilities in the fastest possible way.

EU support to Member States to collaboratively develop and acquire the required defence capabilities will in turn help the Member States in NATO to deliver on their NATO capability targets as well as NATO's collective commitments. Strengthening European defence makes NATO stronger, but more can be done. National, EU and NATO capability needs and targets need to better align and the corresponding planning and prioritisation processes need to be better linked. This calls for improved information exchange on capability targets between the EU and NATO.

Closing critical capability gaps requires: 1) a shared understanding among Member States on the most urgent capability investment priorities; 2) a stable and long-term commitment to tackle them; 3) a clear agreement among Member States on the governance framework for each type of capability, which may vary from one to another; 4) an expansion of the European manufacturing industry to produce at the requested speed and volume; and 5) EU funding and incentives to help Member States mobilise the necessary budgetary resources and spend them in the most efficient and targeted way.

The EU already:

- Helps Member States to identify EU-level capability shortfalls and priorities.
- Supports Member States in initiating new capability projects, starting with the harmonisation of requirements. The case of the Multi-Role Transport Tanker Fleet is a successful example.
- Supports the aggregation of demand, paving the way for the industrial phase, and undertaking joint procurement on Member States' behalf (e.g. 155mm ammunition for Ukraine).
- Enhances operational cooperation though the Permanent Structured Cooperation (PESCO) to implement capability and operational defence projects.

Defence capability areas

Based on the capability gaps already identified by Member States, this White Paper sets out seven defence capability areas which are critical to build a robust European defence. Within these defence capability areas there can be several different critical capability projects. The defence capability areas are the following:

Air and missile defence: an integrated, multi-layered, air and missile defence shield that protects against a full spectrum of air threats (cruise missiles, ballistic and hypersonic missiles, aircraft and UAS) and is fully integrated into NATO's Command and Control system.

Artillery systems: advanced fire systems including modern artillery and long-range missile systems designed to deliver precise, long-range attacks against land targets.

Ammunition and missiles: a strategic stockpile of ammunition, missiles and components along with sufficient defence industrial production capacity to ensure timely replenishment.

Drones and counter-drone systems: a fleet of unmanned systems, including aerial, ground, surface and underwater vehicles that can be controlled remotely or operate autonomously using advanced software and sensors.

Military Mobility: an EU-wide network of land corridors, airports, seaports and support elements and services, that facilitate the seamless and fast transport of troops and military equipment across the EU and partner nations.

AI, Quantum, Cyber & Electronic Warfare: defence applications using military AI and quantum computing; EU-wide advanced electronic systems designed to a) protect and ensure the unhindered use of the electromagnetic spectrum for land, air, space and naval forces and operations; b) suppress, disrupt and deny the use of the electromagnetic spectrum by an opponent; and c) protect the freedom to operate in cyber space and ensure unhindered access to cyber capabilities.

Strategic enablers, combat capabilities and critical infrastructure protection: including but not limited to Strategic Airlift and Air-to-Air refuelling aircraft, maritime domain awareness, combat capabilities (air, land and sea), a space shield and an Eastern Border Shield for land border security.

Delivering EU Flagship projects

There is a strong case for closing these capability gaps in a collaborative manner. This can be done through the acquisition of capabilities for high-intensity warfare in line with EU and NATO capability processes. But it will also require the development of large-scale pan-European flagship projects. The scale, cost and complexity of most projects in these areas go beyond Member States' individual capacity. Thus, coordinated action benefiting from support of the whole EU toolbox would facilitate cost-effective procurement and prompt the ramp-up of European defence industrial capacity, strengthening our technological base including defence technology innovation.

Collaborative procurement is the most efficient means to procure large numbers of war 'consumables' such as ammunition. But collaborative procurement is also key to deliver on EU flagship projects since aggregated demand contains costs, shortens lead times and ensures interoperability and interchangeability. Thus, the critical capabilities to be developed under any Flagship project should be collaboratively procured by those Member States participating in it, irrespective of the implementation format chosen.

It is for Member States to decide whether and which pan-European defence Flagship projects to launch to tackle the most urgent and complex critical capability shortfalls. Member States will also be deciding which implementation format suits each Flagship project best. The form and level of EU support will be partly determined by the governance and implementation model chosen.

Collaborative implementation formats

Different collaborative formats and frameworks are available to Member States to implement the Flagship projects. These formats include but are not limited to: ad-hoc multinational cooperation such as a 'lead nation' framework; PESCO-projects; EDA-projects; the organisation for joint armaments cooperation (OCCAR); the NATO Support and Procurement Agency (NSPA); the Structure for European Armament Programmes (SEAP); or European Defence Projects of Common Interest (EDPCI) as foreseen in EDIP.

In addition, specific elements of each Flagship project could be supported through EU-funded programmes such as the European Defence Fund for Research and Development (EDF) and the upcoming European Defence Industry Programme (EDIP) for collaborative procurement and industrial ramp-up. Dual-use EU programmes such as the Connecting Europe Facility (CEF) can be mobilised as well for dual-use military mobility.

The legal framework of each Flagship project will vary depending on the chosen collaborative implementation format. The chosen format will determine the nature and magnitude of potential EU support. EDPCI projects for example will be eligible for non-financial support such as derogations to environmental EU regulations enabling streamlined permit granting procedures and rapid environmental assessment.

Collaborative procurement

As already explained, demand aggregation through collaborative procurement is the most cost-effective route to rebuild European defence.

Collaborative procurement is the logical corollary to joint research and development of defence capabilities. Even when capabilities are not developed collaboratively, collaborative procurement of defence products has significant benefits for both Member States and defence industry.

Once in force, EDIP will further expand EU financial incentives to Member States' collaborative defence procurement, offsetting the additional costs associated with the complexity of multinational procurement. In addition, upon request from Member States, the Commission could also act as a central purchasing body on their behalf. This option will also be available under the Reinforcement European Armament and Manufacturing (REARM) Instrument which the Commission is proposing to establish in parallel to this White Paper, to provide loans to Member States for collaborative defence procurement (see section 4.1). In any event, the EU can financially support demand aggregation and joint procurement regardless of the implementing entity chosen.

3.3 Supporting European defence industry

The European defence industrial sector is of strategic importance since an agile, resilient and responsive European defence industry is an indispensable prerequisite of defence readiness and credible deterrence. Whereas some EU defence companies are globally competitive, the EU defence industrial base as a whole has structural weaknesses. At present, European defence industry is not able to produce the defence systems and equipment in the quantities and speed that Member States need. It remains fragmented with dominant national players catering to small domestic markets. In some cases, it is over-reliant on exports, partly since it cannot reap the benefits of a Single Market for defence.

Through targeted policies the EU should support the European defence industry across five strategic directions: a) supporting, reinforcing and promoting industrial capacities across the EU; b) securing the supply of critical industry inputs and reducing dependencies; c) removing barriers to the circulation of defence products and services in the Single Market; d) simplifying existing rules and slashing red tape; e) boosting research and development to foster innovation; and f) promoting skills and expertise in the defence sector.

The Commission will immediately launch a Strategic Dialogue with defence and private finance industry to discuss possible measures in these areas, identify regulatory hurdles and address defence industry challenges.

Strengthening the defence industrial base in Europe and reaping the 'collaborative dividend'

Member States are responsible for their armed forces – from doctrine development to deployment. The radically changed strategic context combined with Member States' acute capability shortfalls requires however much more collaboration among Member States to re-build their defences. It also requires much more support by the EU. Lack of collaboration has led to inefficiencies in the development of defence capabilities and imposed additional costs on all Member States.

The Niinistö Report calls for the unequivocal commitment from Member States at all levels to plan, invest, operate together as European. Both the Draghi Report and an analysis by the European Parliamentary Research Service[1] have shown that:

a. defence equipment procurement is fragmented and inefficient, with inconsistent collaborative efforts across the EU.
b. Member States have limited bargaining power when acquiring defence equipment from non-EU countries, leading to a higher price per unit.
c. Low and fragmented Member States' defence spending on innovation negatively impacts emerging disruptive technologies that are vital for future defence capabilities.

Bilateral procurement from third countries does not leverage European economies of scale, whereas coordinated spending boosts Member States' bargaining power, lowers prices per unit and strengthens industrial consolidation. Thus, the EU must complement and multiply Member States' individual defence spending and efforts, turning a collaboration 'deficit' into a collaborative dividend by spending better, together and European.

The EU already:

- Stimulates defence research and innovation. The EUR 8bn European Defence Fund (EDF) is among the top three defence research investors in Europe. It provides financial incentives to kick-start and co-develop major future systems that EU armed forces need and has delivered concrete results such as unmanned ground vehicles deployed in Ukraine for minefield clearing, casualty evacuation and logistics.

[1] EPRS (2024) *Improving the quality of European defence spending. Cost of non-Europe report*, European Union.

- Facilitates cross-border defence industrial cooperation. Projects supported by the EDF bring, on average, 17 entities from 8 Member States together, including SMEs from Member States with a smaller defence industrial base.
- Generates economies of scale and reduce costs. The emergency joint procurement programme EDIRPA prompted Member States to join in common procurement, benefitting all in terms of lower prices per unit, shorter delivery times and better interoperability due to economies of scale. EU support to collaborative procurement will be substantially enhanced once EDIP enters into force.
- Multiplies investment through co-funding. EDIRPA's budget of EUR 300mn attracted an estimated EUR 11bn in additional investment, demonstrating the effectiveness of EU co-funding to leverage and mobilise substantial defence investments across the EU.
- Promotes standardisation and enhance interoperability. By facilitating cross-border defence cooperation, the EU can support the harmonisation of national legal frameworks, certification of military equipment and compliance with accepted military standards, such as NATO standards.
- Accelerates the ramp-up of defence industrial production capacity. The emergency defence industry production capacity ramp-up programme – ASAP – made a substantial contribution to European industry, which tripled its artillery ammunition production capacity and established new manufacturing capacities in Europe.
- Helps build EU-wide complex space systems such as Galileo, Copernicus or IRIS², in support of governmental users. The EU will expand the development of space capabilities for defence and establish a framework to ensure a coordinated use of EU assets, national capabilities and assets from commercial parties.

Aggregate demand to ramp-up defence industrial production capacity

A massive ramp-up of European defence industrial production capacity is a prerequisite for Member States to be able to acquire the critical capabilities they are currently lacking. In addition to resolving supply-chain issues and logistic bottlenecks, scaling-up production capacities depends mostly on companies having a steady stream of solid, multi-year orders to steer investment in additional production lines. Aggregating demand through EU incentives to Member States' collaborative procurement can provide the necessary long term investment signals and enhance demand predictability, as shown by the EDIRPA programme.

In addition, translating Member States' capability gaps into qualitative and quantitative industrial targets, possibly as part of a multi-year industrial output plan, can result in better demand predictability for European defence industry as well as confirmed and long-term orders. Such an overview of the required industrial production volumes would allow the EU to better tailor support measures, to incentivise collaborative procurement and industrial ramp up.

Reducing dependencies and ensuring security of supply

Europe must promote and protect its defence technological industrial base. Enhancing the resilience of EU defence value-chains is also key for defence readiness. The EU needs to build knowledge of respective criticalities and systematically monitor them. It is against this background that the Commission set up the Observatory of Critical Technologies for space and defence value-chains to develop relevant technology road maps.

When the European market relies only on one or a handful of suppliers of key goods, services or other inputs, EU policies and investments should strengthen European economic security by minimising the potential for the weaponisation of dependencies or economic coercion. Thus, Europe must first clearly identify the materials and components that are critical then Europe needs to ensure a diversification of supply sources for critical raw materials and key components (e.g. chips), building on the example of the platform for the joint purchase of critical raw materials. In parallel, the EU should support the development of home-grown alternatives for technologies, components and processes that it wants to control (e.g. through EDF-projects or dual-use frameworks). It could seek and promote technology transfers if needed, to benefit from cutting edge technologies and state of the art research.

European preference

Major industrial players outside the EU often impose access restrictions to their markets and seek to boost their own manufacturing capacity in critical technologies. Against this background, the EU should consider introducing European preference into public procurement for strategic defence-linked sectors and technologies. However, European preference will only be effective if relevant European products are available. Hence, strategic reserves for industrial purposes should be established as well as a EU Military Sales Mechanism, as proposed in the European Defence Industry Programme.

The following principles should be agreeable as regards national defence procurement: 1) first, seek an EU solution; 2) second, negotiate with European supplier(s), possibly with EU support, to reduce prices and lead times while ensuring the needed level of performance; 3) third, for defence systems for which no EU solution is available within required prices, delays and performance, Member States should consider pooling and consolidating their demand towards like-minded third-country companies, demanding full control; and 4) in parallel, the EU should support developing equivalent European technologies and capabilities.

The Commission will review the Defence and Security Procurement Directive to introduce the principle of European preference and provide, more clarity on the conditions under which exclusions are applicable.

Deepening the Single Market for defence

As demonstrated in the Letta Report, the case for a European defence Single Market has become much stronger and far more urgent. Member States are buying, compared to a decade ago, up to four times more equipment. Yet, no European national defence market has the size required to sufficiently scale up the European defence industry.

Member States need to be able to fully rely on the European Defence Technological Industrial Base (EDTIB) and European defence supply chains, especially in times of crisis and conflict. This means guaranteed access to defence products, components, and spare parts through a comprehensive security of supply regime.

A truly functioning Single Market for defence would be one of the largest domestic defence markets in the world. Such large magnitude would help achieve key objectives such as competitiveness, readiness and industrial scale. It would also boost market opportunities across Member States through cross-border industrial collaborations, mergers and acquisitions or start-ups, thereby prompting more EU-made defence products.

The Single Market for defence will also allow the development of a larger defence industrial footprint throughout the EU, including in those Member States that are close to the most pressing security threat, as well as to the creation of European defence companies that are competitive at a global scale. Fostering and deepening a Single Market for defence would allow start-ups to scale-up and develop and grow in one of the largest and most dynamic defence markets in the world.

The Commission will propose measures to deepen the Single Market for defence, notably through greater clarity on procurement and regulatory simplification and harmonisation.

Simplifying and harmonising EU rules applicable to defence products and services

Reducing fragmentation within the Single Market and scaling-up defence production also require a simpler and more harmonised regulatory environment for defence products and services. Simplification is necessary to boost the ramping-up of industrial defence production. Harmonisation will overcome the additional administrative burdens and costs imposed on industry by divergent rules.

Regulatory simplification and harmonisation must focus on rules and procedures for defence procurement, intra-EU transfers of defence-related products, mutual recognition of national certification permits and permit granting. In addition, the impact on defence industry of EU non-defence policies and regulations needs to be reviewed.

EU defence companies need to be able to rely on a level playing field throughout the EU to fully reap the scale and dynamism of the Single Market.

Based on the outcome of the dialogue with industry and Member States, the Commission will present by June 2025 simplification proposals in a dedicated Defence Omnibus Simplification regulation and in the upcoming White Paper on the Single Market, aiming at:

- the harmonisation and mutual recognition of national certification procedures;
- the removal of general EU regulatory hurdles on defence industry through a proposal for a Defence Omnibus Simplification regulation. Beyond the defence industry, boosting European defence readiness may require adapting other EU policies and legislation that impede the readiness of the armed forces;
- the streamlining of EU defence industrial programmes to reduce the delivery time, simplify the management of EU funded projects and simplify the treatment of Member States co-funding under the State aid rules; and
- measures to deepen the defence Single Market, notably through greater clarity on procurement and regulatory simplification and harmonisation.

In addition, the Commission will explore possible revisions of the Defence and Security Procurement Directive and the Intra-EU Transfers Directive.

Transforming defence through disruptive innovation

New technologies such as AI, cloud and quantum computing, autonomous systems an alternative energy sources disrupt and transform traditional approaches to warfare. Innovations in drone technology are dictating the way battles are fought. Strategic competitors and rivals are heavily investing in these areas.

Member States need the European defence industry to be able to design, develop, manufacture and deliver these products faster. The EU should support the development of new and innovative industrial processes such as distributed design and manufacturing, additive manufacturing and the use of AI. To this end, the EU's Defence Innovation Scheme and Hub for European Defence Innovation could be leveraged.

Thus, the EU needs to mobilise its overall innovation capacity and direct significant investment to regain its edge and prevent being technologically dependent. Europe needs to become home to new defence innovative technological actors. To accelerate the emergence of European defence tech players, the regulatory environment needs to be more conducive towards risk-taking. The Commission will intensify the dialogue with new defence players and private investors to propose regulatory simplification measures as well as greater availability of risk-capital and business opportunities. The Commission and the High Representative intend to propose a strategy to accelerate the transformation of defence through disruptive innovation, especially artificial intelligence and quantum computing.

Skills and talent to innovate

Closing the capability gaps includes covering the complete capability development cycle in the defence sector, from research to acquisition to operation and maintenance. The success of this approach relies on the availability of technological skills and innovative talent within the defence industry, including supply chain players from SMEs to prime contractors. Although the European defence sector has skilled and specialised employees, a large-scale defence industrial ramp-up will require industry to find, train, employ and retain sufficient engineers and specialised experts. Advanced STEM (Science, Technology, Engineering and Mathematics) skills are essential to reduce dependence on non-EU suppliers and develop next-generation capabilities.

The fast and complex evolution of technologies is creating opportunities for new types of jobs and is demanding a renewal in skills-set. Defence industry employees will need to effectively process, exploit and disseminate data and exploit novel technologies in new capability areas such as autonomous systems, cybersecurity systems, intelligent information systems or high-performance computing systems. European defence industry will need to compete with other sectors for similar skills while, at the same time, its expansion will create opportunities for reskilling / upskilling for redundant jobs from other industrial sectors.

The EU will propose a 'Defence Industry Skills action plan' to attract and retain skills and talents.

3.4 Military mobility, strategic stockpiles and defence readiness

Rearming Europe and rebuilding European defence will take time. Yet, the threats to Europe are clear and present. The Niinistö Report concluded that 'strengthening Europe's preparedness is a matter of urgency. Improving Europe's defence readiness cannot wait. This applies in particular to military mobility and the creation of strategic stockpiles.

Military mobility as EU priority

Military mobility is an essential enabler for European defence and our support to Ukraine. It also illustrates the necessity and added value of the Single Market for defence. Although significant progress has been made in recent years, there remain considerable obstacles to move troops and equipment unhindered across the EU. Military mobility is impeded by red tape, often requiring both diplomatic clearance specific to military transports and compliance with regular administrative rules and processes. To accelerate our support to Ukraine, the EU and Member States need to immediately simplify and streamline regulations and procedures and ensure priority access for the armed forces to transport facilities, networks and assets.

Another shortcoming is in the existing infrastructure. EU and NATO have identified four priority multi-modal corridors (rail, road and air) for military mobility for short-notice and large-scale movements of troops and equipment. These corridors need substantial investments to facilitate the movement of troops and military equipment. Within these four priority corridors, 500 hot-spot projects have been earmarked that need to be upgraded urgently (railway tunnels, road and rail bridges, port and airport terminals). Another hurdle to military mobility is the lack of specialised, dual-use transport assets. The EU can add value by facilitating their joint procurement and using uniform design standards for dual-use capabilities.

The Commission and the High Representative will review all existing EU-legislation impacting military mobility and consider appropriate corrective action to remove persistent obstacles.

Strategic stockpiles and Readiness pools

The EU can support the creation of strategic stockpiles and defence industrial readiness pools. EDIP will support such efforts according to three action lines. First, by supporting industrial actions for the development of cross-border industrial partnerships to coordinate reserves of defence products, components and related raw materials. Second, by supporting procurement actions to build strategic reserves of relevant components and raw materials. Third, by supporting the creation of strategic reserves (or Defence Industrial Readiness pools) of EU-made defence products.

4 - FUNDING OPTIONS

Member States's defence spending has grown by more than 31% since 2021, reaching 1.9% of the EU's combined GDP or EUR 326bn in 2024. Specifically, defence investment reached an unprecedented EUR 102bn in 2024, almost doubling the amount spent in 2021. Yet, on aggregate European defence spending remains far lower than that of the US and, more worryingly, that of Russia or China. Rebuilding European defence will require massive investment over a sustained period, both public and private. The Commission has identified five pillars to urgently and significantly step up European defence spending:

(1) A new, dedicated financial instrument to support Member States' defence investments

Given the urgency, the Commission proposes a new EU regulation under Article 122 of the Treaty on the Functioning of the European Union to provide Member States with loans backed by the EU budget. With up to EUR 150bn, the Reinforcement European Armament & Manufacturing (REARM) instrument will strongly support Member States' efforts to achieve a rapid and significant increase in investments in Europe's defence capabilities, now and over this decade.

This instrument will enable both collaborative procurement for Member States, which may donate to Ukraine, and collaborative development focused on critical capability areas.

(2) The coordinated activation of the National Escape Clause of the Stability and Growth Pact

In parallel to this White Paper, the Commission is also issuing a Communication on 'Accommodating increased defence expenditure within the Stability and Growth Pact' proposes the coordinated activation of the National Escape Clause to unlock additional flexibility for higher defence expenditure. It allows for a deviation from the endorsed net expenditure path in the event of exceptional circumstances, beyond the control of Member States and substantially affecting their fiscal situation. This is clearly the case with Russia's war of aggression against Ukraine and the deteriorating security environment.

For the application of the national escape clause, the flexibility will cover total defence expenditure, including both investment and current expenditure, during a period of four years, and increase in defence expenditure since 2022 would be considered. Should all Member States exploit this flexibility to the maximum extent possible, it would enable additional defence expenditure of up to 1.5% of GDP, totalling EUR 650bn.

To maximise the impact of these additional investments, Member States should privilege investing collaboratively and from the EDTIB to prevent that increased national defence investment leads to uncontrolled price spiralling effects, crowding out, growing dependence on third countries and further fragmentation of European defence industry. The Commission will take this goal into account when assessing and monitoring the use of the increased fiscal flexibility for defence.

(3) Flexibilising the use of existing EU-instruments to allow more defence investment

In the short term, the EU can do more to support the urgent need to increase European defence investments with the EU budget.

The Commission is also presenting the Mid-term review of regional/cohesion policy which sets out options to provide additional possibilities and incentives for Member States to direct more funds towards EU defence-related instruments.

The Commission will work, as a priority to i) eliminate or relax constraints for large enterprises in the defence sector (e.g. support or concentration rules) and further facilitate investments in defence sector (via increased financial incentives such as pre-financing and co-financing and voluntary transfers to other EU funds with a defence objective), and ii) the Strategic Technologies for Europe Platform (STEP), that could further be leveraged by enlarging its scope to all technologies relevant for the defence sector. Supporting the development of a strong and resilient European defence industry will also support European competitiveness and promote regional development and economic growth.

(4) Contributions from the European Investment Bank

The European investment Bank has a clear and decisive role to play in the funding of European defence. The EIB Group's Security and Defence Action Plan was an important first step and its implementation should accelerate drastically.

In addition, the EIB intends to introduce changes to further widen the scope of its defence-related funding. First, it will double its annual investment to EUR 2bn, to fund projects such as drones, space, cybersecurity, quantum technologies, military facilities, and civil protection. Second, it proposes a further adjustment of the Group's eligibility criteria, to ensure that excluded activities are more precisely defined and as limited as possible in scope in order to be aligned with the new policy priorities of the EU. Third, it will propose a revision of its operational framework and replace the ad-hoc Strategic European Security Initiative by a dedicated transversal public policy goal to contribute to Europe's peace and security, with an ambitious financial and capital allocation.

(5) Mobilising private capital

Boosting public investment in defence is indispensable, but it will not be sufficient. European companies including Small and Medium Enterprises and Mid-Caps must have the best possible access to capital, to secure and facilitate the industrial ramp-up that Europe requires. It will help them bringing their solutions to industrial scale and secure optimal funding throughout their production chains, from Research and Development to delivery.

The financial sector shows a growing interest in defence. Yet, the defence sector remains an underserved market due to limitations in investment policies from public and private financial institutions. Access to finance remains a major concern for 44% of defence SMEs, which is much higher than for civilian SMEs. They have fewer opportunities than in the US or in the UK, and US investors represent 60% of total investors.

The Savings and Investment Union will help channel additional private investment into the defence sector. It could, alone, attract an additional hundreds of billions of investments per year in the European economy, boosting its competitiveness. To this end the Commission will put forward a Communication on a Savings and Investments Union.

The EU's Sustainable Finance Disclosures Regulation (SFDR) does not prevent the financing of the defence sector. Yet, both the finance and defence sector may benefit from additional clarification on the application of the SFDR. The Commission will consider, in the context of the review of the SFDR, defence as an investment goal in the sustainability framework.

Financial predictability

Given the urgency and priority for Europe to rebuild its defence, underpinned by a competitive defence industrial base, the next MFF should provide a comprehensive and robust framework in support of EU defence to provide long-term financial predictability and stability.

Such a framework could contain ambitious measures on: 1) scaling up EU defence industrial programmes to incentivise more and better spending; 2) accelerate the transformation of the defence industry; and 3) further deepen the single European market for defence, and 4) increase European technological sovereignty.

5 - ENHANCED SECURITY THROUGH PARTNERSHIPS

Security challenges often have global implications, requiring international cooperation. Russia's full-scale war against Ukraine has a wide-scale impact beyond Europe. Hybrid threats and cyber-attacks do not respect borders. Nor does security in space or at sea. The EU must therefore work closely together with international organisations and partner countries to address these threats effectively. By working together, partners can leverage their unique strengths and capabilities to create a more secure environment for all.

Cooperation with partners is also key to tackle the challenges of European defence and European defence industry, including for diversifying suppliers and reducing dependencies.

NATO remains the cornerstone of collective defence in Europe. EU-NATO cooperation is an indispensable pillar of the development of the EU's security and defence dimension. The EU's unique tools of regulatory power and financial instruments contributes to help 23 Member States in NATO to achieve their capability targets. The flagship capability areas proposed in this White Paper would indirectly enhance NATO's ability to guarantee Europe's collective defence.

A strong transatlantic bond remains crucial for Europe's defence. The **United States** demands that Europe takes more responsibility for its own defence and supports EU efforts to this end. These efforts shall continue to build on the deep and extensive transatlantic supply chain, which should be mutually beneficial. The bilateral dialogue on Security and Defence can be enhanced to further strengthen cooperation in fields such as cyber, maritime security and space, and tackle any other matters of mutual concern.

Our cooperation with **Canada** has intensified and should be further enhanced, also to strengthen transatlantic security. The bilateral Security and Defence dialogue as well as the upcoming Security and Defence partnership provide the basis for enhanced security and defence cooperation, including on respective initiatives to boost defence industry production.

Norway is a full partner in EU defence programmes through its contribution to the EU budget. Thus, it should be invited to join the Flagship projects to be launched by Member States. The recently launched Security and Defence Partnership provides a comprehensive and structured political framework for strengthening further dialogue and cooperation

A Security and Defence partnership with the **United Kingdom** would enhance collective security in our mutual interest. Such a partnership would, however, need to be enshrined within a broader cooperation framework building on the set of solid agreements in place. The full implementation of the Withdrawal Agreement, including the Windsor Framework, and the Trade and Cooperation Agreement remain key.

Türkiye is a candidate country for accession to the EU and a longstanding partner in the field of Common Security and Defence Policy. The EU will continue to engage constructively to develop a mutually beneficial partnership in all areas of common interest on the basis of an equal commitment on Türkiye's side to advance on a path of cooperation.

The EU should also explore opportunities for defence industrial cooperation with **Indo-Pacific partners**, notably Japan, Republic of Korea and Australia. The EU will include defence industrial cooperation into the scope of the security and defence dialogues with Indo-Pacific partners as appropriate and look for ways to promote it further.

Security and defence cooperation with **India** has developed over the past years, including through regular Security and Defence Consultations. The EU and India will further explore a Security and Defence Partnership. The EU remains committed to upholding peace and security in the Indo-pacific region, including maritime security and by tackling traditional and non-traditional security threats and safeguarding sea lanes of communication and upholding freedom of navigation.

The EU will continue establishing Security and Defence Partnerships with like-minded third countries addressing a wide range of security challenges, including in the field of capability development and innovation. The participation of like-minded partners in cooperative defence projects and initiatives, such as PESCO projects, can be encouraged on a case-by-case basis. This may contribute to reducing excessive dependencies due to relying only on one or a handful of suppliers of key goods, services or other inputs, and enhance European economic security.

6 - THE WAY FORWARD FOR EUROPEAN DEFENCE

The geopolitical context and Europe's threat landscape are changing dramatically and at an unprecedented speed. Since the Versailles Summit in March 2022, Member States have agreed on the need to shoulder a greater responsibility for defence. Several steps have already taken towards more intense cooperation on defence. Still, the aggravation of the threats looming over Europe requires the EU to stand firm, be united and act with greater decisiveness, ambition and speed. This White Paper sets out a comprehensive plan to rearm Europe and build-up its defence to tackle these immediate threats.

Therefore,

- Member States are invited to request the activation of the National Escape Clause by next April and adopt the proposed draft Regulation on Reinforcement European Armament and Manufacturing (REARM) as a matter of urgency.
- The co-legislators are invited to adopt European Defence Industry Programme (EDIP) before Summer, including its Ukraine Support Instrument (USI).
- Member States are invited to swiftly step up collaborative defence procurement in line with the already agreed target of at least 35% as a minimum.
- Member States are invited to swiftly agree on the proposed most pressing critical capability areas with a view to launching large-scale pan-European Flagship projects. The NATO Summit in the Hague in June should provide an opportunity to engage with partners on these issues.
- The Commission also calls on the Board of Governors of the European Investment Bank to urgently step up support to European defence industry, notably by further narrowing the list of excluded activities and increasing the volume of available funding.
- The Commission will propose, by June 2025, a Defence Omnibus Simplification regulation, a strategy to deepen the Single Market for defence products and services and a strategy on the transformation of defence through AI and quantum computing.

The EU is and remains a peace project. It must be able to protect its citizens, defend its interests and the values it stands for. Ukraine deserves continued military support while it defends itself from continued military aggression and to ensure that it can defend itself in the future.

Europe must take a leap forward in defence. It owes it to its NATO allies, to Ukraine and primarily to itself, to European citizens and to the values it stands for. The EU and its Member States must rise to the historic challenge.