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Proposal for the European
Commission White Paper on

The Future of European Defence

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Credits

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Wilfried Martens Centre for European Studies
Rue du Commerce 20
Brussels, BE 1000

For more information, please visit www.martenscentre.eu.

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Proposal for the European Commission White Paper on the Future of European Defence

A Russian attack on EU territory is no longer inconceivable. Russia's imperialist agenda and transition to a war economy means that the Kremlin will remain the main threat to EU security for the foreseeable future. In the current geopolitical context, there are several scenarios that foresee the possibility of Russia attacking EU territory in the next five to eight years. Therefore, Europeans must strengthen their deterrence and defence capabilities in order to make any possible attack plan extremely counterproductive and terribly destructive for Russia. Over the past two years, the European Union has made incredible progress in building a European defence policy, but the fragmentation, lack of interoperability and underinvestment in the defence and arms production market over the past three decades are showing their effects. The creation of the European Defence Union is a step in the right direction, but we must do more.

The Martens Centre's reflections on the White Paper on the Future of European Defence, and in particular on the need to prepare the Union and its member states for "the most extreme military contingencies", are focused on five key areas: **armament production capacities, defence innovation, military mobility, the filling of strategic capability gaps, and the financing of European defence.**

By aligning efforts, investing strategically, and fostering resilience, the EU can ensure the security of its citizens while solidifying its role as a geopolitical actor. This proposal provides some concrete policy recommendations, necessary to the realisation of that vision. Europe must act decisively, strategically, and collaboratively to meet the challenges of today and tomorrow.



Armament Production Capacities for Disruptive Times

The future direction the EU takes must fulfil two conditions: impress Washington and constrain the Kremlin. The urgent need to rapidly strengthen defence capabilities is putting pressure on the European Defence Technological and Industrial Base (EDTIB) to deliver efficiently and on time. Europeans have realised that mass production is critical to win conflicts against rival countries. This realisation is reshaping the defence industry's business model, shifting its focus from the production of small quantities of advanced, cutting-edge equipment over long periods of time to the rapid production of large volumes of standardised equipment.

- **Establish a baseline assessment and continuously monitoring the EU's Defence Technological and Industrial Base (EDTIB).** This is essential for informed decision-making. The European Parliament should insist on empirical evidence for all past and future initiatives of the European Commission, withholding support and resources to ensure compliance if necessary. Independent of the EDIS proposal, the Commission should **establish its own assessment and monitoring system for defence and the defence industries.**

- **Regulate and finance a defence decade.** The next 10 years should see more investment and less regulation. The challenge to defend Europe cannot be managed within the current framework of defence regulations and resources. Being entrepreneurial and getting ready for defence are steps in the same direction: both involve taking more economic risk by investing in things that can be delivered before the deadline and improved later. Regulations have to be thought of as enablers of defence and security; thus, the EU needs to reflect on which regulations it could strengthen or make more flexible to unleash industrial and technological potential and also to encourage investment. Such moves have to be appropriate, scalable and time-limited.

- **The EU should use NATO's defence planning and capability priorities,** focusing on defending Europe against competitors. By using NATO standards and benchmarks, the EU can identify its specific contributions to European defence. Efforts should aim to develop capabilities that can function independently of US support or fill gaps in the event of US absence. This alignment will enhance cooperation among member states and make EU defence planning more relevant, including in coordination with the US and Ukraine.

- **Integrate Ukraine into the defence of Europe.** Because Ukraine is already a security supplier for Europe, it should be quickly integrated into European defence networks, including the EDTIB. Ukraine's experience when it comes to warfare also represents a unique wealth of knowledge



and the country can act as a laboratory for defence and armaments development. Europe should immediately begin to work with Ukraine to plan and implement the country's long-term integration into Western defence mechanisms and the defence manufacturing landscape.

- **The EU should focus on mass producing defence products** that already work now and need to be available in sufficient quantities in five years' time. This is where the EU should adapt its funding to ensure that everything that is a priority and does not require new development can be produced by Europeans—right down to subsidising the capacity of individual large companies or supply chains.

- **The Commission should act as a service provider to the states.** There are things that the EU is uniquely able to do:

- **Create an 'automated marketplace' for defence**, where national armed forces can buy defence commodities, including goods (and services) that are highly standardised, such as fuel, ammunition and so on.

- **Establish an EU lend-lease programme.** The EU could, in principle, become the owner, operator and lender of defence-relevant dual-use goods. This would offer various ways to combine economies of scale, industrial production and equipment supplies for EU and partner countries. The Commission could buy the equipment needed in many countries for security and defence tasks, using a minimum EU standard. The volume the EU could offer for purchase might also allow the Commission to disseminate technical standards as well as to offer lower prices through economies of scale.



Defence Innovation: The Case for a European DARPA

In a rapidly evolving technological landscape where national security is intertwined with economic security, being at the forefront of technological progress is becoming a crucial component of geopolitical power. In this respect, Europe faces considerable difficulties as it continues to lag behind the US and China.

The work undertaken by the EU in the field of defence innovation is a fragmented puzzle. Brussels has typically funded innovation by investing predominantly in research and startups through various frameworks linked to the European Commission, together with the inconsistent efforts made by individual member states.

The European defence innovation ecosystem is currently hampered by inertia and excessive caution at both national and European levels. But there is an urgent need for a change of mindset and approach to move the EU forward in the technology race.

A comparison of investment in defence innovation among the world's major powers shows that Europeans still have a long way to go to match others. The EU member states spent only €3.5 billion on research and technology in 2022, which is only 1.4% of their total defence spending. The amounts allocated to defence innovation at the EU level (at the EDA, Directorate General for Defence Industry and Space or other Directorate Generals) are in the hundreds of millions of euros, which also reflects a lack of cooperation on this issue at the European level between member states.

On the other hand, the US Department of Defense spent \$34 billion on defence technology innovation in 2022, or 4% of its defence budget. The US agency responsible for defence innovation, DARPA, had alone a budget of \$3.8 billion in 2022, which is more than the amount spent by all EU member states combined. As for China, a lack of transparency makes it difficult to find concrete reliable data for the country, but it is known the country has a defence budget of \$229 billion. Moreover, China's military developments over the past few decades show that Beijing is determined to dominate the emerging and disruptive technologies EDTs landscape, which includes AI, quantum technologies and hypersonic weapons systems, in order to become an innovation superpower. This makes it imperative for the EU to take part in the emerging technology race.

On top of increasing defence spending, European policymakers should focus on increasing efficiency and coordination at the European level by limiting current innovation fragmentation and building a coherent approach to defence investment planning and resource allocation across the EU.



To become an **indispensable actor in future technologies and industries** and to maintain the ability to **influence the global community**, the EU will have to promote a **culture of risk tolerance and innovation**. To do so, European leaders must have the courage to adopt the methods of the American DARPA for **vital ‘disruptive’ projects**.

The process of creating a European DARPA is twofold. On the one hand, European decision-makers will have to plan and structure all the practical aspects of creating a new European agency. At the same time, the European Commission and, especially, the member states will have to find the political will to reassess the viability of current European institutional frameworks and public policy paradigms on defence innovation for the speed and disruption demanded by the technological race.

Europe’s institutional and political culture is dominated by a highly bureaucratic, over-regulated and ‘play it safe’ mentality. The creation of a European DARPA would require out-of-the-box thinking that takes into account the urgency with which the EU must overcome both cultural and policy-related differences and find space in its complicated internal architecture for the disruptive mechanisms needed to adopt this American model.

Moreover, certain characteristics need to be carefully considered. First, **a European DARPA** would have to be **a high-risk, high-reward agency**. It would need a culture that tolerates project failure while recognising the potential for breakthrough success. Second, an EU DARPA would also require **a culture characterised by high ambition, minimal bureaucracy, and a cohesive structure unified by thematic challenges**. Third, while governance oversight remains critical, it should not stifle the creative freedom necessary for breakthroughs in disruptive technologies. Finally, the agency would need a distinct positioning within the European innovation landscape to avoid being overshadowed by existing European initiatives. To differentiate the agency from other European programmes, **its operational activity would revolve around disruptive innovation projects which are too ground-breaking to be financed by other EU initiatives**.

In contrast to conventional initiatives, **a European DARPA would prioritise projects that address existing challenges with novel solutions but retain a market applicability for those potential solutions and discoveries**. Furthermore, a European DARPA would give **programme managers significant autonomy in project scope and direction**, as in the successful example of the American agency. This approach would ensure that experts in the field are responsible for risk analysis, allowing for agility and innovation within the agency.



Military Mobility: A Stepping Stone for European Defence and Deterrence

The Russian invasion of Ukraine has marked the return of full-scale conflict to the European continent. In consequence, the core of security and defence in Europe has shifted back towards territorial defence. In this new geopolitical context, military mobility is a top priority for the EU, NATO and their member states. Military mobility is a multidisciplinary area that combines all activities aimed at ensuring the swift movement of armed forces and military equipment. Military mobility is also a crucial feature of a credible deterrence posture: the ability to move troops quickly will deter any potential adversary from taking military action.

- **Develop a lessons-learned process.** This should be aimed at helping both the EU and NATO benefit from what the war in Ukraine can teach in terms of military mobility. The lessons learned should be used during NATO exercises but also integrated into a long-term perspective for developing military mobility on the European continent.

- **Set up exchanges on military mobility between senior leaders of the EU and NATO.** This would allow senior leadership to assess progress and explore ways of advancing cooperation. The EU– NATO structured dialogue on military mobility is a success story in advancing cooperation for both organisations. However, military mobility needs to also feature higher up in the exchanges between the EU and NATO. One way to do this is through setting up exchanges at the senior level to assess the progress made, the current challenges that need to be addressed as well as the next steps for EU–NATO cooperation on military mobility. On top of this, military mobility should also feature high on the agenda of future North Atlantic Council–EU Political and Security Committee meetings.

- **Prioritise military mobility in the security and defence dialogues with partners.** The US, the UK and Norway need to be part of the discussions and efforts to advance military mobility on the European continent. The topic should be explored consistently in the security and defence dialogues between them and the EU. Exploring ways for these countries to contribute to EU military mobility and harmonising their efforts with the EU is essential.

- **Raise awareness and understanding of EU policies and initiatives on military mobility within EU member states.** This could be achieved by organising multi-stakeholder meetings in EU capitals, bringing together different participants such as representatives of ministries (e.g. defence, transport, finance), national agencies, regional administrations, the private sector and EU officials.



- **Establish new initiatives on military mobility within regional and multilateral cooperation frameworks.** This will streamline legislative processes, improve transport infrastructure linkages and promote joint projects among member States. Examples of such initiatives include the Netherlands-Germany-Poland and Greece-Bulgaria-Romania corridors, which should be implemented as soon as possible.
- **Increase and structure future EU funding for military mobility,** integrating feedback and lessons learned from member states, considering geopolitical factors and connectivity between projects in the allocation of funds, balancing direct funding with public calls for proposals, and ensuring a consistent approach to financing.
- **Facilitate trilateral exchanges between the EU, NATO and groups of EU member states establishing military mobility corridors to reinforce cooperation.** Linking regional corridors and supporting cooperation in this format could be a transformative step forward.



Filling Strategic Capability Gaps

With a possible political shift in Washington on the horizon, EU member states must show a renewed commitment to capability development. This means ensuring that Europe's defence industrial base can rely on sustainable levels of investment, labour, skills, research and technology, and secure supply chains. But filling strategic capability gaps also requires a greater focus on those projects that most enhance European defence and deterrence. Cooperation with NATO is paramount in this regard, but the EU should seek to invest in capability areas where it is unsustainable for individual member states to do so on a national basis (e.g., air and missile defence, naval platforms, cyber defence and space systems). As the war in Ukraine has underlined, Europe can only contribute to its defence and deterrence if it develops strategic capabilities that deter and deny Russia's revisionist aims - both now and in the longer term. To address strategic capability gaps effectively, the EU and its member states must adopt focused and collaborative measures that prioritise critical areas of defence. Key recommendations include:

Prioritise Military Capabilities

- Align with NATO's defence planning and capability priorities to identify areas most exposed to potential reductions in US contributions.
- Concentrate on a limited set of critical projects, including:
 - Air and missile defence systems.
 - Main battle tanks and naval vessels.
 - Space and cyber-defence capacities.
- Streamline capability development processes through structured cooperation between the EU and NATO, leveraging existing tools like the EDF and PESCO to address gaps collaboratively.

Increase Defence Investments

- Encourage EU member states to meet NATO's defence investment pledge of 2% of GDP and adhere to PESCO commitments, which include:
 - Medium-term increases in defence investment to 20% of total defence spending.
 - Expanded joint strategic defence capability projects supported by the EDF.



Promote Joint Development and Procurement

- Enhance joint investments to support the mass production of advanced military systems at scale.
- Develop shared capabilities through initiatives such as:
 - Future Combat Aircraft System (France, Germany, Spain).
 - Main Ground Combat System (France, Germany).
- Avoid inefficiencies by reducing reliance on small-scale, nationally focused projects, instead prioritising interoperability and scalability for broader European use.

Facilitate Coordination and Reduce Barriers

- Improve cooperation between member state procurement agencies and industrial partners to ensure efficient joint capability development.
- Review and streamline existing EU defence-industrial legislation to remove obstacles to collaboration.
- Enhance the security of defence supply chains by aligning trade policies and partnerships to secure critical raw materials.

Address Skills Shortages

- Partner with the European Investment Bank to develop strategies that address workforce gaps in defence-related industries.
- Focus on cultivating a pipeline of skilled technicians, engineers, and scientists to support ramped-up defence production efforts.



Financing European Defence

Europe must compensate for 30 years of inadequate defence spending. To better protect itself against a potential confrontation with Russia and to balance U.S. military investment in NATO, the EU needs to invest €500 billion over the next decade. Here are some ideas for increasing defence spending:

- **Defence as a public good: Prioritise budget allocation**

Defence must be treated as a public good that benefits all EU member states collectively. This perspective calls for prioritising defence funding within the EU budget to ensure transparency, accountability and efficient use of resources. **The EU budget for defence investment should be set at a minimum of €100 billion for the next Multiannual Financial Framework (MFF) period 2028-2035.**

- **Use existing financial instruments**

The EU already has robust financial mechanisms that remain under-utilised. Programmes such as the NextGenerationEU (NGEU) and the European Stability Mechanism (ESM) can be used to finance defence projects without the immediate need to create new mechanisms.

- **Maximising NGEU capacity:** By late 2024, only 41% of the €648 billion allocated under the NGEU has been disbursed. The remaining 59%, or €381 billion, is still available for disbursement and may not all be claimed or absorbed. Redirecting unused funds to defence initiatives could provide immediate resources. Hence, grants can be allocated through the Structural and Cohesion Funds with a specific emphasis on defence. The loan component can be redirected to non-euro area and non-EU countries.

- **Use of the ESM/European Financial Stability Facility:** The ESM has a lending capacity of €500 billion, of which €422 billion is currently available. Proposals include replicating the Pandemic Crisis Support model for defence financing, creating credit lines specifically for member states investing in European defence capabilities.

- **Expanding the role of the European Investment Bank (EIB)**

The EIB has recently eased restrictions on financing defence-related projects, marking a decisive shift in its role. By supporting dual-use technologies (those with both civil and military applications), the EIB can make a significant contribution to defence innovation and production.

- **Defence Equity Facility:** This initiative, which will grow from €175 million to €500 million within three years, co-invests in private equity and venture capital for defence. Expanding such initiatives will ensure a steady pipeline of funding for defence-related small and medium-sized enterprises (SMEs).



- **Change lending policies to facilitate access for full defence companies** by making investing in defence compatible with the ESG (environmental, social, and governance) criteria.

- **A new Defence Bond - establishing joint EU borrowing for strategic defence needs**

A new EU borrowing programme, modelled on the success of the NGEU, could finance major defence projects.

- **Promote private sector involvement**

The EU has historically lagged behind the US in attracting private investment in defence. From January 2022 to July 2023, European venture capital and private equity investments in defence amounted to only €32 million, compared to €2.2 billion in the U.S. Addressing this gap requires targeted initiatives to mobilise private sector resources.

- **Venture capital and equity funds:** Establishing EU-specific funds dedicated to defence innovation can attract private investors while providing financial support to start-ups and SMEs.

- **Streamline and expanding joint procurement**

The Defence Investment Gaps Analysis (2024) estimates €400 billion of economic waste due to inefficient defence spending over the last 30 years. A significant proportion of this waste is due to duplication and lack of coordination between member states. Tackling these inefficiencies requires a concerted effort to streamline procurement processes.

By pooling resources and coordinating investments, the EU can save significant money while enhancing its strategic capabilities. **The cost of non-Europe (fragmentation and inefficiency) in defence spending is estimated at between €17 billion and €58 billion per year.**

- **Introduce flexible fiscal rules for defence investment**

Rigid fiscal rules often limit member states' ability to increase defence spending. Temporary adjustments to these rules, such as an "investment clause" for defence, could provide the flexibility needed to address immediate security challenges.

- **Derogations for strategic spending:** Member States could be allowed temporary deviations from fiscal targets to finance critical defence investments.

- **Precedents from sustainability policy:** Similar to the green golden rule for sustainable investment, such measures would recognise the long-term benefits of defence spending for European security.



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Wilfried

Martens Centre

for European Studies