

Scale up Europe's defence efforts and unlock its dual-use potential

Safer Together

Strengthening Europe's Civilian and Military Preparedness and Readiness by **Sauli Niinistö**

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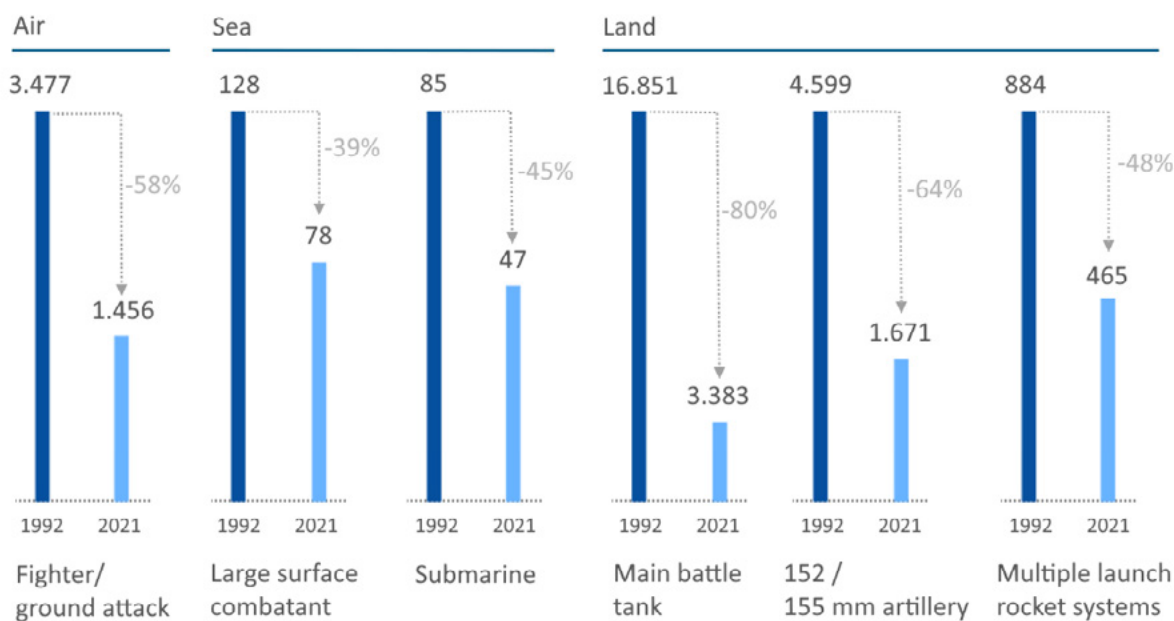
Building block #7

What is the challenge?

- I. **Europe's defence capability, industrial and technological gaps are still wide**, and in some areas even growing further. The EU's fragmented capability landscape and shallow production lines reflect long-standing nationally oriented defence industrial policies.
- II. The collective inventory of the capabilities of Member States (most of which are also NATO allies) continues to show serious gaps and shortfalls, including long-standing dependencies on the US, especially in high-intensity operations.
- III. Multinational defence cooperation offers the **potential for cost savings**, due to economies of scale not only in the acquisition phase, but throughout the life cycle of equipment. Moreover, some capabilities have become simply **too expensive to develop on a strictly national basis**, even for the largest Member States.
- IV. It is moreover a heavily regulated sector, due to specific requirements for permitting and licensing even within the Single Market. There is therefore still a lot of scope to incentivise, facilitate and simplify cooperation and consolidation in the EU's defence sector.
- V. According to the latest available figures, **Member States are still far from achieving the benchmark they first set for themselves over 15 years ago to invest 35% together on European collaborative projects**. There is currently a real risk of going in the opposite direction, as the level of joint and collaborative investment is not keeping pace with fast-growing national defence budgets, as current data suggests.
- VI. The patchwork of national defence forces operating different types of equipment creates vulnerabilities in the event of a major military contingency, notably related to interoperability/inter-changeability resulting from the differentiated supply and production lines for spare parts, munition, repairs, etc.
- VII. **The wider set of dual-use infrastructures and capabilities that become vital** in a war or crisis require an urgent upgrade. Here too, Europe needs to make up for lost time since the end of the Cold War.

VIII. Years of underinvestment compounded by regulatory hurdles have negatively affected the innovation capacity of the defence sector, which will have a long-term effect on the EU's comprehensive preparedness. Keeping up with the accelerating pace of defence innovation is vital for Europe to be able to produce the next generation of military capabilities that are already reshaping the battlefield.

“Europe’s armed forces need to urgently prepare for the full spectrum of military and civilian-military contingencies, including the elevated risk of external armed aggression.”



Data: IISS

Reductions in selected EU countries' inventories in selected equipment categories prior to Russia's invasion of Ukraine (1992-2021) Source: Based on Munich Security Conference, 2024, as well as IISS, 2024.

What is the objective?

- Scale up Europe’s defence efforts – based on a competitive and resilient European defence technological and industrial base, and strengthened defence capabilities and readiness – as a crucial contribution to EU’s comprehensive preparedness for the most severe scenarios.
- Based on the Single Set of Forces principle, a coherent set of priorities and using NATO military standards wherever available, the EU’s support for Member States’ defence needs entails joint defence research and development, aggregating demand, harmonising requirements, strengthening the supply chain and production capacity of the defence sector and facilitating joint defence procurement.
- Moreover, Europe’s defensive capacity hinges on a whole-of-government approach, as Member States’ armed forces can benefit from enhanced civil-military cooperation and dual-use technologies and infrastructures organised through the EU framework.

What actions does the Report recommend?

Develop an EU defence capability package for the next decade:

- ✓ Use the forthcoming White Paper on the future of European Defence to frame an ambitious long-term ambition and policy, with a view to concrete steps forward:
 - identify and map the urgent defence needs of Member States;
 - revise the existing EU politico-military Headline Goal to reflect large-scale, multi-domain and protracted external aggression;
 - develop concrete options to enhance EU-level funding;
 - promote mutual reinforcement with NATO activities and standards;
 - strengthen where possible the governance of European defence.
- ✓ Fully implement the European Defence Industrial Strategy and the related programme. This will bolster the aggregation of demand and create new possibilities to incentivise joint development and procurement, ensure the security of supply in crisis situations, etc.
- ✓ Identify and develop, as a matter of urgency, a set of major Defence Projects of Common Interest, underpinned by the necessary ad hoc, long-term budgetary provisions. Air defence and cyber defence have already been highlighted in the Political Guidelines (2024-2029) as concrete examples. The selected flagships should be future-facing capabilities that can make a strategic difference – both within the EU and NATO and together with Ukraine – and offer industrial benefits within Europe.
- ✓ Make available the necessary EU-level funding to incentivise and strengthen joint capability investment to prepare Europe for major military contingencies. The EU's defence-related programmes are generally designed to support and facilitate joint and collaborative projects by Member States and/or the defence industry, acting as a 'flywheel' for the rationalisation of Europe's defence sector. The overall volume of EU funds compared to national budgets is insufficient to really impact the market.

Strengthen Europe's capacity to provide mid-to-long-term military assistance to Ukraine.

- ✓ The EU should maintain and further strengthen its capacity to deliver military support to Ukraine for as long as it takes. This is critical to keep Ukraine in a position to defend itself against the Russian invasion. This leads to the urgent need to further ramp up defence production capacity. The EU must also be ready to fill any possible gaps in the event of a diminished level of support for Ukraine from the US.
- ✓ The European Peace Facility, as a flexible, swift off-budget instrument operating under CFSP, should be endowed with sufficient resources.
- ✓ With Ukraine on its path to EU accession, the EU should better accompany this process and structure the progressive integration of Ukraine into the European defence ecosystem, as envisaged under EDIS and EDIP. Increasingly, this means that EU defence planning needs to systematically be based on the needs of the EU-27 and Ukraine.

Develop the proposed Single Market for Defence products and services with tangible measures to enhance cross-border cooperation and defence industrial competitiveness.

- ✓ Rationalising the defence equipment market in the EU will benefit our competitiveness, our security and preparedness. Currently, there are various ingrained practices, regulatory hurdles and political divergences hampering a more integrated Single Market for defence products and services.
- ✓ Lowering the barriers to cross-border cooperation on both the demand and supply side would be key to reducing the structural cost inflation of defence products, which has a detrimental impact on the purchasing power of national governments.

Strengthen dual-use and civil-military cooperation at the EU level, based on a whole-of-government approach:

- ✓ Conduct a review of the EU's dual use potential across all relevant domains to identify new synergies, for example through further work on priority (dual-use) transport corridors for military movements, the extension of fuel supply chains for the armed forces along these corridors; stockpiling and strategic reserves of energy, minerals and other critical goods, hospitals and medical services, maritime surveillance and monitoring systems, governmental space-based navigation, communication and observation services, etc.
- ✓ Further examine and harmonise dual-use definitions in various relevant EU funding instruments and policies. Within each area, the legal and regulatory margins should be fully explored, taking into account the specificities of the sector and defence-related actors respectively.
- ✓ Strengthen dual-use research and defence innovation in the EU framework to avoid Europe from lagging further behind the leading powers to the detriment of its long-term strategic position. Enhancing synergies between defence and civil security applications would optimise the use of scarce resources. We can build further on proposals in the report by Special Adviser Mario Draghi on the future of European competitiveness.
- ✓ Defence and dual-use-related considerations should be fully embedded in the EU's work on critical (foundational) technologies, such as AI and quantum, especially in terms of promoting the EU's advances in this field to reduce dependencies and protect against technology leakage.
- ✓ Strengthen links between the defence industry and other strategic industrial sectors that form part of the same ecosystem, such as naval/shipbuilding, space, aerospace, etc. The defence sector forms part of a broader strategic industrial ecosystem that relies on similar or interchangeable raw materials, technologies, skills, machines, and other industrial infrastructure.
- ✓ Develop a structured civilian security capability development programme to better coordinate investments in the distinct but parallel areas of civil security and defence. Such a process should be supported by consistent EU funding schemes. This would, however, require structurally reforming planning in the highly fragmented civil security sector, moving towards greater agility, standardisation and collaboration.