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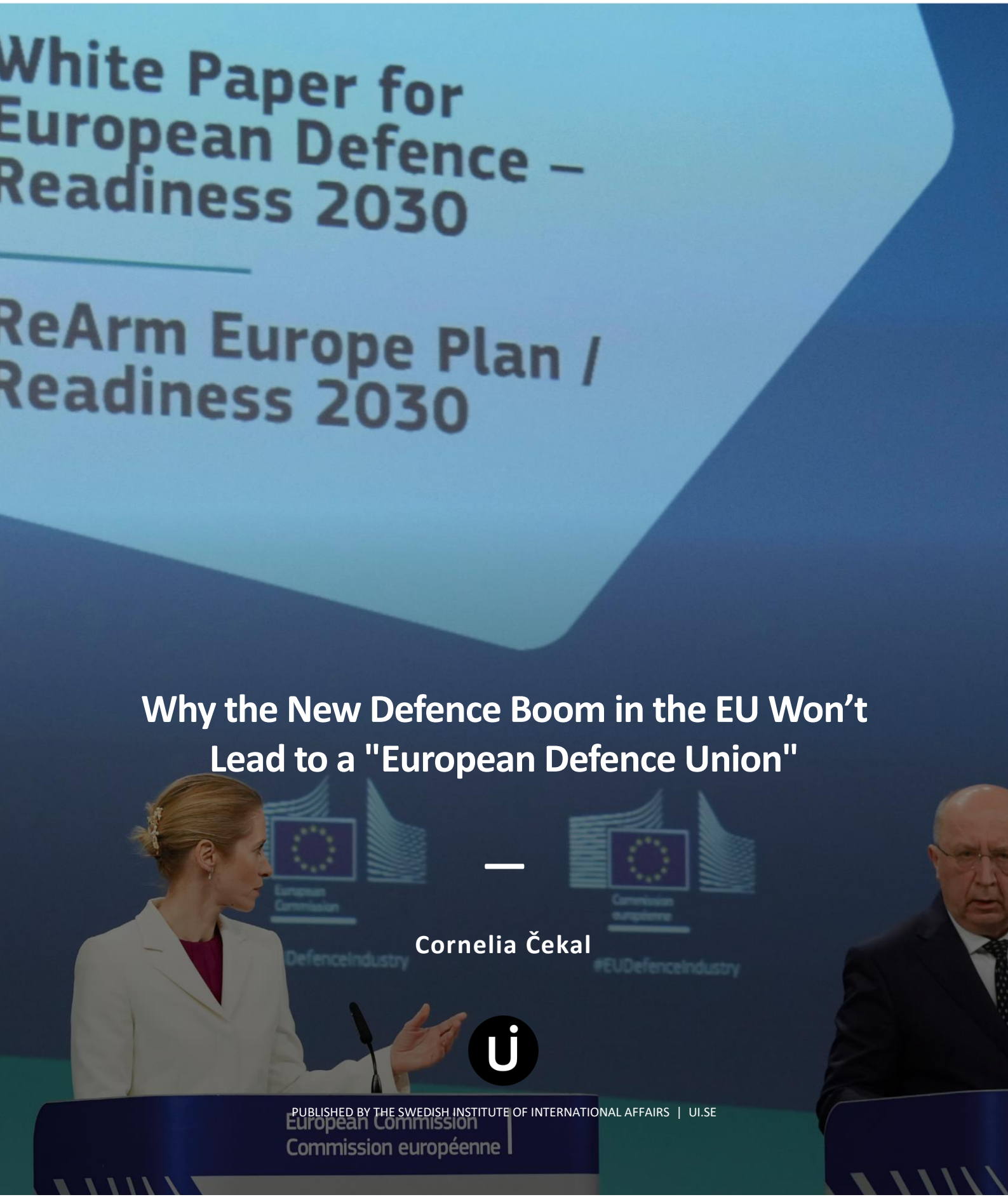

Why the New Defence Boom in the EU Won't Lead to a "European Defence Union"

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Summary

This brief examines the EU's evolving role in defence policy in light of recent geopolitical shifts, including the suspension of US military aid to Ukraine and the unveiling of the ReArm Europe package. While the European Commission has mobilized significant financial resources to boost defence investment, the report argues that this will not lead to the creation of a European Defence Union. Historical, legal and institutional barriers — including divergent threat perceptions, limited treaty provisions and the absence of a unified military command — continue to constrain the EU's capacity to act as a cohesive military power.

Instead, the EU's comparative advantage lies in its regulatory and economic capabilities. Through initiatives like ASAP, EDIRPA and EDIP, and by leveraging internal market rules and financial tools, the EU is emerging as a key facilitator of defence industrial cooperation. The report highlights the importance of complementing NATO's military role rather than duplicating it, with the EU focusing on areas such as joint procurement, defence data coordination and military mobility.

The brief concludes that the EU should continue to strengthen its defence industrial base, improve transparency in procurement and develop a single market for defence equipment. It also recommends closer consultation with industry stakeholders to address supply chain challenges. Ultimately, the EU's most effective contribution to European security will come not from building a common army, but from reinforcing its role as a market power and strategic coordinator within the broader transatlantic alliance.

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Introduction

While the concept of a European Defence Union is not new, its salience has increased in recent months, amplified by by the decision by US President Donald J. Trump to temporarily suspend all US military aid to Ukraine on 3 March.[1] Against this new reality, President of the European Commission Ursula von der Leyen presented the EU's newest defence package, ReArm Europe, on 4 March, in which various financial strategies are calculated to have mobilized up to €800 billion for member states' future defence investments.[2] Introducing the package, von der Leyen echoed her previous sentiments that the EU must take more responsibility for its own security, something which had already been highlighted in her 2019 political guidelines.[3]

The ReArm Europe package, which was given the green light by heads of state at an EU summit two days after its launch, contains novel financial strategies for defence investment. To start with, it proposes activation of the general escape clause in the Stability and Growth Pact. This will enable member states to increase their defence spending without triggering the excessive deficit procedure, which prohibits member state governments from exceeding a 3% deficit and 60% debt to GDP ratio.

[1] The Guardian, *US suspends all military aid to Ukraine in wake of Trump-Zelenskyy row*, March 4th 2025 (https://www.theguardian.com/world/2025/mar/04/us-military-aid-ukraine-pause-trump-zelenskyy-updates)

[2] European Commission, *Press statement by President von der Leyen on the defence package*, March 4th 2025 (https://ec.europa.eu/commission/presscorner/detail/sv/statement_25_673)

[3] Ursula von der Leyen, *A Union that strives for more: My agenda for Europe. Political guidelines for the next European Commission 2019-2024*, 2019 (https://commission.europa.eu/document/download/063d44e9-04ed-4033-acf9-639ecb187e87_en?filename=political-guidelines-next-commission_en.pdf)

In addition, a new instrument on loans, 'Security Action For Europe' (SAFE), is proposed that involves the EU borrowing on capital markets, using its credit rating to obtain favourable interest rates for willing member states. The suggested amount for this instrument is €150 billion, which will be available for groups of at least two member states seeking financial support for joint procurement efforts. In addition to increasing funding opportunities via the European Investment Bank and mobilizing private sector investment, the ReArm Europe package also raises the possibility of a redirection of cohesion funds. Member states will be given the opportunity to redirect these to the defence industry. The Commission stresses in the white paper on defence published on 18 March that huge defence investment must be made if the EU is to be able to face current threats and uncertainties. The white paper also states that the EU should "build a Defence Union that ensures peace on our continent through unity and strength".[4]

A central question therefore arises whether this new defence spending will lead to a European Defence Union or something else. What should the EU aim to be in order to uphold its liberal democratic values and ensure peace and security for its citizens? This brief discusses and untangles the core aspects of what a European Defence Union would entail and the role the EU might play as a security actor vis-à-vis NATO.

The foundation for a European Defence Union

The concept of a European Defence Union is not new. A European Defence Union was originally proposed in the early 1950s under the name of a European Defence Community (EDC), with the aim of integrating the military capabilities of its members and establishing a common European army. The Treaty intended to establish the EDC failed as the French National Assembly refused to ratify it, and the dream of a common European army, or even a political community, died with it, leaving the European Coal and Steel Community (ECSC) as a purely economic organization. Speaking of a European Defence Union today, however, even after the past decade of increased European defence cooperation, is misleading. Many of the characteristics inherent in a defence union simply do not exist within the current EU framework, for three overarching reasons.

1. Heterogenous threat perceptions and relations with Russia among EU member states. While threat perceptions have converged since Russia's full-scale invasion of Ukraine in 2022, there is still no unified idea of what a European Defence Union is intended to protect Europe from. Meijer & Brooks refers to this heterogeneity as a 'strategic cacophony', where the lack of convergence in terms of strategic objectives has created a significant fragmentation

[4] European Commission, *Joint white paper on European Defence Readiness 2030*, JOIN(2025) 120 final, 2025, 22. (https://defence-industry-space.ec.europa.eu/document/download/30b50d2c-49aa-4250-9ca6-27a0347cf009_en?filename=White%20Paper.pdf)

among European states.[5] There are states, such as Poland and the Baltic states, for which Russia constitutes the largest security threat and those, such as Hungary, for which Russia plays a marginal role in the national threat landscape. Moreover, there are multiple instances across the EU where national political parties are openly pro-Russia, either in government (Hungary and Slovakia) or as the largest opposition party (Germany, France and Austria).

2. Limited legal framework for establishing and commanding military forces. The EU's legal framework is not known for its strong instruments on defence matters and while the Treaty on European Union (TEU) states that the Common Foreign and Security Policy (CFSP) should include a "progressive framing of a common defence policy that might lead to a common defence" (Article 24, para. 1, TEU), the legal instruments for this do not exist. In order to properly manage a defence union, the EU must have the competence to act in this policy area, including the ability to introduce legislative acts, which is prohibited in accordance with Article 24, para. 2, TEU. In addition, the Treaties prohibit the EU budget from being used for "operations having military or defence implications" (Article 41, para. 2, TEU). While there have been various circumventions of this, such as through the European Peace Facility (EPF) as an off-budget instrument, or the launch of defence initiatives using competition or industry legislation as the legal basis, the Treaties clearly pose a challenge to the establishment of a European Defence Union.

3. Lack of a headquarters or military command for a common army. While various EU institutions and agencies are working on military and defence matters, a command structure is difficult to fit into the EU's current institutional framework. The European External Action Service (EEAS), led by the High Representative for Foreign Affairs and Security Policy (HR/VP), is the EU's diplomatic service, with a broad mandate covering civilian, humanitarian and military missions, as well as diplomatic relations with the EU's external partners. The European Defence Agency (EDA) promotes defence collaboration among the EU member states through various channels. Some examples of the EDA's mission include monitoring defence trends within the EU via the Coordinated Annual Review on Defence (CARD), organizing training with member states' national armed forces and managing joint procurement efforts between member states. The EDA arguably more closely resembles a headquarters, as it is run by a steering board of the defence ministers of the member states, chaired by the HR/VP.

Based on the above, the EU has a long way to go to constitute a proper European Defence Union, as many of these issues would require significant Treaty change. However, this does not mean that the EU has no role to play in the new security landscape. On the contrary, the EU is becoming an increasingly important security actor, but this is manifest not through military capabilities, but through its industrial capacity. This in turn is primarily

[5] Hugo Meijer and Stephen G. Brooks, "Illusions of Autonomy: Why Europe Cannot Provide for Its Security If the United States Pulls Back," *International Security* 45, no. 4, April 20, 2021: 7–43.

facilitated through the internal market and EU's regulatory power.[6]

The EU's future role as a security actor: still a market power

Increasing geopolitical tensions globally and Trump openly characterizing NATO's fundamental pillar of collective defence as only including "those who pay"[7] make the EU's ambition to increase its defence spending and bolster its defence industry an essential response. However, while NATO works around military exercises and standardization policies, the EU lacks most of these hard defence tools and should not seek to develop them. This kind of organizational overlap would have little operational value and take decades to develop.

Instead, the EU has the potential to become an important defence industry facilitator and regulator, drawing on its comprehensive powers in relation to the internal market. The Commission has already launched several defence industry initiatives in this direction to boost its industrial capacity, such as ASAP, EDIRPA and EDIP. By leaning into its established competences in areas related to the internal market, the EU would complement NATO's mission rather than compete with it. The Commission's powers concerning the internal market are centred around three main aspects.

Its regulatory powers relate to the smooth functioning of the internal market, using instruments such as rules on subsidies, competition regulation and merger control. These regulatory instruments have given the Commission far-reaching influence over both the internal market and external actors attempting to break into the market. The defence industrial market is currently in a paradoxical state in which half-hearted attempts have been made to liberalize it through the adoption of the defence procurement directive[8] and the transfer directive.[9] In reality, however, much defence procurement still takes place behind closed doors. The defence industry's special characteristics aside, the EU's regulatory and market power also covers free movement of people and goods (in addition to capital and services), which are relevant for NATO purposes as these aspects translate into the free movement of military personnel and equipment.

In addition to market-related aspects, the EU has vast financial and budgetary powers compared to those of NATO. Since the start of the war in Ukraine, defence-specific initiatives such as ASAP, EDIRPA and EDIP have been launched by the Commission to

[6] Giandomenico Majone, ed., *Regulating Europe*, European Public Policy Series, London New York: Routledge, 1996.
[7] The Guardian, *Trump casts doubt on willingness to defend Nato allies 'if they don't pay'*, 7 March 2025, (https://www.theguardian.com/us-news/2025/mar/07/donald-trump-nato-alliance-us-security-support)
[8] Directive 2009/81/EC of the European Parliament and the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC [2009] OJ L 216/76.
[9] Directive 2009/43/EC of the European Parliament and of the Council of May 6 2009 simplifying terms and conditions of transfers of defence-related products within the Community [2009] OJ L 146/1.

boost defence industry capacity in different ways. In addition, existing financial tools and instruments have been activated for defence purposes for the first time, most recently via the new ReArm Europe defence package. The potential redirection of cohesion funds and the activation of the general escape clause under the Stability and Growth Pact do not constitute novel ways of mobilizing capital per se, but the fact that the Commission is willing to activate these for defence purposes clearly speaks to the extended scope of the EU's economic power in traditionally sensitive policy fields.

Finally, the EU provides a unique arena for decision making and coordination. By offering an opportunity for national decision makers – heads of state, foreign ministers and defence ministers – to meet, discuss and potentially decide on issues of common interest, the EU framework allows increased political exchange on defence matters, specifically those related to coordinating defence data and free movement. Some structures are already in place, such as the EDA's annual report on defence spending, CARD and the Military Mobility Project. The mapping of EU member states' defence spending and increased cooperation on the effective transport of troops across Europe are two fundamental aspects for NATO where the EU offers potential to increase interoperability not only between its member states, but also strategically in its relationship with NATO

The future of EU-NATO relations

It should be emphasized that the EU's role as a security actor must be complementary to rather than in competition with NATO. This makes the stated ambition of the EU to transform into a European Defence Union counterproductive. Instead, the EU should build on its extensive regulatory and economic power to strengthen the European defence industry, which in the long term should lead to a fully integrated single market for defence equipment. Here, the new ReArm Europe defence package constitutes an important milestone for the introduction of new ways for member states to increase their defence spending. As the white paper on defence highlights, further defence investment will be necessary for the foreseeable future. The EU should therefore continue to explore additional pathways to mobilize capital. In addition to the sensitive issue of eurobonds for defence, using frozen Russian assets would be another way to unlock capital and is still being debated at the EU level.[10]

In the future, member states' defence expenditure should continue to be mapped by the EDA and via CARD. In order to increase access to reliable data, steps to increase transparency in defence procurement should be highlighted in all EU defence efforts, which in the long term should lead to a single market for defence. The Commission is playing an increasingly important role in this area and should propose clear guidelines on critical areas of investment to ensure that new defence procurement fills critical capability gaps, rather than reinforcing and increasing the

[10] Euronews, *European Parliament mulls seizure of Russian assets to help Ukraine*, March 12th 2025 (https://www.euronews.com/my-europe/2025/03/12/european-parliament-mulls-seizure-of-russian-assets-to-help-ukraine)

existing fragmentation among member states. The white paper on defence rightly highlights air defence, artillery systems and ammunition as among these critical areas, and future guidelines should provide more detailed recommendations on member states' investment priorities.

Finally, the Commission should set up a framework for continuous consultations with defence industry representatives. This will be crucial to ensure that potential supply chain bottlenecks are recognized and addressed. Close cooperation between the EU and the defence industry is central to an efficient expansion of Europe's defence industry capacity, which in turn is fundamental to the future of the EU, NATO and their partners.

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