

EU Defence Industrial Initiatives: A Quantum Leap Is Needed

Gaia Ravazzolo and Alessandro Marrone

During Ursula von der Leyen's first mandate as European Commission President, a number of EU defence industrial initiatives were launched, while the European Defence Fund (EDF) was implemented. The fragmentation of the EU's defence industrial policy is evident in the proliferation of tools, with EDF itself, the Act in Support of Ammunition Production (ASAP), the European Defence Industry Reinforcement through Common Procurement Act (EDIS), and the European Defence Industrial Plan (EDIP) as prime examples. Yet the current landscape of fragmented tools and modest budgets is insufficient to meet the long-term challenges arising from an increasingly complex international and geopolitical context. The second von der Leyen's Commission will have to face critical decisions to properly fund and support the European defence industry to contribute to the continent's collective deterrence and defence amidst a limited and uncertain US commitment to the region.

The EDF: A good tool that needs a production complement

The EDF, which started functioning in 2021, is a primary instrument for enhancing technological and industrial cooperation in defence among EU companies and governments. The EDF has been managed directly by the Commission with a budget of approximately 8 billion euros for 2021-2027. It aims to enhance the competitiveness, innovation and efficiency of Europe's defence industry by promoting collaboration among EU companies, including small and medium-sized enterprises (SMEs) and research centres, in order to develop outputs that are useful for the European armed forces. In doing so, it aspires to support Europe's strategic autonomy.

To meet these aims, the EDF faces significant challenges. One major issue is the need for a long-term strategy to ensure continuity in defence research and development (R&D) programmes,

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which often require sustained funding beyond short budget cycles. Moreover, without a follow-up programme to apply technologies developed by the EDF to the production processes, companies within EDF consortia have little incentive to really share cutting-edge technologies and develop them together, as rather happens in bilateral or trilateral forms of extra-EU cooperation that have a clear production goal to reach,¹ for example, the trilateral cooperation within the Global Combat Air Programme (GCAP) aimed at developing the sixth-generation fighter jet.

Timely but limited support to European ammunition production for Ukraine

The outbreak and persistence of the war in Ukraine exposed the insufficiency of the tools available to European defence, particularly in addressing immediate challenges. The EDF, while valuable in fostering long-term cooperation, is constrained by lengthy timelines – for example, more than six months often elapse between the submission of a proposal and the awarding of contracts. Moreover, its impact is limited in certain critical areas, such as ammunition production, which has become an urgent priority due to stock shortages exacerbated by the ongoing conflict in Ukraine.

¹ Michele Nones, Alessandro Marrone and Gaia Ravazzolo, “Lo stato del processo di integrazione del mercato europeo della difesa”, in *Approfondimenti dell'Osservatorio di politica internazionale*, No. 212 (March 2024), <https://www.iai.it/en/node/18240>.

In response, in 2023, the EU institutions quickly launched ASAP, the Act in Support of Ammunition Production. It is a pillar of European assistance to Ukraine regarding ammunition and missile supply, aimed at ensuring continuity in military support and enabling a longer-term outlook. However, while addressing pressing needs, this approach risks further increasing fragmentation within the European defence landscape.

While member states initially contributed to Kyiv's defence by donating portions of their existing but limited arsenals, soon the need for joint procurement measures arose to mitigate supply chain bottlenecks and sharp price inflation.² The ASAP regulation³ establishes mechanisms for mapping, monitoring and forecasting supply chain bottlenecks; provides financial support for production ramp-up within European defence industries; and introduces a temporary regulatory framework to address the ammunition supply crisis.⁴

With an EU budget allocation of 500 million euros for 2023–2025, ASAP aims to mobilise further investment,

² Italian Senate Research Service, “ASAP, EDIRPA e il bando 2023 di EDF: le nuove iniziative per il rafforzamento dell'industria europea della difesa”, in *Note su atti dell'Unione europea*, No. 16 (September 2023), <https://www.senato.it/japp/bgt/showdoc/19/DOSSIER/0/1387462/index.html>.

³ European Parliament and Council of the EU, *Regulation (EU) 2023/1525 of 20 July 2023 on Supporting Ammunition Production (ASAP)*, <http://data.europa.eu/eli/reg/2023/1525/oj>.

⁴ European Commission DG Defence Industry and Space website: *ASAP | Boosting Defence Production*, https://defence-industry-space.ec.europa.eu/node/453_en.

targeting around one billion euros across the ammunition production chain, with a view to increasing production in Europe to around one million shells per year. Despite its positive aspects, ASAP faces criticism as its budget appears insufficient to meet its ambitious goals. Notably, the European Peace Facility (EPF) reimbursement of member states' military donations to Ukraine amounts to a far bigger envelope of around 12 billion euros, but this measure is not primarily aimed at enhancing the European defence technological industrial base, as it does not privilege joint acquisition nor EU suppliers.

Advantages and shortcomings of the European Defence Industrial Strategy

Compared with the more specific and targeted approach of the ASAP initiative, the European Commission in 2024 introduced the European Defence Industry Strategy (EDIS), a broader, long-term plan to strengthen the EU's defence industry. This strategy, now entering negotiation phases with member states and the European Parliament, is scheduled for adoption by 2025. Central to EDIS is the proposed European Defence Industrial Programme (EDIP), equipped with its regulatory framework and a budget of 1.5 billion euros through 2027, via a model similar to the EDF. Mainly motivated by the ongoing conflict in Ukraine, EDIS aims to enhance the EU's military and industrial readiness. The strategy focuses on joint production and procurement of military equipment, with member states retaining ownership of the assets they finance under EDIP. Given that the

current budget is inadequate in light of EDIS ambitions, a steep increase of EDIP funding over the 2028–2035 multiannual financial framework is necessary.⁵

Beyond financial incentives, one of the strategy's core proposals is establishing a European 'security of supply' regime. In practical terms, it aims to offer member states specific guarantees when procuring supplies from EU-based manufacturers, reinforcing intra-European supply reliability and reducing dependence on non-EU suppliers. To further bolster this focus, EDIS introduces a catalogue of products developed by the European defence industry, thus making EU-manufactured products more visible and possibly more appealing⁶ than those from the United States that benefit from strong marketing infrastructures.

EDIS also features structural initiatives to reduce market fragmentation, by promoting mutual recognition of national certifications and standardising requirements. The Commission aims to align EU civil and military standards with NATO's Standardisation Agreements (STANAGs) to foster a more integrated market. Additionally, EDIS encourages the European Investment Bank (EIB) to revise its lending policies to support defence projects, which are now

⁵ Alessandro Marrone, "La nuova strategia industriale Ue per la difesa", in *AffarInternazionali*, 7 March 2024, <https://www.affarinternazionali.it/?p=107179>.

⁶ European Commission, *First Ever Defence Industrial Strategy and a New Defence Industry Programme to Enhance Europe's Readiness and Security*, 5 March 2024, https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1321.

considered aligned with EU goals on sustainability and ethical finance and should attract further investment from the financial markets. The latter element could have a significant domino effect in terms of private investment in this sector, but it should be pursued by member states that play a role in the EIB governance itself.

Overall, EDIS has received positive feedback but also some criticism. Among the latter, the limited influence the strategy gives to national armed forces in defining defence market demand, focusing instead on reinforcing the relationship between the Commission and the defence industry. Additionally, the strategy's limited reference to NATO has raised concerns about the lack of alignment with the Alliance objectives, which are agreed upon by 23 members of both organisations and deeply shape these countries' defence posture, planning and needs.

The strategy also proposes creating the European Defence Board, a new body that includes member states, the High Representative and the Commission. Under Commission oversight, the Board will centralise EU procurement planning and set funding priorities, marking a gradual yet significant shift in EU governance towards more centralisation at the community level. This change goes hand in hand with the first-ever appointment of a European Defence Commissioner, former Lithuanian prime minister Andrius Kubilius, with no military mandate but a significant portfolio of competencies and budget for the defence and space industry.

It remains to be seen whether and how the EDIS architecture and Commissioner's activities will align with existing intergovernmental frameworks developed over the last decade by member states together with European defence agencies, such as the Permanent Structured Cooperation (PESCO), Capability Development Plan (CDP) and Coordinated Annual Review of Defence (CARD). Indeed, the significant number of EU acronyms reflects a complex and fragmented landscape of diverse initiatives launched by different European actors over the last two decades, limited in scope and not necessarily aligned with one another.

The added value of a White Paper on European defence

The framework of European defence initiatives becomes even more complex and fragmented as the second von der Leyen Commission has committed to deliver a European Defence White Paper by the end of 2024, with President von der Leyen also raising the idea of EU flagship common projects, for example, on air defence and cyber.⁷ Considering the number of initiatives already launched or in the making, this White Paper should (i) bring some form of integration and rationalisation among them, (ii) focus on a few key priorities, and (iii) put financial resources proportionate to the level of ambitions on the table. Otherwise, the risk is to increase the complexity and

⁷ "Von der Leyen Pledges Air Shield in New EU Defence Push", in *Reuters*, 18 July 2024, <https://www.reuters.com/world/europe/von-der-leyen-pledges-air-shield-new-eu-defence-push-2024-07-18>.

inefficiency of the EU's toolbox and thus discourage member states from using it.

Indeed, considering the rise of the national and European defence budget since 2022 and the urgency to face the Russian threat, the prevailing tendency in Europe is to resort to national procurement, and/or to bilateral, trilateral or mini-lateral cooperation, which seem to be more effective, efficient and rapid to manage despite the resulting fragmentation and limited economies of scale. Against this backdrop, any new EU initiative should first and foremost prove its use case and timely implementation in order to provide added value.

The impact of the Trump presidency on European defence spending and industry

More generally, the White Paper should recognise the changes and challenges brought about by the new US administration. The upcoming Trump presidency will indeed push in a very firm way European allies to reach the threshold of two per cent of GDP invested in defence and maintain it over the long term, linking this requirement to the US commitment to NATO.⁸ Currently, seven allies still lag behind that target, including Italy and Spain, while Germany faces uncertainties over the sustainability of its two per cent spending beyond the expiration of

⁸ Oman Al Yahyai, "Trump Urges Immediate Ceasefire in Ukraine and Suggests NATO Role Rethinking", in *Euronews*, 9 December 2024, <https://www.euronews.com/my-europe/2024/12/09/trump-urges-immediate-ceasefire-in-ukraine-and-suggests-nato-role-rethinking>.

the *una tantum Zeitenwende* budget in 2026. The incoming US administration and some European countries may push NATO to set up higher budgetary goals soon, as recently mentioned by the new NATO Secretary General Mark Rutte.⁹

In parallel, President Trump is likely to strongly link security and trade considerations and push Europeans to buy US-made military equipment. Washington's pressure may well result in augmented defence spending in Europe and increased dependence on American suppliers to secure US commitment to NATO collective deterrence and defence. This will be an essential factor in the calculus of several member states with regard to the balance between EU defence industrial initiatives and procurement deals with the US.

This recent change in the US administration, along with its implications for global security, underscores the urgency for the EU to implement a comprehensive industrial strategy to strengthen its defence capabilities. In this context, the broader challenge lies in addressing the fragmented nature of the demand side of the European defence market and ensuring a clear allocation of roles and competences among EU institutions. The European Commission, increasingly asserting its leadership in defence industrial policy – exemplified by the recent appointment of Andrius

⁹ Lorne Cook, "NATO Chief Urges European Allies to Ramp Up Defense Spending as Trump Returns to White House", in *AP News*, 4 December 2024, <https://apnews.com/article/3cf6e8da6da08cbf84686d0b5f518f5a>.

Kubilius as the new commissioner –, will need to work closely with other bodies, such as the European Defence Agency (EDA), as well as member states to achieve better coordination in managing the industrial aspects of defence. To rise to the occasion, the EU should make a quantum leap in funding, integration and ambition, transforming its defence capabilities from a patchwork of modest initiatives into a cornerstone of Europe's security.

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