

REBUILDING EUROPE'S DEFENCES

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How to unlock a coordinated defence surge

by

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Europe's security is in danger. Russia is strengthening its forces and probing Europe's defences. Meanwhile, the United States has made clear that Europeans will need to defend themselves with much less support in the future. This shifting landscape underscores the urgent need for Europeans to strengthen their own defences.

Progress has been slow. Governments have placed additional orders and industry has expanded output across several equipment categories⁽¹⁾. Ammunition production is a notable success, with production of 155mm rounds increasing from around 300 000 before the war to almost 2 million⁽²⁾. However, much of this new equipment has only served to replace systems donated to Ukraine. For example, the orders placed by Germany over the last two and a half years have merely replaced equipment given to Ukraine⁽³⁾. Moreover, in many areas, such as long-range strike, air defence, intelligence and surveillance European capabilities remain thin⁽⁴⁾.

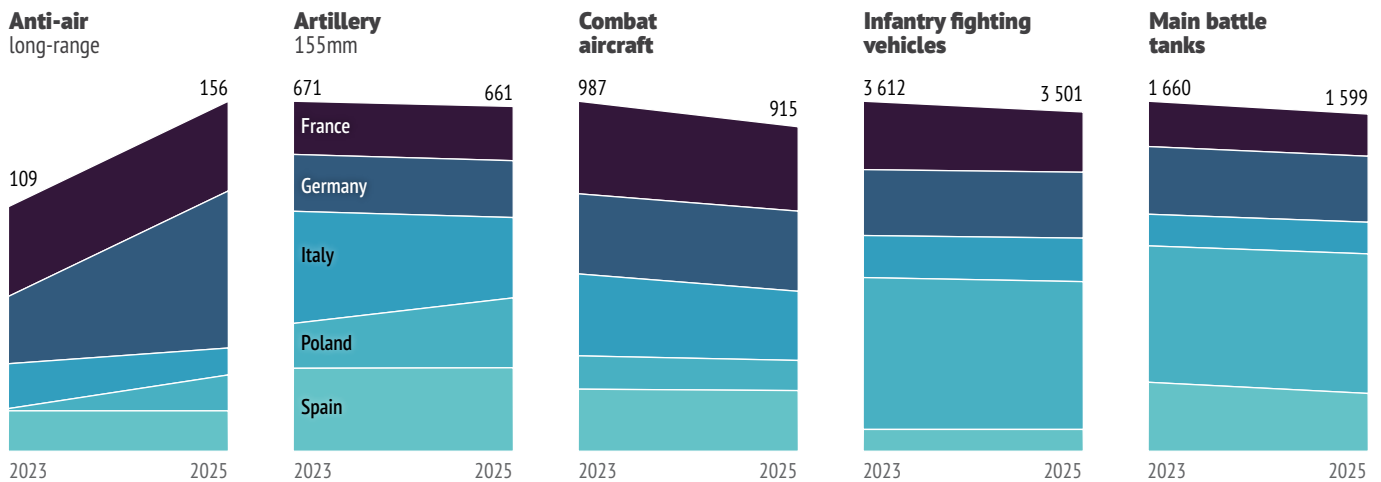
Recent increases in European defence budgets and the pledge by European NATO allies to raise defence spending to 5% of GDP by 2035 will help Europeans fill their equipment shortfalls and strengthen their domestic industrial base. But if they do not spend

Summary

- European security is in danger. Despite some successes, overall progress in strengthening defences has been slow. Europeans still face critical shortfalls in areas such as long-range strike, air defence, intelligence and surveillance.
- Without more coordination, Europeans will waste much of their growing defence investments. From planning to procurement, they should embrace more pragmatic solutions. Harnessing the power of small-group cooperation offers a promising path forward to fill capability gaps, while deeper industrial ties with Ukraine will allow Europeans to draw on its experience.
- The EU can play an important role in enabling a European defence surge, by unlocking additional funding and reinforcing cooperation. The effectiveness of EU instruments depends largely on the degree to which they focus on capability priorities and allow close partners to plug in.

Wrong way?

The number of key weapons systems in major European armies has barely changed



Data: IISS, *Military Balance*, 2023/2025

more efficiently, much of this renewed investment risks being wasted.

up their capabilities around a US-provided core? Or will they invest additional effort in acquiring the capabilities for which they currently rely almost exclusively on the US?

THREE STEPS FOR A EUROPEAN DEFENCE SURGE

Prioritising and planning together

Europeans need an effective system to coordinate the expansion of their military capabilities. Many Member States conduct planning through NATO's Defence Planning Process (NDPP), which spells out which capabilities each ally must have. However, the NDPP assumes that the US will continue to provide a significant share of key capabilities in Europe – a risky assumption given Washington's stated intention to reduce its contribution⁽⁹⁾. The EU also possesses its own planning tools: the Capability Development Plan (CDP) and Coordinated Annual Review on Defence (CARD), both managed by the European Defence Agency (EDA). However, these are not granular plans: they essentially aim to identify opportunities for co-operation based on Member States' pre-existing national plans.

Europeans still lack a mechanism to effectively plan the build-up of their defences in anticipation of a reduced US role. Key questions remain unresolved: deciding what capabilities to prioritise, in what quantities, and how to best structure co-operation among themselves to minimise duplication. At heart this is a question about risk: will Europeans continue to build

In principle it would be possible for Europeans to adapt the NDPP to account for a smaller US contribution by setting specific targets for European allies. However, this appears politically unrealistic as most allies do not want to openly question America's contribution to European defence. Europeans need an alternative.

Harnessing the power of small groups

The theoretical benefits of co-operation in developing and buying weapons are well-known, from lowering prices to better interoperability. But real-world cooperation is difficult⁽⁶⁾. Even when countries pursue the same capabilities, they often struggle to agree on common requirements. The desire to maintain domestic manufacturing capacity and jobs leads many to buy from national industry. Moreover, cooperation entails risks, for example if a partner pulls out of a project.

These barriers are real, but can be overcome if Europeans harness the power of bilateral and small group cooperation.

Coordination is much easier bilaterally or in smaller groups that share the same threat perceptions, operational requirements, and are used to working together. There are many examples of successful small group cooperation, such as the Eurofighter project between Germany, Italy, Spain and the UK; or the A330 multi-role tankers jointly procured by Belgium,

Even when countries pursue the same capabilities, they often struggle to agree on common requirements.

Czechia, Germany, Luxemburg, the Netherlands and Norway.

Bilateral and small group cooperation has gained prominence since Russia's invasion. For example, the European Sky Shield Initiative involves 24 countries (both EU and non-EU) in a project to strengthen air defences by better coordinating acquisitions. Meanwhile the European Long Range Strike Initiative, which aims to develop European long-range strike capabilities, will serve as the incubator of specific projects between its participants (France, Germany, Italy, Poland, Sweden and the UK). Another good example is the CAVS armoured personnel carrier: it was initiated by Finland and Latvia in 2020, and Denmark, Germany, Norway, Sweden and the UK have since joined – resulting in orders of 1000 units.

Leadership, whether by one country or by a group, is critical in driving forward cooperation. But in practice, cooperation can take many forms. In some cases, the best solution may be for one country to act as lead nation, with others joining its procurement orders. In other cases, parallel national procurement or procurement by an independent entity such as the Organisation for Joint Armament Cooperation (OCCAR), may prove more effective. Finally, when it comes to the origin of equipment, buying military equipment from US and other non-European manufacturers can be a logical decision, for example if there is no equivalent capability in Europe. However, the more Europeans buy from external suppliers, the more they will depend on them.

When it comes to building capabilities, the EU should embrace the power of small group cooperation.

Producing in and with Ukraine

Deepening cooperation with Ukraine is in Europe's self-interest. Working with Kyiv allows Europeans to strengthen Ukraine's defences and benefit from its unique expertise. Several European governments have poured significant investments into Ukraine's defence industry. Prominent European defence firms have established partnerships and production facilities with Ukrainian counterparts. Meanwhile, the EU is fostering cooperation between Ukrainian industry and EU counterparts through its Defence Innovation Office in Kyiv, initiatives such as BraveTech EU and the EU-Ukraine Defence Industry Forum. The Union is also financially supporting Ukraine's defence industry, by investing around €1.5 billion in its defence industrial base and by integrating Ukrainian defence companies into EU defence instruments like the European Defence Fund (EDF)⁽⁷⁾.

The question is whether all this can be significantly scaled up. A key challenge is the risk of damage to facilities in Ukraine, which has discouraged Western

investment. Member States are also concerned about the transfer of sensitive technologies to Ukraine, which places constraints on what can be produced there. One solution is encouraging Ukrainian companies to produce equipment in the EU. This would allow for a further expansion in production, and of more advanced types of equipment. Production in the EU also allows European armed forces to integrate Ukraine's experience more quickly. Denmark is pioneering this model, and in June announced an investment of €67 million for Ukrainian companies producing in Denmark⁽⁸⁾. Production of solid rocket fuel by the Ukrainian firm Fire Point is expected to begin in December. Similarly, Lithuania has signed a MoU with Ukraine to facilitate Ukrainian firms establishing production in Lithuania.

HOW THE EU CAN CONTRIBUTE

The EU can play an important role in strengthening Europe's defences. It has lifted restrictions on national spending and provided funding to foster greater cooperation and support Ukraine's defence with a variety of tools. There is significant demand for EU funding as shown by the fact that SAFE loans were fully subscribed by Member States. The value of EU funding lies not only in supplementing national defence budgets, but also in promoting co-operation. Even modest financial incentives can encourage Member States to consider co-operation more seriously. According to the Commission, the EDIRPA joint procurement instrument leveraged just over €300 million of EU funds to generate €11 billion in joint orders⁽⁹⁾.

The key question is whether the EU can do more. Strengthening its planning capacity would require Member States to be more willing to share detailed national plans with each other and with the EDA, and a mechanism to fully involve non-EU partners like the UK and Norway. A more realistic option would be for the EU to establish an informal coordination group, involving willing EU members and other partners. The 'coalition of the willing' that has been planning for a possible post-ceasefire deployment to Ukraine could form the backbone of such a group.

When it comes to building capabilities, the EU should embrace the power of small group cooperation. The Union could foster the formation of capability coalitions through which groups of countries address priorities identified in the White Paper on Defence Readiness and in the March 2025 European Council. Projects developed by such coalitions, and backed by EU funding, can be implemented in a range of

frameworks: led by a single nation, coordinated by the EDA, managed by OCCAR or overseen by NATO. These organisations have already demonstrated their ability to work together effectively in developing and procuring equipment: the A330 was incubated in the EDA, which has extensive expertise in harmonising requirements, before being transferred to OCCAR for procurement and to NATO for operations. If Member States so choose, the EU itself could assume a major role in certain projects, particularly in acquiring so-called enablers, such as airborne intelligence-gathering assets.

The effectiveness of the EU's efforts depends largely on the funding it can mobilise. The European Defence Industry Programme (EDIP) is likely to be adopted soon, unlocking at least €1.5 billion in additional resources to foster joint procurement and provide the defence industry with incentives to increase production. A substantial share of EDIP funds will be directed to projects of common interest that need a critical mass of Member States to be viable. Unlocking more funding from the EU budget in the near term will not be easy. However, an expansion of SAFE is conceivable and Member States can channel additional resources to softer elements of defence, such as dual-use infrastructure, from cohesion funds. There is also additional momentum behind the idea of using Russia's frozen assets as collateral for a loan to Ukraine. And there are a variety of ideas for a Defence Bank that the EU could support with seed funding, notably to assist defence companies in need of capital. In the medium term, much hinges on funding for defence in the next EU budget. The Commission's initial proposal is very ambitious, with a fivefold increase in funding for defence and space to €131 billion. That would significantly influence national procurement decisions, adding impetus to cooperative projects.

Beyond funding, the effectiveness of EU instruments also depends on their design. For EU defence tools, there is a trade-off: either prioritising capability development and efficiency by concentrating funding on a limited number of projects, or distributing funding more broadly across multiple initiatives. For example, while the EDF has been highly successful at generating new partnerships, many stakeholders think that its funding is too dispersed and that the link to priorities identified by Member States is sometimes unclear⁽⁴⁰⁾. The effectiveness of EU instruments will ultimately depend on the extent to which they focus on capability priorities. Ensuring that non-EU European partners are as closely involved as possible will also be crucial. Specifically, the Union should continue to facilitate the participation of Ukrainian entities in EU defence instruments, and encourage investments by EU firms in Ukraine and vice versa.

Europe's effort to rapidly rebuild its defences hinges on whether Europeans can cooperate more effectively with one another and with Ukraine. If properly designed and resourced, EU instruments can play a key role in providing coherence and driving forward Europe's defence ramp-up.

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