

European Rearmament at a Crossroads: Strategic Autonomy vs. Operational Readiness

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Cover: Two Dassault Rafale jet fighters refuel from an Airbus A400M during a French Air and Space Force military exercise at Orléans–Bricy Air Base in Boulay-les-Barres, France, on November 14, 2025. (Getty Images)

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EXECUTIVE SUMMARY

Europe has entered a decisive phase of rearmament. Russia's invasion of Ukraine, growing instability in the international system, and increasing uncertainty regarding the long-term reliability of American security guarantees have forced European governments to reassess the foundations of their defense posture. The challenge is no longer whether Europe should strengthen its military capabilities, but whether it can do so rapidly enough to achieve both operational readiness and greater strategic autonomy.

Three irreversible trends have led the continent to this point: the return of high-intensity warfare, the growing need to reduce critical dependencies while remaining anchored within the North Atlantic Treaty Organization, and the technological transformation of warfare through artificial intelligence, autonomy, software-defined systems, drones, cyber capabilities, and advanced manufacturing.

Financially, Europe has made significant progress. Defense spending has increased at the fastest pace since the Cold War,

and the European Union has developed an expanding set of instruments to support defense production, joint procurement, innovation, and military mobility. Yet Europe faces a paradox: while aggregate spending is approaching Russian levels, fragmentation across 27 national defense markets is diluting the strategic effect. The challenge is increasingly one of efficiency, coordination, and industrial scale rather than a simple shortage of public funding.

At the same time, Europe confronts a major investment gap. Meeting rearmament objectives and reducing dependence on external suppliers will require hundreds of billions of euros in additional investment. Unlike the United States, where public procurement is complemented by deep venture capital and private equity ecosystems, Europe remains overwhelmingly dependent on public spending. Although defense investment

Photo: A Leopard 2A6 tank fires during a demonstration as German Chancellor Friedrich Merz visited troops at the Bundeswehr's barracks in Munster, Germany, on April 30, 2026. (Getty Images)

has become more acceptable among private investors and defense-tech financing is growing rapidly, the European allies lack sufficient late-stage capital, industrial scale-up financing, and market integration to sustain a fully autonomous defense innovation ecosystem.

Industrial capacity is still the central challenge. Europe's defense industrial base was designed for peacetime efficiency rather than the sustained demands of high-intensity warfare. The war in Ukraine has exposed enduring shortfalls in ammunition stocks, missile production, manufacturing capacity, skilled labor, and supply-chain resilience. Beyond the defense sector, Europe's broader industrial landscape is structurally weak and increasingly depends on Chinese manufacturing and critical inputs. At a time when the civilian industrial base should serve as a force multiplier for defense, the continent's reindustrialization efforts remain limited and uneven. Meanwhile, procurement systems continue to be slow, fragmented, and ill-suited to the tempo of modern conflict, where advances in software, autonomous systems, electronic warfare, and AI-enabled capabilities occur on timescales measured in weeks rather than years.

Tension is growing between a Buy European agenda and the realities of continued dependence on American technologies, capital, intelligence, cloud infrastructure, advanced semiconductors, and military capabilities. Strategic autonomy remains a legitimate objective, particularly in areas affected by US export controls and International Traffic in Arms Regulations (ITAR) restrictions. But current European capabilities remain insufficient to fully replace critical American enablers within the required timeframe.

The relationship between European defense initiatives and NATO therefore becomes crucial. Rather than viewing European rearmament and NATO as competing projects, they are

best understood as mutually reinforcing. NATO should continue to define military requirements, interoperability standards, and operational objectives, while the European Union provides the financial, regulatory, industrial, and economic instruments necessary to generate the capabilities the alliance requires. A stronger European defense industrial base should be seen not as an alternative to NATO, but as a necessary contribution to NATO's long-term credibility and resilience.

European strategic autonomy is achievable, but only under demanding conditions. Europe possesses the technological talent, industrial foundations, financial resources, and political momentum necessary to build a credible defense posture. However, time has become the decisive variable. The window for action extends roughly from 2026 to 2032. Success will require four critical accelerators:

1. Mobilizing private capital at scale
2. Centralizing procurement for key capabilities
3. Reforming regulatory and acquisition systems to match the speed of modern warfare
4. Integrating commercial technology companies into defense planning and production

Ultimately, Europe's challenge is not simply to spend more, but to transform itself from a fragmented collection of national defense markets into a coherent strategic ecosystem capable of producing, innovating, and sustaining military power at the scale and speed demanded by an era of renewed great-power competition. Europe can achieve greater autonomy and readiness simultaneously, but not on the same timeline. In the short term, European security will continue to rely on American capabilities and industrial support, while strategic autonomy remains a long-term project whose success depends on Europe's ability to reindustrialize before the strategic window closes.



EUROPEAN REARMAMENT AT A CROSSROADS

Russia's full-scale invasion of Ukraine on February 24, 2022, was a strategic wake-up call for Europe. The continent entered a period of structural vulnerability shaped by strategic, economic, and industrial pressures alongside growing uncertainty over the durability of American support. European strategic autonomy—long a concept primarily advocated by France, and mostly defined as self-reliance—has become a broader European concern. Policymakers in Europe increasingly perceive the possibility of the United States partially disengaging from Europe—which President Donald Trump already signaled during his first term—as a credible strategic scenario rather than as a political provocation. Recent discussions on reducing the American troop presence in Germany and repositioning US forces in Po-

land, as well as uncertainties about Washington's willingness or capacity to provide critical long-range capabilities such as Tomahawk missiles to European allies, have reinforced the perception that Europe cannot continue to outsource its security indefinitely.

Leaders at the highest military and political levels increasingly reflect this reassessment. Upon taking office, French Chief of

Photo: An Italian Navy AW101 helicopter escorts the Italian Navy frigate *Spartaco Schergat* during the NATO anti-submarine warfare training exercise Dynamic Manta 2026 near Sicily on February 23, 2026. (Getty Images)

Defense Staff General Fabien Mandon warned that Russia is a durable, immediate, and direct threat to European security and emphasized that European and North Atlantic Treaty Organization forces must prepare for the possibility of high-intensity conflict on the continent. Similar assessments are now widely shared. NATO Secretary General Mark Rutte has publicly stated that “Russia could be ready to use military force against NATO within five years,”¹ while according to German Defense Minister Boris Pistorius, “our experts expect a period of five to eight years”² in which such an attack could take place. This underscores the urgency of preparedness in the face of a credible and evolving threat.

Yet Europe’s challenge is not only geopolitical. The war in Ukraine has laid bare the fragility of Europe’s defense posture, the limits of its industrial surge capacity, and the inadequacy of procurement frameworks designed for peacetime conditions. What once appeared as manageable inefficiencies now reveal themselves as systemic constraints. For many European governments, the question is whether Europe can develop the industrial, military, and political capacity to assume responsibility in time.

Across the Atlantic, the United States has already elevated reindustrialization as a core pillar of national security. Beyond fostering innovation, Washington is actively rebuilding the capacity to regenerate what President Franklin D. Roosevelt called the “arsenal of democracy”³—which today has become the “arsenal of freedom”—based on two major priorities: deliver at scale and speed directly to the warfighter.

Europe, by contrast, is still defining the contours of its own ambition. Confronted with the prospect of a less predictable American commitment, it has launched an unprecedented effort to transform its defense posture, simultaneously seeking greater autonomy and increased readiness. Yet a central question remains: Can Europe reconcile these objectives when time itself has become its most critical constraint?

A European Turning Point: Three Irreversible Dynamics

Europe’s defense sector has reached a structural turning point driven by three irreversible dynamics:

- 1. Permanent rearmament.** Following the war in Ukraine and the reemergence of high-intensity conflict on the continent, defense spending is no longer discretionary or episodic.
- 2. Strategic autonomy under tension.** While Europe cannot decouple from US capabilities, it can no longer afford dependence in critical domains—ammunition, ISR (intelligence, surveillance, and reconnaissance), air and missile defense, drones, cyber, space, and C2 (command and control).
- 3. Technological disruption of warfare.** Artificial intelligence, autonomy, mass drones, software-defined systems, and rapid manufacturing are eroding traditional procurement cycles and favoring agile startups and scale-ups, not only primes. In the meantime, large-scale capacity to replenish on time has become an existential condition.

While the European Union is neither a fully-fledged political actor nor, a fortiori, a military power, consolidation of the alliance’s European pillar is nonetheless progressing—gradually, but steadily. First, the mindset of European leaders has shifted as they recognize the central importance of defense—which, after 70 years of the so-called peace dividend, they viewed as marginal and largely entrusted to the American security umbrella. Second, European institutions, particularly the European Commission and the European Parliament, have mobilized to develop a range of instruments to facilitate and coordinate defense efforts.

However, the challenges are enormous: The continent needs to adapt faster, mobilize capital at scale, rebuild and expand critical industrial capacities, and reform procurement systems and

institutional architectures that were designed for stability rather than sustained confrontation.

The Financial Paradox

After decades of European underinvestment in defense spending, it is now rising at a historic pace. In 2025, European allies and Canada increased defense spending by 20 percent from the previous calendar year—the largest increase since the 1950s—and all allies are now exceeding the previous spending target of 2 percent of gross domestic product.⁴ NATO allies are now moving toward the new 2035 target of 5 percent of GDP agreed at the Hague Summit last year.

Poland (4.48 percent), Lithuania (4.00 percent), and Latvia (3.73 percent) are already at or above the new 3.5 percent core military spending tier. A fourth country, Estonia, is close, at 3.38 percent. The United States is at approximately 3.22 percent, below the new threshold.⁵ Every ally except Spain has committed to meeting the 5 percent defense spending target by 2035.

Defense expenditures by EU member states reached €381 billion in 2025.⁶ However, this aggregate figure masks a highly uneven distribution across the EU.

Germany is now a heavyweight, with an estimated defense budget of €105.8 billion for 2027, which should reach roughly €180 billion in 2030.⁷ In June 2025, the government of Chancellor Friedrich Merz announced plans to spend nearly €650 billion over the next five years—more than double current spending—to hit NATO's target of 3.5 percent of GDP and transform the Bundeswehr into Europe's strongest military.⁸

The French have been making a real effort, doubling the defense budget over the past 10 years from €32.08 billion to €64 billion.⁹ However, defense spending currently represents 2.05 percent of GDP, while the target is 2.5 percent by 2030 and 3.5 percent by 2035. France is aiming for a

defense budget of €83 billion (including pensions),¹⁰ which would still amount to less than 50 percent of the German defense budget.

These figures, however, do not fully reflect the reality of military capabilities. Germany, for example, after years of underinvestment, must now rebuild critical capabilities, a process that will require sustained time and resources and significant financial effort.

In 2022, following Russia's full-scale invasion of Ukraine, then-Chancellor Olaf Scholz announced a *Zeitenwende*, or turning point, and the German government established a €100 billion special defense fund. But significant gaps remain in ammunition stocks, readiness, air defense, logistics, and industrial production capacity. By contrast, France has maintained a far more complete military (*modèle d'armée complet*), preserving the full spectrum of strategic capabilities including nuclear deterrence, expeditionary forces, intelligence assets, aerospace capabilities, naval power projection, and a relatively autonomous defense industrial base. It therefore enters the current rearmament phase not from a position of reconstruction, but from one of modernization and scaling, even if years of operational overstretch and budgetary constraints have also weakened parts of its armed forces and industrial depth.

Though national budgets drive defense spending in Europe, the EU has progressively developed a set of common financial instruments to support defense industrial production, joint procurement, military mobility, innovation, and capability development. These mechanisms do not constitute a full-fledged European defense budget comparable to the budget of a national defense ministry, and their scale remains limited compared to national spending. But they represent a growing supranational layer of defense financing.

The main European instruments, most of them under the recent ReArm Europe Plan/Readiness 2030,¹¹ include:¹²

- **European Defence Fund (EDF).** The EU's flagship defense-industrial instrument, this program finances collaborative research and capability development projects between European industries and member states. Its budget is €8.8 billion.
- **Act in Support of Ammunition Production (ASAP).** This program is designed to increase European ammunition and missile production capacity, particularly after stocks were depleted by support to Ukraine. Its budget is €500 million.
- **European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA).** The act incentivizes joint procurement of defense equipment by member states.
- **Security Action for Europe (SAFE).** The flagship financial pillar of the ReArm Europe/Readiness 2030 initiative, SAFE offers up to €150 billion in EU-backed loans to support joint procurement of priority defense capabilities.
- **Military mobility funding under the European Commission.** This finances dual-use infrastructure such as railways, bridges, ports, and logistics corridors to enable rapid troop and equipment movements across Europe. Its budget is €1.7 billion.
- **European Investment Bank (EIB).** The institution's role has evolved, and it has progressively expanded eligibility criteria to support dual-use and defense-related industrial projects.
- **European Defence Industry Programme (EDIP).** A structural industrial policy plus joint procurement logic, it has access to €1.5 billion for 2025–27.
- **Fiscal flexibility discussions under the broader ReArm Europe framework.** The EU will allow member states to increase defense spending without fully triggering EU fiscal constraints.

Europe Faces Two Major Paradoxes

The first paradox facing European countries is structural. With combined defense spending now roughly equivalent to Rus-

sia's, they do not fundamentally suffer from a lack of money, but rather, fragmentation and inefficient resource allocation. Duplication of programs, nationally fragmented procurement, limited interoperability, and slow acquisition processes continue to dilute the strategic effect of European spending. So the way capital is allocated and mobilized—whether Europe can spend smarter—is the primary issue.

French Member of the National Assembly Jean-Louis Thiériot, in his report to the French prime minister on European defense industrial strategy, made clear that investment flows into defense remain insufficient and poorly aligned with strategic priorities, particularly for cutting-edge and high-risk capabilities.¹³ The core irony is that Europe duplicates most aggressively where it is already relatively capable—in legacy, capital-intensive platforms such as jets,¹⁴ tanks,¹⁵ artillery systems,¹⁶ and radars¹⁷—while failing to consolidate or invest in the asymmetric, high-growth capabilities where the strategic gap with the United States, Russia, and China is widest—drones, electronic warfare, and AI systems.

The second paradox is a financial gap. Despite a considerable level of European spending, the European Commission estimates that at least €800 billion in additional investment will be needed to meet the objectives of Europe's rearmament agenda: closing critical capability gaps, integrating disruptive technologies and defense innovation, replenishing stockpiles, and rebuilding industrial production capacities after decades of underinvestment. Moreover, the challenge becomes even greater when viewed through the lens of strategic autonomy. Just replacing a reduced American military contribution could require an additional \$350 billion (€302 billion) annually.

No budget, even when aggregated, can absorb such a burden without destabilizing public finances or sacrificing other priorities (e.g., the green transition, cohesion, health). In a report, Member of the European Parliament Christophe Gomar emphasized the need for private capital to reach the goal of €800 billion in investment by 2030.¹⁸

Unlike the United States—where defense is financed through an interlocking system of public procurement, venture capital, private equity, and deep global capital markets—Europe remains almost entirely dependent on state budgets.

American defense capital flows through the full innovation cycle: backing startups through the so-called valley of death, scaling dual-use technologies, and absorbing long-term industrial risk. European firms face the opposite constellation—fragmented markets, scarce growth capital, restrictive environmental, social, and governance (ESG) frameworks, and a financial culture that has historically refused to treat defense as a legitimate asset class. Therefore, the continent can raise billions but cannot build the next Palantir, Anduril, or SpaceX.

European Defense Risk Capital Has Progressed

Defense industries are companies like any other, but they operate under specific constraints (long cycles, political uncertainty, difficulties raising funds on the markets). They often face a structural dilemma because they are too defense-oriented to attract traditional venture capital but too early or too small to survive classic defense procurement. As a result, they are undercapitalized and dependent on public funding, and they often struggle to finance on their own the technological breakthroughs required (autonomous drones, cyber defense, electronic warfare, hypersonic propulsion).

However, the situation is improving. Though European ESG frameworks and institutional portfolios have long stigmatized defense investments, different legal and financial mechanisms have recently encouraged private actors to invest in defense:

- **ReArm Europe.** This program, which was discussed above, introduced limited but symbolically important flexibility in the European investment framework by easing taxonomy-related constraints and lending rules for dual-use technologies. In particular, the EIB has progressively expanded its support for projects with civilian and military applications, such as cyber defense, drones, space systems, mobility infrastructure, and

AI. However, this evolution remains constrained and does not amount to a fundamental doctrinal shift. The EIB still refuses to directly finance weapons, ammunition, or purely lethal military capabilities, while many ESG frameworks continue to classify defense as a “controversial sector.”

- **The Defence Angels European Network (DAEN).** A new, independent, nonprofit initiative, this network connects private investors, entrepreneurs, and innovation leaders to fund early-stage defense tech startups across the EU. Launched in late 2025, it includes 20 European countries (and Ukraine) and aims to boost European strategic autonomy by financing technologies like drones, AI, and cybersecurity
- **The NATO Innovation Fund (NIF).** The fund represents one of the most ambitious attempts by the alliance to adapt its defense innovation ecosystem to the realities of strategic competition and technological acceleration. Formally launched at the 2023 Vilnius NATO Summit, the fund brings together 24 allied nations as investors in an independent venture capital structure focused on dual-use technologies linked to defense, security, and resilience. Around 80 percent of its capital is invested directly in startups, while 20 percent is allocated to specialized venture capital funds across the alliance, particularly in regions historically underserved by private investment. NATO has an observer role on the board. Allied Command Transformation (ACT), the Defence Innovation Accelerator for the North Atlantic (DIANA), and other innovation structures maintain liaison mechanisms with the fund. Allied contributions to NIF count toward NATO defense spending commitments. Since launch, the fund has completed 21 direct investments and mobilized more than \$1.42 billion in co-investment capital. However, the NIF remains modest relative to the scale of European rearmament requirements. It can catalyze innovation and support emerging firms, but it cannot by itself solve the deeper structural problems: fragmented procurement systems, slow acquisition cycles, legal rigidity, a lack of industrial-scale production capacity, and the enduring dominance of traditional “industrial age” procurement models.

- **The Defence Equity Facility (DEF).** This is an EU financial instrument operated by the European Investment Fund (EIF) under the broader Invest EU Programme and is linked to the EDF ecosystem. Designed to channel private capital into European defense and dual-use technology companies, it invests as a limited partner in European venture capital, private equity, and private debt funds that themselves finance defense and dual-use companies. The DEF provides roughly €175 million in public backing, but the objective is to unlock more than €500 million in total investment capacity through leverage and co-investment

effects. However, the DEF remains modest in scale compared to the massive capital required for European rearmament.

- **The Joint European Defense Initiative (JEDI).** The program calls itself “the European advanced research projects initiative” (European ARPA), and says its mission is to fund and develop the technological breakthroughs that will ensure Europe’s competitiveness and sovereignty.”¹⁹

For more on French and German private initiatives to finance new defense technologies, see box 1.

Box 1. Examples from French and German Ecosystems

The French ecosystem is relatively efficient at seed funding through public instruments such as Bpifrance, Definvest, or the Agence de l’innovation de défense (Defence Innovation Agency, or AID). But it is much weaker when companies need larger funding rounds, industrial scaling, or fast acquisitions. France has traditionally suffered from a shortage of growth-stage financing capable of helping industrial or deep-tech firms scale beyond the startup phase. This is precisely where American capital markets and defense-oriented venture capital have historically outperformed Europe.

To reverse the trend, Turenne Capital, a leading French independent private equity firm that was historically focused on small and medium-sized enterprises (SMEs), industrial growth companies, regional development, and innovation financing, has increasingly targeted sectors linked to dual-use technologies, industrial resilience, cybersecurity, deep tech, aerospace, electronics, AI, robotics, and strategic manufacturing capabilities. It does not, however, invest directly in weapons systems.

In the early-stage sovereign-oriented angel investment initiative, Défense Angels,²⁰ created in 2021–22 within the broader France Angels ecosystem, is the first French business angel network specifically dedicated to defense-tech startups, dual-use tech, cyber and AI, drones, quantum and space capabilities, and strategic technologies. Its creation reflected a growing consensus within French defense circles that innovative startups developing dual-use or military technologies faced a systemic financing gap. It received institutional and public support from the Defense Ministry through a partnership with AID and the defense industrial base ecosystem.

Munich is the top European city for defense-tech investment in 2025, with \$1.7 billion raised, an 18-fold increase since 2020. The Bavarian capital hosts Helsing, Isar Aerospace, Quantum Systems, ARX Robotics, and a dense network of AI, aerospace, and robotics startups. Munich’s dominance is driven by its combination of technical universities (including the Technical University of Munich and Ludwig Maximilian University of Munich), proximity to major defense primes (HENSOLDT, Airbus Defense, MTU Aero Engines), and a growing cluster of defense-focused venture capital firms.²¹

The normalization of investment in defense sectors, which was previously politically or reputationally sensitive in Europe, signals a profound cultural shift. Defense, once viewed solely as a matter of state expenditure, is increasingly becoming a legitimate field for private investment and technological entrepreneurship. Startups in AI, cyber, space, energy, and autonomy are now being funded, and early-stage capital is no longer the primary bottleneck. According to a Dealroom-NIF report,²² European defense, security, and resilience startups raised a record \$8.7 billion in 2025, up 55 percent year-on-year, with late-stage investment tripling to \$4.7 billion.

Some gaps, however, remain:

- Difficult access to venture depth, late-stage scale-up capital, and market consolidation, which often pushes startups toward US capital as the only viable scaling option
- SME access²³ to European instruments at the community level, as these instruments are structurally ill-suited to the scale of SMEs and impose an administrative burden that most small firms cannot absorb
- Irregular public procurement and payment delays between subcontractors, which reduce cash flow visibility
- The exclusion of defense activities by certain investors
- Limited exit opportunities for defense assets on European capital markets, which reinforces those constraints
- A lack of visibility and difficulty navigating the growing ecosystem of European funds and financial tools, national schemes, incubators, and accelerators, whose diversity reflects a welcome dynamism but also creates a fragmented and often confusing landscape, particularly for SMEs and startups
- A lack of continuity between research, experimentation, prototyping, and industrial production or large-scale acquisition, which makes it difficult not only to attract startups, SMEs, and larger companies to the defense sector, but also to engage traditional European market investors

Europe's core model, unlike the US defense capital ecosystem,²⁴ is based on public capital and policy-driven procurement aligned on 27 national policy-tool models. If Europe intends to sustain its rearmament and its broader industrial resurgence, it will need not only to spend more, but also to fundamentally redefine its investment model by integrating private capital into the defense ecosystem and making defense financing politically acceptable, strategically organized, and economically attractive.

Will Capital Become a Battleground Between US and European Investors?

Europe fears losing control over strategic technologies, industrial assets, and defense innovation ecosystems to foreign capital—not only Chinese, but increasingly, American. Yet the United States remains the dominant source of financing for European defense and dual-use technologies, and the transatlantic gap in venture capital, growth financing, and scaling capacity shows no sign of closing.

The data is unambiguous. According to a recent McKinsey analysis on European defense tech,²⁵ American investors provide more than 60 percent of the capital in funding rounds exceeding \$200 million—a dominance that mirrors the broader deep-tech ecosystem, where nearly half of late-stage investment comes from US or Asian sources. Europe can finance the seed and early stages, where public instruments—Bpifrance, the NIF, and national defense innovation agencies—play an active role. But European funds also tend to be smaller, more risk-averse, and less willing to support the long development cycles typical of defense technologies. As a result, they consistently fail to generate the large private capital pools needed to industrialize, scale production, and carry companies through the valley of death between prototype and operational deployment. As a result, European startups frequently turn toward American capital precisely when they become strategically valuable. This creates a growing tension for Europe's strategic autonomy agenda.

What is at stake, therefore, is not simply industrial competitiveness. The emerging contest between American and European capital is a struggle over who will finance, structure, and ultimately control the future of Europe's defense industrial base. This issue is rooted in deep structural differences between the two capital markets that no political declaration has seriously addressed.

Europe has responded by moving toward a far more interventionist posture on foreign capital. In December 2025, the EU Council and Parliament reached a political agreement that overhauled the EU's foreign direct investment screening framework, making mandatory what was previously discretionary. All member states must now screen investments in sensitive sectors—defense, dual-use goods, AI, semiconductors, quantum technologies, critical raw materials, en-

ergy, transport, and parts of the financial system—thereby closing the patchwork of national regimes that left significant exposure.

Yet the new framework confronts Europe with a structural contradiction. Brussels is tightening scrutiny of foreign capital while depending on it. American investors still provide 40–50 percent of late-stage financing for European defense and dual-use startups—meaning the partner that Europe is most ambivalent about politically remains the one it cannot replace financially. The transatlantic relationship reflects both capital interdependence and industrial competition (see box 2 for an example). And though the Buy European doctrine may be politically compelling, it does not resolve the underlying gap in private growth capital that makes European defense tech reliant on US funding in the first place.

Box 2. The Case of Rheinmetall

Business-to-business cooperation is moving faster than government-to-business cooperation. Analysts often cite Rheinmetall as a successful example of a European defense company that chose expansion and integration rather than protection. Instead of relying solely on German or European funding and procurement, it leveraged transatlantic capital, partnerships, and industrial opportunities to scale its business. The company expanded its presence in the United States, partnered with American defense firms (Lockheed Martin, Honeywell, and Raytheon), invested in production facilities abroad, and positioned itself to benefit from both European rearmament and US defense spending. At the same time, it has become one of the main beneficiaries of Europe's renewed defense effort, particularly through ammunition, armored vehicles, and industrial capacity expansion linked to the war in Ukraine. Rheinmetall's strategy illustrates that industrial growth can be accelerated through openness to allied capital and cooperation rather than through purely national or European approaches. For many observers, it demonstrates that the challenge is not necessarily choosing between European and American capital but mobilizing both to scale defense production and innovation more rapidly.

Whoever finances Europe's defense innovation ecosystem will largely determine its future trajectory. As competition for venture and growth capital intensifies, Europe faces a dual challenge: reducing excessive dependence on external financing while avoiding the trap of financial protectionism. Given the persistent shortage of European defense capital, restricting US investment or transatlantic industrial partnerships could ultimately weaken the very ecosystem Europe seeks to strengthen. The goal should therefore be to build a robust European capital base capable of competing with—and complementing—American investment, achieving sovereignty through abundance rather than exclusion.

The Challenges of Joint Procurement

Europe does not have one defense market, but 27. Each operates according to its own procurement rules, regulatory frameworks, technical standards, and preferred platforms—each designed, above all, to sustain a national industrial base. The European roadmap identifies priority initiatives—counter-drone systems, air defense shields, a European space shield—yet no overarching framework coordinates them rationally.

Therefore, Europe collectively spends vast sums on defense yet continues to duplicate capabilities without achieving scale. Fragmentation inflates unit costs, truncates production runs, erodes export competitiveness, and sends an unambiguous signal to private investors: this market does not reward scale or consolidation. In 2024, only 19 of the world's top 100 defense companies were headquartered in the EU, compared to 48 in the United States. Lockheed Martin alone generated approximately \$71 billion in defense revenue—almost equivalent to the turnover of the entire EU defense industry in 2022.

This fragmentation creates a severe barrier for SMEs: A drone manufacturer in Portugal that wishes to sell across Europe would need to establish legal and industrial presences in 26 separate national markets, which is prohibitively expensive for any startup.

European joint procurement has nonetheless progressed significantly over the past two decades, evolving from limited ad hoc cooperation into a more structured and strategic approach to defense acquisition. Earlier multinational programs such as the Airbus A400M transport aircraft, the Eurofighter Typhoon, and missile cooperation through MBDA demonstrated that European states could jointly develop and procure complex military capabilities while sharing industrial and technological expertise and operational requirements.

Since Russia's invasion of Ukraine, cooperation has accelerated both politically and operationally. New programs such as the Eu-

ropean Sky Shield Initiative (ESSI); coordinated ammunition procurement through the European Defence Agency (EDA) and the NATO Support and Procurement Agency (NSPA); multinational acquisitions of Patriot systems, High Mobility Artillery Rocket Systems (HIMARS), and armored vehicles such as Boxer; and joint naval modernization efforts reflect a growing recognition that fragmented national procurement is no longer sustainable in the context of high-intensity war and industrial competition.

While Europe remains far from a fully integrated defense market, the current trend marks a clear shift from purely national acquisition strategies toward a more coordinated European defense-industrial ecosystem.

This evolution raises a broader question: Can industrial consolidation be a form of joint procurement? In many respects, European industrial mergers and consortia represent the structural extension of multinational acquisition. Rather than merely pooling demand, they integrate production, research and development, supply chains, and long-term strategic planning across several states. Airbus remains the canonical example. Built through the consolidation of French, German, Spanish, and later British aerospace assets, Airbus demonstrated that European industrial integration could create a globally competitive champion capable of rivaling American dominance. In the defense sector, MBDA stands as the most successful example of integrated European defense production, bringing together French, British, Italian, and German missile activities under a single structure that produces common systems such as Meteor, Aster, and CAMM (Common Anti-Air Modular Missile) missiles. Similarly, KNDS—the merger between France's Nexter and Germany's Krauss-Maffei Wegmann—sought to consolidate Europe's fragmented land systems industry around major platforms such as the CAESAR (Camion Équipé d'un Système d'Artillerie) artillery system, Leclerc tank, Leopard 2, and PzH 2000.

More recent partnerships suggest that cross-border industrial integration continues to deepen. In 2024, Leonardo and Rhe-

inmetall announced a joint venture to develop next-generation armored vehicles for the Italian Army, marking one of the first major cross-border land systems partnerships beyond the traditional Franco-German framework. The merger between Eutelesat and OneWeb, though not involving purely military systems, also reflects Europe's attempt to consolidate strategic capabilities in satellite communications and reduce dependence on non-European actors such as Starlink.

Meanwhile, the difficulties encountered by flagship cooperative programs such as FCAS (Future Combat Air System, recently partially abandoned),²⁶ MGCS (Main Ground Combat System), or the now-abandoned Eurodrone illustrate the enduring limits of European defense integration. National workshare demands, divergent operational requirements, intellectual property disputes, export control disagreements, and industrial rivalries continue to slow or distort many programs. Political expectations often accumulate around these projects that exceed industrial realities, showing that large multinational programs can sometimes struggle under their own political weight.

Despite these tensions, the broader trajectory remains one of gradual industrial consolidation and growing recognition that Europe's defense competitiveness increasingly depends on its ability to cooperate in both procurement and production.

Questioning the Role of the European Commission

The *White Paper for European Defence—Readiness 2030* makes the case that without greater coordination, common procurement, and some form of centralized industrial steering, Europe will remain unable to generate the scale, interoperability, and standardization required for sustained rearmament.²⁷ Brussels has internalized that argument—and acted on it. The European Commission now positions itself not merely as a regulator or funding vehicle, but as a potential procurement coordinator, operating through mechanisms linked to the EDA and nascent EU instruments. Proposals such as European Defence Projects of Common Interest (EDPCI)—which is intended “to overcome

fragmented national defence efforts by promoting joint development, production and procurement of key military capabilities”²⁸—explicitly import the logic of large-scale industrial integration into air defense, munitions, military mobility, and critical supply chains.

If the logic is clear, the politics is not. The central question—Who is in charge?—remains unanswered. The EDA has been progressively sidelined and underused by member states, its coordinating ambitions outpaced by events. The European Commission's growing assertiveness, meanwhile, is met with open suspicion—and not without reason (for more on the French view, see box 3). Defense procurement cuts to the core of national sovereignty: it is bound up with strategic culture, industrial employment, export policy, and operational autonomy. Many governments fear, reasonably, that a stronger role for Brussels would subordinate national industrial champions to centralized market logic poorly suited to military realities, while eroding political control over decisions that remain, at bottom, questions of national security.

The result is a structural deadlock, with Europe caught between two competing imperatives: the strategic need for greater coordination, scale, and industrial consolidation on the one hand, and member states' enduring attachment to national control over defense industries and procurement, on the other.

The Resurgence of National Industrial Preferences in Europe

Joint procurement and collaborative R&D remain the exception, not the rule. They take place only when they align with national priorities, serve domestic industries, or reinforce preexisting bilateral ties. Defense is not a conventional market. The state occupies a unique triple role—regulator, owner, and primary customer—creating a quasi-monopsonistic structure in which governments simultaneously generate demand and direct it toward national industrial champions. Defense firms thus remain tightly bound to domestic procurement cycles, strategic

Box 3. French Perspective on Expanding the European Commission's Role in Defense

France broadly supports European rearmament and strengthening the European defense industrial base, but it remains cautious about the European Commission expanding its role in defense procurement and capability planning. France's concerns extend to export policy and nuclear deterrence, which it views as strictly national prerogatives.

Paris believes that armaments and military capability choices should remain core domains of national sovereignty and fears that an overly centralized European approach could weaken strategic autonomy, national industries, or operational flexibility.

France's chief of defense staff, Fabien Mandon, warned during a hearing in the French Senate that "it is not for the European Commission to define military needs."²⁹ This was in reaction to statements by European Commission President Ursula von der Leyen about building a "wall of drones"—a misleading expression for a complex form of warfare. French Member of the French National Assembly Jean-Louis Thiériot, who led a parliamentary fact-finding mission on European defense, stated, "Ukrainians and Russians have shown that drones can be loaded onto trucks or boats and launched from anywhere. To imagine investing billions to build a drone wall along the border is reminiscent of constructing a new Maginot Line."³⁰

Andrius Kubilius, European commissioner for defense and space, reassured French authorities, stating at a conference on defense and security, "The division of labor is clear: member states lead and decide. Industry produces. The EU supports."³¹

priorities, and employment imperatives. Although the European Defence Technological and Industrial Base (EDTIB) is concentrated in a handful of major powers—France, Germany, Italy, Spain, and Sweden—23 member states host prime manufacturers producing the 46 capabilities identified as most urgently needed at the European level. That dispersion creates powerful incentives to protect national production lines and resist rationalization.

Across Europe, rearmament now functions as an instrument of industrial policy, technological sovereignty, and economic self-protection.

The recent surge in defense budgets has not dissolved these dynamics but deepened them. Despite intensifying rhetoric around European defense integration, the continent still lacks mechanisms that reward performance, acquisition velocity, and

production at scale. In their absence, many European states are reverting to industrial nationalism across sectors deemed strategically sensitive: defense, space, digital infrastructure, semiconductors, and telecommunications. This is more than mere protectionism; it reflects a fundamental reassessment of sovereignty, supply-chain resilience, and technological dependence in an era of sharpening great-power competition. Consequently, a collection of fragmented markets cannot generate economies of scale, industrial surge capacity, or rapid delivery across the continent.

Germany offers one of the clearest examples of this evolution. While officially supporting European defense cooperation, Berlin increasingly seeks to preserve and strengthen its own industrial champions—notably Rheinmetall in land systems and ammunition production—while insisting on substantial German workshare in major cooperative programs such as FCAS

or MGCS. Germany's €100 billion *Zeitenwende* defense fund has largely benefited companies with strong domestic industrial footprints, illustrating the persistence of national preference mechanisms beneath the discourse of European integration. Recently, the Bundeswehr and German industrial actors—notably Rheinmetall, OHB, and Airbus—announced that they are actively working on plans for a separate German military satellite constellation, reportedly worth around €10 billion. This network would include roughly 100 low-earth-orbit satellites exclusively for military use and would operate independently from IRIS2 (Infrastructure for Resilience, Interconnectivity and Security by Satellite), the EU's €10.6 billion sovereign satellite constellation that is intended to provide secure governmental and military communications. In practice, therefore, Germany is not abandoning IRIS2 but hedging against it by building a parallel sovereign capability.

France has historically pushed these sovereignty dynamics even further through its long-standing doctrine of strategic autonomy. Paris continues to strongly support national and European champions such as Dassault Aviation, Thales, and Naval Group, while advocating for Buy European provisions, systems that don't adhere to the United States' International Traffic in Arms Regulations (ITAR), and stronger European industrial preference mechanisms.

Other countries are following similar trajectories. Italy has reinforced state protection around Leonardo and expanded the use of so-called golden power legislation to shield strategic sectors from foreign acquisitions. Meanwhile, traditionally Atlanticist states such as Denmark have developed greater industrial-security reflexes, particularly in critical infrastructure protection, maritime surveillance, Arctic security, and cyber resilience, as a result of the Russia-Ukraine War and the Nord Stream sabotage.

In consequence, there is a growing contradiction at the heart of European defense policy. European states increasingly rec-

ognize the need for integration, interoperability, and industrial scale, yet continue to defend national champions, domestic employment, technological control, and sovereign decision-making.

Extended Timelines and Structural Inefficiencies

The timeline for when Russia could threaten Europe is becoming dangerously short. Admiral Pierre Vandier, NATO supreme allied commander transformation, warned at the Paris Defense and Strategy Forum in March 2025 that the growing gap between Europe's defense ambitions and its operational capabilities could undermine deterrence, encouraging Moscow to conclude that Europe and NATO may lack the capacity to sustain a prolonged confrontation. Multiple intelligence assessments warn that Moscow could reconstitute significant offensive military capabilities between 2027 and 2029.

But peacetime logic continues to shape European procurement systems. They are designed around long-cycle acquisition programs, complex administrative procedures, and highly detailed specifications developed over years rather than months. These processes favor large incumbent prime contractors that can absorb delays in payments, navigate bureaucratic requirements, and influence capability definitions.

The same limitation applies to major European defense instruments such as the EDF, EDIRPA, EDIP, or CARD (Coordinated Annual Review on Defence), which were designed primarily for long-term capability development, industrial coordination, and cooperative planning. Their governance structures and procurement mechanisms remain rooted in the logic of multiannual programs and slow decision-making processes rather than operational urgency and rapid adaptation.

Europe therefore has a procurement culture optimized for risk management and procedural compliance rather than speed, adaptability, or wartime responsiveness and integration of commercial innovation.

Such structures are increasingly ill-suited to the realities recent conflicts have revealed. The wars in Ukraine and the Middle East have demonstrated that military superiority (or survival) no longer depends solely on technological sophistication but increasingly on the speed of adaptation, mass production, and delivery. Modern warfare requires the rapid integration and continuous updating of software, drones, sensors, electronic warfare systems, and countermeasures in cycles measured in weeks—or even days—rather than years. Battlefield lessons from Ukraine in particular reveal a highly dynamic model of warfare in which drones become obsolete within weeks, electronic warfare environments evolve constantly, and production must function with far greater flexibility, scalability, and proximity to operational theaters.

Europe lacks the institutional flexibility required for rapid battlefield adaptation. The result is a dangerous mismatch between the accelerating tempo of modern warfare, on the one hand,

and procurement systems still largely designed for a slower strategic era. The continent therefore needs more than larger defense budgets; it needs to fundamentally transform procurement practices built for an era of strategic stability into systems that can support industrial mobilization, rapid iteration, and sustained wartime production.

Challenges to Building a European Arsenal of Freedom

The real obstacle to European strategic autonomy is not money or innovation (for an example of how Europe has developed an advanced capability, see box 4). Instead, the problem is industrialization and the capacity to manufacture in mass quantities and at scale. The 2024 report on European competitiveness by former Central European Bank President Mario Draghi frames, for the first time in a report to the European Commission, how defense is a core component of economic competitiveness and an engine of innovation, resilience, and industrial sovereignty.³²

Box 4. THUNDART Shows Europe Can Develop New Capabilities

Europe does not lack talent or technology: The successful demonstration on April 14 of THUNDART, the long-range ground-to-ground rocket system developed jointly by MBDA and Safran, offers a concrete rebuttal to the narrative of European strategic dependency. THUNDART is now the only deep-strike system developed in Europe that has completed a live firing demonstration—which was an industrial and technological milestone. THUNDART reflects a design philosophy drawn directly from the Ukrainian theater: survivable, mobile, deep-strike capable, and hardened against the electronic warfare conditions that define modern high-intensity conflict. It demonstrates, beyond its technical performance, that Europe can compete in the defense-tech arena when industrial will, sovereign capability, and lessons from live conflict are allowed to converge. It is precisely the kind of system the Readiness 2030 framework demands: a credible European alternative to existing systems, planned to be operational by 2030, developed without dependence on non-European supply chains or technology transfers.

The problem is under-scaling, under-coordination, and under-investment in the systems that translate political intent into military capability. At the core of Mario Draghi's assessment lies a structural reality: Europe's defense industrial base was not designed or financed for sustained high-intensity warfare. Although European defense spending now approaches Russian levels in aggregate, Europe still struggles to translate financial efforts into rapidly deployable military capability. Decades of downsizing after the Cold War produced an industrial model optimized for limited production runs and just-in-time supply chains rather than mass production and wartime resilience.

In this framework, defense policy becomes inseparable from industrial policy, financial integration, technological leadership, semiconductors, AI, cyber, space, energy security, and critical raw materials.

The report's diagnosis of Europe's defense industry and defense investment is blunt and still valid: Europe lacks the industrial depth necessary for sustained mass production, and its security ambitions are structurally misaligned with its industrial and financial reality.

Regaining European Competitiveness

A combination of external pressure and internal structural weaknesses increasingly challenges European industrial competitiveness. Defense spending has risen sharply since 2021, but production timelines are still measured in years rather than months, revealing that the central challenge is no longer political awareness but industrial scale and workforce capacity.

The war in Ukraine brutally exposed the shortfalls in Europe's defense industrial base, especially in the availability of ammunition, missiles, and spare parts for a sustained high-intensity conflict. Early in 2023, the EU pledged to deliver 1 million artillery shells to Ukraine within a year as part of an "ammunition plan," only to find that less than half that number were delivered by the deadline. The European Commission set a target of reaching a production capacity of 2 million rounds annually by the end of 2025, and new factories opened in Germany, Lithuania, and Hungary. Russia, in contrast, produces an estimated 4.5 million artillery shells annually.

In Germany, domestic defense orders roughly doubled between 2025 and early 2026, while industrial production increased only marginally, highlighting the widening gap between procurement announcements and deliverable capability. The German procurement plan for 2025–26 allocates 8 percent to American systems, while most is to be used for European systems, including the Eurofighter Tranche 5, the F127 frigate, and the

IRIS-T SLM (Infrared Imaging System Tail/Thrust Vector Controlled Surface Launched, Medium Range) air defense system.³³ The 200 Puma infantry fighting vehicles that Germany ordered for €4.2 billion will not be delivered before 2028.

Europe has experienced decades of industrial erosion, reflecting a long-term shift toward service-based economies and fragmented supply chains. In several major European economies, manufacturing now accounts for barely 10–15 percent of GDP—around 10 percent in France and roughly 11 percent in Spain—while in a smaller group of countries such as Germany, Czechia, and Poland, manufacturing accounts for closer to 18–20 percent.

At the same time, European firms face internal constraints that limit productivity and innovation. The most significant, already mentioned, is the fragmentation of the European market: regulatory, commercial, and operational barriers between EU member states often make scaling businesses across Europe more difficult than expanding into external markets such as the United States. This fragmentation particularly undermines advanced industries, where competitiveness depends on scaling innovation, software, R&D, and intangible assets across a large integrated market.³⁴

Another internal constraint is the workforce. The European defense industry was employing approximately 633,000 direct workers as of 2024, up more than 20 percent since 2021. However, the EU estimates that there is a shortage of 150,000–200,000 skilled workers today, and it plans to train or retrain 600,000 defense workers by 2030. Companies ranging from prime contractors (Airbus, Leonardo, Thales, Rheinmetall, Saab, KNDS) to thousands of SMEs and mid-caps struggle to recruit engineers, software developers, systems architects, production technicians, welders, machinists, and cybersecurity specialists. The problem is particularly acute in emerging domains, such as AI, quantum technologies, autonomous systems, advanced materials, additive manufacturing, and space-based capabilities.

Chinese industrial dominance across sectors essential for civilian resilience and defense production—including rare earth refining, batteries, solar technologies, industrial components, chemicals, drones, and key manufacturing inputs—creates another restraint. The overwhelming scale of Chinese manufacturing, which accounts for roughly one-third of global industrial output, creates a strategic asymmetry that directly impedes Europe’s ability to sustain rearmament, absorb wartime shocks, or scale production rapidly in a prolonged conflict.

For example, in the automotive market, once a top European industry, Chinese firms—and increasingly players like Tesla—bring products to market far more rapidly while implementing annual cost reductions of 5–10 percent, a rate European manufacturers historically achieved only over five to seven years. Chinese firms are no longer competing solely on low labor costs; they now combine competitive pricing with advanced technology, threatening European industry.³⁵

Europe’s Reindustrialization Challenge:

Three Fronts, One Imperative

Europe’s Readiness 2030 plan has identified critical capability gaps that expose the continent’s structural unpreparedness for modern warfare: air and space defense, tactical drones, mechanized combat, electronic warfare, C4 (command, control, communication, and computers) software, secured communications, and cybersecurity. Closing these gaps requires simultaneous progress on three distinct but interdependent fronts: the traditional defense industrial base, the defense-tech innovation ecosystem, and the civilian-industrial foundation that underpins both.

The Defense Primes: Uneven Acceleration

Europe’s established defense primes are adapting to the new strategic logic, with visible momentum in munitions, air defense, sensors, drones, and land systems.

Yet the transformation remains uneven. Decades of just-in-time procurement have left European firms struggling to replenish

stocks, scale production lines, or sustain manufacturing at operational tempo. Capacity is fragmented across countries, programs, and incompatible standards. The deeper obstacle is structural: without long-term, visible public orders, primes cannot justify the capital investment that sustained industrial capacity demands.

The DefTech Ecosystem: Innovative but Disconnected

Modern warfare is software-defined—built on sensor fusion, mesh networks, AI-enabled data exploitation, zero-trust cybersecurity, and cloud computing. It runs at machine speed, with systems replaced on three-to-seven-year cycles rather than decades-long procurement timelines. Victory belongs to whoever masters informatized warfare by integrating commercial platforms like Starlink and Palantir, deploying adaptive software architectures, and deciding faster than the adversary.

Europe’s tech ecosystem—genuinely dynamic and innovative—has until recently evolved in near-total isolation from defense institutions. Two parallel models hardened over time: on the one hand, a defense industrial base built around long procurement cycles, heavy certification, and centralized acquisition; on the other, a startup and dual-use ecosystem driven by rapid iteration, venture capital, and agile methods. As a recent report from the French Institute of International Relations (IFRI) underscores, making these two models coexist is now a strategic necessity—yet the governance frameworks to achieve this goal remain undefined.³⁶

A more innovative defense system has thus become a priority across Europe. France’s creation of AID in 2021 was an explicit attempt to bridge traditional procurement structures and emerging dual-use technologies; analogous institutions have since emerged across NATO, reflecting a shared recognition that technological advantage flows as much from commercial ecosystems as from legacy contractors.

The relationship between primes and startups, however, remains structurally ambivalent. Large industrial groups have

increasingly engaged with startups through accelerators, venture funds, and acquisitions. Thales's purchase of AI and data-exploitation firm Preligens is emblematic: the move at once absorbs capability while securing strategic technology within the national ecosystem and preventing it from falling under foreign control. Yet integration has remained partial. Startups are wary of slow timelines, compliance burdens, intellectual property constraints, and dependency; primes perceive startups simultaneously as sources of innovation and potential disruptors capable of bypassing established industrial hierarchies. In practice, cooperation clusters at the edges—software, sensors, AI, autonomy, data processing—while core platforms and major weapons systems remain the preserve of incumbents. Europe has yet to build a structural bridge like the one the United States has constructed, where companies like Palantir, Anduril, SpaceX, and hyperscale cloud providers are woven directly into strategic planning, converting commercial technological depth into military advantage.

European governments have therefore turned to American institutional models for inspiration. They are closely studying mechanisms such as the Defense Innovation Unit (DIU) and the Small Business Innovation Research (SBIR) program for the flexible contracting pathways, rapid prototyping opportunities, and early-stage funding they offer, connecting venture-backed innovation with operational military needs without routing everything through traditional acquisition cycles. Their appeal reflects a wider conclusion: in an era of technological competition, the decisive edge comes from quickly absorbing and fielding what a country's innovation ecosystem has built, not just from developing it.

The Civilian-Industrial Base: The Overlooked Foundation

The US reindustrialization strategy covers the whole spectrum of industries considered part of the national security domain. And indeed, military power ultimately rests on a broader industrial substrate: steel, chemicals, semiconductors, shipbuilding, energy, cloud infrastructure, robotics, batteries, machine tools, and logistics. Even though there are calls in Europe for civilian

companies like Renault to build drones, Europeans still underestimate this dimension. Production depth cannot be conjured from procurement budgets alone, but requires a manufacturing ecosystem capable of conversion, surge, and resilience. Here, Europe's fragmentation across national industrial bases of uneven strength is most acute, and the gap with the United States and China most consequential.

Progress on any single front is insufficient. Advanced defense primes without a civilian-industrial base lack surge capacity. A vibrant defense-technology (DefTech) ecosystem without integration pathways into acquisition systems produces innovation that never reaches the battlefield. And civilian manufacturing depth without demand signals from defense institutions atrophies or is redirected toward commercial markets. Europe's reindustrialization challenge is, ultimately, one of integration—across all three fronts simultaneously.

A final challenge should not be overlooked: Europe's energy problem. High electricity prices, continued dependence on imported energy and critical raw materials, and the simultaneous imperative to decarbonize and reindustrialize create compounding structural pressures. The tension between the ambitions of the Green Deal and the energy demands of defense industrial expansion—which requires power that is abundant, reliable, and affordable—is becoming increasingly difficult to reconcile. Even European Commission President Ursula von der Leyen has called Europe's nuclear phaseout a “strategic mistake” and championed a return to nuclear energy as essential for competitiveness and energy independence.³⁷ This marks a remarkable, if belated, admission of the scale of the challenge ahead.

Buy European: Slogan or Reality?

The emerging Buy European doctrine represents one of the most consequential shifts in European defense policy since the Cold War ended. The Draghi report estimated that 78 percent of new European defense orders between 2022 and 2023 were placed outside Europe, with 63–68 percent in the United States alone.

Dependence on American defense systems raises growing concerns in Europe because of the legal and political constraints attached to US equipment, particularly through the ITAR, which give Washington significant control over the export, re-export, maintenance, transfer, and in some cases operational use of systems containing US components or technologies. This creates a structural dependency that extends far beyond the initial acquisition itself. For many European states and industries, the issue is not only technological dependence but also strategic autonomy and freedom of action. The possibility—real or perceived—that the United States could restrict access to spare parts, software updates, munitions, maintenance support, or export authorizations in the event of a political disagreement has become a growing source of concern.

This situation has intensified in a transatlantic climate marked by harsh rhetoric, pressure campaigns, claims on Greenland, growing uncertainty about the durability of American security guarantees, and transactional approaches toward European allies. Even if the United States is unlikely to completely restrict NATO allies' access to these items, the mere existence of such leverage has reinforced European calls for greater strategic autonomy, diversification of suppliers, ITAR-free systems, and preservation of independent industrial and operational capabilities.

The war in Ukraine exposed Europe's military shortages, but the war with Iran exposes the structural limits of the US defense industrial base, which is already struggling to sustain current operational demands while preparing for a possible major confrontation with China. In this context, many in Washington increasingly view stronger European industrial capabilities not simply as competition for the United States, but as a strategic necessity for the alliance. The United States needs allies capable of producing, stockpiling, sustaining, and innovating alongside it in the event of prolonged high-intensity conflicts across multiple theaters. A more capable European defense industrial base, far from supporting complete decoupling from the United States, would strengthen NATO's overall resilience, alleviate

pressure on US production capacity, and provide additional manufacturing depth if simultaneous crises in Europe and the Indo-Pacific occur.

This shift reflects a broader logic of burden-sharing that extends beyond defense spending to include industrial capacity, supply-chain resilience, and operational readiness. More than previous administrations, the current US leadership appears increasingly willing to support Europe's efforts to rebuild its defense industrial base and restore critical manufacturing chains, from raw materials and munitions production to advanced defense technologies and industrial scaling capacities. This does not entirely eliminate tensions. Parts of the US administration, Congress, and defense industry remain attached to a more traditional view of transatlantic burden-sharing in which increased European defense spending leads to purchases of American equipment—which some see as a legitimate return for decades of US security guarantees and military predominance within the alliance. Yet even within this framework, many policymakers in Washington recognize that Europe's long-term rearmament cannot rely exclusively on off-the-shelf acquisitions from the United States. Sustainable deterrence ultimately requires Europeans to both spend more and produce more, while keeping interoperability as a priority.

While Buy European policies in defense and critical industries are gaining momentum, implementation is another story.

Implementing Buy European

Specific frameworks and initiatives have been introduced to implement Buy European policies, with the explicit aim of redirecting a significantly greater share of defense spending toward European industrial bases. The SAFE mechanism requires funded programs to progressively increase European or Ukrainian content, while EDIRPA mandates that at least 65 percent of components originate from EU or associated countries. The European Parliament's position on EDIP goes even further, advocating for a minimum of 70 percent, and national procurement trends

increasingly reflect this shift. Germany's 2025–26 procurement plans allocate only a small share of purchases to American suppliers compared to previous years, while Denmark's selection of the Franco-Italian SAMP/T (Sol-Air Moyenne Portée/Terrestre) system over the US Patriot missile system—and the public criticism surrounding past F-35 acquisitions—illustrate a broader reassessment of excessive dependence on American defense equipment.

Politically, the Buy European principle sends a strong signal: Europe seeks to strengthen its industrial and technological base, create skilled jobs, and ensure that critical defense capabilities remain under European control. This logic is increasingly being translated into concrete sovereign programs in multiple domains. For example, in France, Thales and ArianeGroup successfully conducted the first firing of the new FLP-t (Frappe Longue Portée Terrestre) 150 ballistic munition on May 5, 2026. Developed to replace the LRU (Lance Roquette Unitaire), this sovereign capability is designed for high-intensity warfare and opens the way for longer-range precision strike systems with improved penetration against advanced air defenses.

The Tomahawk missile delivery crisis has become a powerful catalyst for Europe's renewed interest in sovereign long-range strike capabilities. As operations in the Middle East deplete US stockpiles—with more than 1,000 Tomahawks reportedly fired against targets in Iran, Yemen, the Red Sea, and elsewhere,³⁸ roughly one-third of American reserves—European capitals are increasingly questioning Washington's ability to satisfy allied demand after addressing its own operational requirements. Germany has still not received the approximately 400 Tomahawk missiles it requested,³⁹ despite earlier American commitments, while the Netherlands has already launched efforts to develop an equivalent capability. In this context, the European Long Strike Approach (ELSA) initiative has gained new strategic relevance. Bringing together several European states including Germany, Italy, Sweden, and

Poland, ELSA seeks to accelerate acquisition of long-range conventional strike systems capable of operating deep into contested environments. This dynamic creates a major opportunity for MBDA and its MdCN (Missile de Croisière Naval) cruise missile, the closest European equivalent to the Tomahawk. Already combat-proven in Syria and reportedly capable of strikes at ranges reaching 1,400 kilometers, the MdCN increasingly appears to be an industrial alternative and a symbol of Europe's broader search for strategic autonomy in critical military capabilities.⁴⁰

Similar dynamics can be observed elsewhere in Europe. The Franco-Italian consortium Eurosam, led by MBDA and Thales, continues to expand production and operational deployment of the SAMP/T NG air and missile defense system as a European alternative to Patriot systems. Germany's decision to support the rapid development of the HX-2 strike drone by Helsing reflects Europe's effort to build sovereign AI-enabled and attributable combat capabilities inspired by lessons from Ukraine. In addition, Italy's Fincantieri and France's Naval Group are advancing joint programs for next-generation frigates and underwater systems designed to reduce dependence on non-European suppliers. Meanwhile, the ESSI debate has triggered renewed investment in indigenous missile defense technologies, including IRIS-T SLM, produced by Germany's Diehl Defence, and the reinforcement of European interceptor-manufacturing capacity.

Yet the attempts to translate this ambition into practice run up against a series of structural constraints that reveal just how wide the gap between aspiration and reality remains.

Constraints and Dependencies

Structural dependencies, as well as the financial issues analyzed previously, constrain the Buy European strategy. Europe's defense ecosystem continues to rely heavily on non-European technologies, supply chains, capital, and operational enablers, and Europe has become the largest export market for US de-

Box 5. Europe's Digital Dependence

Europe relies on America for its digital technology, further increasing the continent's strategic dependence. American technology giants—including Amazon Web Services, Microsoft, and Google—dominate global cloud infrastructure, AI computing capacity, software ecosystems, and advanced digital platforms. While Europe has often sought to shape the digital landscape through regulation, competition policy, and governance frameworks, it has devoted comparatively less attention to fostering the emergence of globally competitive technology firms. As a result, despite its strong scientific base and engineering talent, Europe has yet to produce digital champions capable of rivaling their American or Chinese counterparts in cloud computing, semiconductors, or frontier AI.

Against this backdrop, Mistral AI has emerged as Europe's most credible attempt to build a sovereign AI champion. The company is moving beyond the development of foundation models toward an integrated strategy combining customized AI solutions, embedded engineering expertise, and sovereign computing infrastructure. Through its Mistral Compute initiative, which includes new data centers in France and Sweden, Mistral aims to offer secure AI capabilities while reducing dependence on US and Chinese technology ecosystems. Yet the company's future will depend not only on its own performance but also on Europe's ability to shift from a primarily regulatory approach to a genuine industrial strategy. As CEO Arthur Mensch argues, Europe possesses the talent, research capacity, and technological expertise to compete in artificial intelligence, but it still lacks the scale, investment, integrated market, and coordinated public demand needed to transform innovation into globally dominant firms.⁴⁴ In that sense, Mistral represents both Europe's digital ambitions and the challenge of converting regulatory influence into technological leadership.

Financial asymmetries also reinforce Europe's dependency on American systems: a growing number of Europe's most promising AI and dual-use startups rely on American venture capital and US capital markets to scale. Major American funds such as Andreessen Horowitz, General Catalyst, Lightspeed Venture Partners, and Accel can deploy rounds worth hundreds of millions of dollars—something largely unmatched in Europe—and have become key investors in leading European AI firms such as Mistral AI,⁴⁵ DeepL, Synthesia, and Parloa. As a result, Europe faces a dual dependency: on American technological infrastructure, and on American capital to finance its own digital and AI ecosystem.

In this context, Europe seeks to preserve digital sovereignty. Among the most recent initiatives is Germany's Criteria-enabling Cloud Computing Autonomy (C3A) framework. It evaluates the level of autonomy of cloud-based digital services, which are treated as critical infrastructure. C3A seeks to define what constitutes a truly "sovereign cloud" based on six pillars: strategic, legal, operational, and technological sovereignty, as well as data control and supply-chain oversight. Among the requirements for a sovereign cloud are Europe-based system administrators, security operations centers hosted within the EU, retention of source code on European territory, and mapping of hardware and software dependencies.⁴⁶

While Palantir remains deeply embedded within parts of Europe's security architecture—including German regional police forces, NATO, and the British and Polish defense ministries—European governments are increasingly searching for European alternatives. In Germany, the Bundeswehr is preparing to build its own secure AI-enabled private cloud and has reportedly selected the French company ChapsVision, along with two German firms, for testing. In France, the Direction générale de

la Sécurité intérieure (General Directorate for Internal Security, or DGSI) intelligence service has relied partly on Palantir for counterterrorism analysis since the 2015 terrorist attacks. But Paris has increasingly moved toward national solutions, notably through integrating ChapsVision into domestic intelligence programs. At the same time, the rise of European defense-AI actors such as Helsing reflects a broader strategic ambition to reduce dependence on American digital infrastructures by building sovereign European ecosystems for AI, data exploitation, and military software.⁴⁷

However, Europe cannot achieve defense autonomy without AI sovereignty, and it cannot achieve AI sovereignty within relevant timelines. This is because of structural obstacles: the lack of (a) large-scale compute infrastructure (which will take five to seven years to build), (b) large training data sets, (c) a regulatory environment enabling experimentation (the current European AI Act inhibits rapid iteration and constrains AI development), and (d) a sustained investment horizon.

fense companies since Russia's invasion of Ukraine. Countries across NATO's eastern flank and in northern Europe have launched massive modernization programs, with much of the procurement spending going to American suppliers.⁴¹

For five years, European defense purchases from the United States were constant at around €160 billion per year. They surged to €320 billion in 2025⁴² through defense agreements via the Foreign Military Sales (FMS) tool, which is the core of US security assistance programs.⁴³

Unsurprisingly, American defense companies, already strongly established in the European defense market, have significantly consolidated their positions since Russia's invasion of Ukraine. In particular, Lockheed Martin, RTX, Boeing, Northrop Grumman, and General Dynamics have all strengthened their presence considerably.

Europe faces a hard technological reality: many high-end systems—drones, advanced electronics, C2 architectures—still rely heavily on US components. Industrial capacity adds an additional limitation, as Europe cannot yet produce certain critical systems at the scale a genuine rearmament effort would require. Compounding these challenges, threat perceptions diverge sharply across the continent: Eastern European states priori-

tize immediate NATO interoperability, while countries like France continue to push for a more autonomous European posture.

Many of the most critical capabilities required for modern high-intensity warfare—including satellite intelligence, C2 systems, electronic warfare, strategic airlift, aerial refueling, missile defense, and long-range strike capabilities—remain overwhelmingly dependent on American systems and suppliers (for more on how Europe relies on the United States for digital technology, see box 5).

Even Europe's industrial sovereignty ambitions are constrained by external vulnerabilities further upstream in the supply chain. China controls approximately 90 percent of global rare-earth magnet production and supplies and nearly all of Europe's imports in this sector, creating another major strategic dependency. Furthermore, in 2025, semiconductors, which are indispensable to the functioning of digital technologies, were still primarily designed and manufactured outside the EU, as were the components that depend on them—processors, memory chips, and hard drives. Semiconductor shortages led the EU to adopt the European Chips Act in 2023, backed by a €43 billion budget that combines funding from European member states and the private sector, as well as funding from support instruments like the IPCEI

(Important Projects of Common European Interest) and the Horizon Europe program.

In March 2021, the European Commission, seeing that the world relied upon a small number of semiconductor manufacturers in a complex geopolitical situation, set a goal of doubling Europe's share of global semiconductor production from 10 to 20 percent by 2030 to "strengthen the EU's research and technological leadership."⁴⁸ However, the target now appears increasingly difficult to achieve.

In this context, Buy European should be understood as an attempt to restore strategic control over the key conditions of military power and not as traditional protectionism. The idea reflects three central objectives: securing reliable European production capacity for critical equipment and ammunition; preserving sovereignty over intellectual property, software, data, and export decisions; and rebuilding industrial resilience through shorter supply chains and scalable production capabilities in times of crisis.

Achieving these goals requires far more than local-content thresholds. A credible European preference policy demands an entire supporting ecosystem: capital willing to back defense risk at scale, procurement mechanisms fast enough to generate predictable demand, and a strategic culture more tolerant of experimentation and failure. These conditions remain only partially fulfilled.

Europe therefore faces a fundamental strategic contradiction. Geopolitical urgency pushes toward rapid procurement and immediate operational readiness, systematically favoring proven American systems, while long-term strategic autonomy demands slower, harder investment in European industrial capacity. Europe cannot easily do both at once. And the moment when Europe most needs to reduce dependency is precisely when it most needs American intelligence, space capabilities, semiconductors, and AI expertise, as Russia reconstitutes its forces and China supplies Moscow's war machine and competes for technologies Europe hopes to master.

Outright exclusion of US suppliers is not a viable answer. American contractors are deeply embedded in European supply chains, and an abrupt decoupling would introduce dangerous capability gaps, fracture joint operational capacity, and generate trade tensions Europe can ill afford. The more pragmatic path—and the one now taking shape—is gradual: expanding European participation without full exclusion. EDIP's 35 percent cap on non-European Economic Area content captures this logic, creating a meaningful preference for European industry while preserving flexibility to draw on allied capabilities where they remain indispensable.

The Buy European strategy is not completely ready for implementation and requires conditions that do not yet fully exist. It needs capital willing to accept defense risk, procurement mechanisms fast enough to generate reliable demand, and the manufacturing capacity—and skilled workforce—to deliver at scale. Until that foundation is built, Buy European will remain an aspiration expressed in content thresholds rather than a strategy expressed in production lines.

A Stronger Europe in a Stronger NATO

On March 13, 2026, NATO Secretary General Mark Rutte, speaking at the B9 and Nordic Allies Summit in Bucharest, stated that "we need a stronger Europe in a stronger NATO, through increased defence spending and defence production . . . with European Allies taking more responsibility for their own conventional defence, backed by American power."⁴⁹

NATO and the EU: From Competition to Mutual Support

From a broad strategic perspective, NATO has long remained the core framework for Europe's collective defense. Yet for decades the relationship between NATO and European defense initiatives was marked by suspicion and political rivalry. Many policymakers feared that EU efforts to strengthen defense would duplicate NATO structures, weaken transatlantic cohesion, waste scarce resources, and create competing chains of command.

France historically embodied much of this ambivalence. Since the Gaullist era, French strategic culture has emphasized national sovereignty and strategic autonomy, often viewing NATO with caution and, at times, open hostility—even though France is one of the alliance’s major military and financial contributors. Paris long feared excessive dependence on Washington and resisted any arrangement that could subordinate European defense policy to American leadership. However, even during periods of political tension, the French military establishment generally maintained a more pragmatic approach, recognizing NATO’s operational indispensability, interoperability standards, and command structures, and the critical role of the US deterrence umbrella for European security.

This French position has evolved significantly over the past decade, and French policymakers, rather than seeing European defense and NATO as competing projects, increasingly frame them as complementary. The idea of a stronger European pillar within NATO has progressively replaced earlier fears of rivalry. In this vision, strengthening European defense capabilities, industrial capacity, and operational readiness does not weaken NATO but reinforces the alliance by creating more capable European allies that can assume a greater share of the collective burden.

At the same time, for decades many European NATO members, protected by the American security umbrella, had little incentive to invest heavily in their own defense capabilities. The first Donald Trump administration acted as a strategic wake-up call by openly questioning burden-sharing and the imbalance of transatlantic commitments. Russia’s 2022 invasion of Ukraine accelerated this shift dramatically. European states not only increased defense spending but also began reassessing the foundations of their security model, the resilience of their defense industrial bases, and the necessity of rebuilding credible military capabilities at the European level while remaining firmly anchored within NATO.

A European Pillar in NATO

Ironically, many European leaders who today are advocating strategic autonomy are responding to long-term American pressure for burden-sharing that intensified under President Ronald Reagan and has become much sharper under Trump.

The notion of a European pillar did not emerge suddenly from recent disputes over burden-sharing or fears of American disengagement. Its roots stretch back to the Cold War and were reinforced by successive US administrations. While there were early efforts at European defense integration in the 1950s with the European Defense Community, which failed, and in the 1960s with Gaullist ambitions for strategic independence, the Reagan era gave new momentum to the idea of a stronger European defense pillar within NATO. Faced with the Soviet military challenge, Washington pressed European allies to spend more, modernize faster, and assume greater responsibility for conventional defense. This pressure encouraged deeper European industrial cooperation and helped lay the foundations for what would later become the EDTIB. After the Cold War, the Balkan crises and recurring concerns over the long-term reliability of US security guarantees further accelerated the push for greater European defense autonomy. Today, the notion of a European pillar within NATO remains politically powerful, and while it is evolving into something more operational, it remains conceptually underdefined.

In most European member states, governments frame European defense initiatives not as alternatives to NATO, but as mechanisms to strengthen NATO’s European component through greater industrial capacity, higher readiness, coordinated procurement, and more sustainable defense spending. From this perspective, initiatives such as ReArm Europe reflect a broader strategic shift: governments no longer justify European defense integration primarily in terms of autonomy from NATO, but rather as a necessary contribution to the alliance’s long-term credibility, resilience, and military sustainability. In areas from tanks to air defense, European NATO members meeting their capability

targets will ultimately bolster the alliance. The difference is that Europe aims to develop more of those capabilities itself, achieving a degree of strategic autonomy while remaining embedded in the transatlantic alliance. This signals European willingness to carry a larger share of the burden and to build a deterrent force credible enough to stand on its own if necessary. As the EU's first defense commissioner, Andrius Kubilius, bluntly stated, "450 million EU citizens should not have to depend on 340 million Americans to defend ourselves."

By 2030, stronger European capabilities, production capacities, and logistical resilience are expected to reinforce European security as well as enhance the overall strength of the transatlantic defense architecture.

EU-NATO Coordination

While numerous reports and policy initiatives have addressed European rearmament, the relationship between NATO and European defense initiatives remains insufficiently defined.

The challenge today is less one of competition between NATO and the EU than of strategic entanglement: How can a more coherent division of labor be organized to exploit the comparative advantages of each framework? In particular, the relationship between NATO's defense planning mechanisms—such as the NATO Defence Planning Process (NDPP), capability targets, interoperability standards, and force requirements—and the EU's growing role in financing, coordinating, and structuring defense investment still lacks institutional clarity.

The emerging NATO objective of allocating 5 percent of GDP to defense increasingly reflects a dual-pillar security architecture. The first pillar—roughly 3.5 percent of GDP—corresponds to traditional military expenditure: armed forces, major platforms, munitions, readiness, deterrence, and combat capabilities under NATO command structures and capability planning. The second pillar—approximately 1.5 percent of GDP—concerns the broader conditions that make defense and resilience pos-

sible: critical infrastructure, industrial capacity, cybersecurity, military mobility, energy security, telecommunications, logistics, supply chains, and societal resilience. Within this second pillar, a more coherent division of labor between NATO and the EU could emerge.

NATO remains the indispensable military and operational backbone of European collective defense. It defines capability targets, operational standards, readiness requirements, and the conditions for interoperability among allied forces. It also provides the command structures, planning architecture, and deterrence framework that no European institution can currently replicate.

The EU possesses the regulatory, financial, industrial, and market tools necessary to organize this 1.5 percent architecture of resilience. Unlike NATO, the European Commission can mobilize common borrowing mechanisms, industrial policy instruments, infrastructure funding, digital regulations, cybersecurity frameworks, environmental permitting, and investment coordination across the single market. In practical terms, this creates the possibility of a more functional distribution of roles: NATO defines strategic and operational requirements, while the EU organizes the economic, industrial, regulatory, and infrastructure conditions necessary to fulfill them.

Several domains illustrate this complementary logic. Military mobility—rail, roads, ports, bridges, customs harmonization, and logistical corridors—already sits at the intersection of NATO operational planning and EU infrastructure financing. Cybersecurity protection for critical infrastructure similarly depends heavily on European regulatory frameworks such as the Network and Information Security 2 Directive, while NATO identifies operational vulnerabilities and resilience requirements. The same applies to energy security, undersea cable protection, semiconductor production, cloud infrastructure, satellite communications, and defense-critical supply chains. Investments in stockpiling, raw material processing, telecommunications resil-

ience, data centers, or industrial surge capacity could logically fall within the 1.5 percent resilience category while being coordinated through EU-level industrial and regulatory mechanisms.

The defense industrial base itself increasingly blurs the line between military and civilian sectors. Expanding ammunition plants, drone production, AI-enabled defense systems, space infrastructure, cybersecurity capabilities, or microelectronics production requires not only defense spending, but also industrial policies, private-sector investment, innovation ecosystems, and long-term financing frameworks—areas where the EU has far greater institutional leverage than NATO. In this sense, the 1.5 percent pillar could progressively become the virtual operational space where European integration in defense becomes most concrete, not by creating a European army, but by coordinating resilience, industrial mobilization, infrastructure protection, and strategic supply chains.

Such an approach could help resolve part of the long-standing political tension between NATO and EU defense initiatives. The EU, rather than duplicating military structures, would reinforce the alliance by building the industrial, technological, and infrastructure foundations that NATO itself increasingly considers essential for credible deterrence and sustained high-intensity warfare. A clearer division of labor could therefore emerge: NATO provides the framework for military planning, deterrence, standards, and operational readiness, and the EU oversees industrial coordination, resilience, infrastructure, supply chains, and the economic mobilization necessary to sustain Europe's long-term rearmament.

However, such an arrangement will not satisfy everyone. Proponents of genuine European strategic autonomy—and Paris has long been the most consistent advocate—see a risk in subordinating EU defense ambitions to a NATO-first logic. According to this view, Europe risks becoming permanently locked into a division of labor in which military decision-making authority remains

transatlantic, while industrial effort remains European—burden-sharing without power-sharing. The concern is legitimate.

If Europe pays for the arsenal but cannot decide when and how to use it, strategic autonomy becomes an industrial project without a political soul. Yet the alternative—a fully autonomous European defense architecture with independent command structures, nuclear deterrence through French forward deterrence and British deterrence, and war-making authority outside NATO frameworks remains, for the foreseeable future, a strategic aspiration rather than an operational reality. The capability gaps are too large, the timelines too long, and the political consensus too fragile. The more honest position may be that strategic autonomy is not a binary condition but a spectrum—and that Europe's immediate priority is to move along that spectrum by building the industrial, technological, and financial foundations without which any future claim to autonomy, inside or outside NATO, will remain hollow. Instead of being mutually exclusive, complementarity and autonomy are sequential.

The challenge, then, is not to choose between autonomy and interoperability, but to advance both simultaneously—strengthening Europe's industrial and technological sovereignty while maintaining the operational compatibility that collective defense requires. This is achievable, but it demands careful coordination, long-term strategic planning, and a willingness to resist both the temptation of narrow national interest and the comfort of continued dependence.

At the same time, policymakers should remember that the primary actors of European defense remain the sovereign member states and that NATO is a distinct, albeit closely related, framework. National sovereignty strengthens the continent's defense—it allows for political legitimacy and resource mobilization. Though it also presents a constraint, as it can fragment efforts and slow down the overall process of rearmament.



CONCLUSION

Europe can achieve more autonomy. The strategic turn is real. Political will has crystallized in capitals that spent decades treating defense as a residual budget line. Collective national spending now approaches Russian levels. Ukraine has become a live laboratory where European DefTech startups battle-test capabilities—drones, electronic warfare, dual-use AI—at a pace that could allow Europe to close the gap with the United States and, in select domains, surpass it.

The European allies can achieve strategic autonomy in producing platforms, supplying ammunition, and developing defined capabilities within five to seven years—if current trajectories hold, procurement coherence is imposed rather than negotiated, and the institutional architecture catches up with the ambition. While the continent should not abandon selective cooperation with Washington in intelligence, space, advanced

semiconductors, and NATO interoperability, such cooperation cannot be a substitute for sovereign European capacity.

But Europe doesn't have much time. The continent needs to deploy digital warfare fundamentals and launch serious innovation pipelines now; scale industrial production to wartime-relevant capacity by 2028–30; and reach full operational readiness for high-intensity conflict without American enablers by 2032. That timeline is tight. It is also achievable—contingent on four nonnegotiable accelerators: (1) private capital deployments and capital risk; (2) a more coordinated procurement process to avoid duplication, create the capabilities to face the new

Photo: A British corporal talks with Finnish soldiers at Vuosanka near Kajaani, Finland, during NATO's Northern Axe exercise along the Russian border. (Getty Images)

warfare, and avoid paralysis among the 27 member states by suppressing the bureaucratic processes (the US Department of War's current reforms could serve as a guide to initiate this process, even in a different managerial environment); (3) a regulatory revolution that trades the speed of peacetime compliance for the speed of a software and digitalized-warfare era; and (4) deep integration of commercial technology in operational commands as standard force structure. Time is the resource Europe needs most and has least.

Europe cannot afford the illusion that current efforts suffice. Spending on a level comparable to Russia's—fragmented through 27 national procurement systems, filtered through a peacetime regulatory pace, and optimized for domestic industrial policy rather than collective warfighting—will produce expensive irrelevance. Russia is reconstituting itself in a wartime economy. China is providing the industrial base for Russia. Europe's window is limited.

Rearmament is necessary but not sufficient. Europe's challenge extends beyond institutions and budgets. Modern mass-precision warfare targets militaries as well as societies, so credible defense requires three interlocking layers: military capacity, civil resilience, and population protection. Europe has invested heavily in the first, episodically in the second, and barely at all in the third. Shelter infrastructure hardened critical networks, a civil defense doctrine, and a population psychologically and materially prepared to absorb the shock of large-scale conflict are not

Cold War anachronisms—they are operational requirements for the warfare Europe may face. Rearming Europe is one challenge; preparing European societies for the realities of war may be an even greater one. No procurement reform or industrial strategy alone can resolve that issue.

There is also a fundamental problem of decision-making in crisis. In a high-intensity conflict shaped by cyber operations, drones, space systems, and real-time escalation, the ability and political willingness of 27 governments—each with its own political constraints, parliament, public opinion, and risk perception—to react rapidly and coherently remains uncertain.

To reach a level of strategic autonomy, Europe will need to do more than develop new capabilities; it will need the capacity to decide, to show determination and not division, and to translate those capabilities into deterrence—and if deterrence fails, into warfighting power. This goal requires Europe to build something it does not have: an efficient defense architecture. In a crisis demanding immediate military response, who decides? The EU's mutual defense clause—Article 42.7 of the Treaty on European Union, which obliges member states to provide “aid and assistance by all the means in their power” if another member state is the victim of armed aggression—is not a fit war-making framework for high-intensity digitalized conflict at machine speed.⁵⁰

This institutional and political fragmentation may constitute one of Europe's principal strategic vulnerabilities.

ABBREVIATIONS

ACT: Allied Command Transformation

AID: Agence de l'innovation de défense (Defence Innovation Agency)

ASAP: Act in Support of Ammunition Production

C2: command and control

C3A: Criteria-enabling Cloud Computing Autonomy

C4: command, control, communication, and computers

CAESAR: Camion Équipé d'un Système d'Artillerie (Truck-Mounted Artillery System)

CAMM: Common Anti-Air Modular Missile

CARD: Coordinated Annual Review on Defence

DAEN: Defence Angels European Network

DEF: Defence Equity Facility

DefTech: defense technology

DGSI: Direction générale de la Sécurité intérieure (General Directorate for Internal Security)

DIANA: Defence Innovation Accelerator for the North Atlantic

DIU: Defense Innovation Unit

EDA: European Defence Agency

EDF: European Defence Fund

EDIP: European Defence Industry Programme

EDIRPA: European Defence Industry Reinforcement Through Common Procurement Act

EDPCI: European Defence Projects of Common Interest

EDTIB: European Defence Technological and Industrial Base

EIB: European Investment Bank

EIF: European Investment Fund

ELSA: European Long Strike Approach

ESG: environmental, social, and governance

ESSI: European Sky Shield Initiative

FCAS: Future Combat Air System

FLP-t: Frappe Longue Portée Terrestre (Long-Range Ground Strike)

FMS: Foreign Military Sales

GDP: gross domestic product

HIMARS: High Mobility Artillery Rocket System

IFRI: French Institute of International Relations

IPCEI: Important Projects of Common European Interest

IRIS-T SLM: Infrared Imaging System Tail/Thrust Vector Controlled Surface Launched, Medium Range

IRIS2: Infrastructure for Resilience, Interconnectivity and Security by Satellite

ISR: intelligence, surveillance, and reconnaissance

ITAR: International Traffic in Arms Regulations

JEDI: Joint European Defense Initiative

LRU: Lance Roquette Unitaire (Unitary Rocket Launcher)

MdCN: Missile de Croisière Naval (Naval Cruise Missile)

MGCS: Main Ground Combat System

NDPP: NATO Defence Planning Process

NIF: NATO Innovation Fund

NSPA: NATO Support and Procurement Agency

SAFE: Security Action for Europe

SAMP/T: Sol-Air Moyenne Portée/Terrestre (Surface-to-Air Medium-Range/Land-based)

SBIR: Small Business Innovation Research

SME: small and medium-sized enterprise

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