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# **EU Defence Industrial Policy: Towards a New European Military-Industrial Regime?**

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## EU Defence Industrial Policy : Towards a New European Military-Industrial Regime?

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### Executive Summary

The transformation of the European military-industrial regime could be a key political response to the geo-economic challenges facing the EU and its Member States, including the war in Ukraine. This shift requires four key politico-institutional changes: the supranationalisation of the defence industry governance within the EU, the strengthening of *interventionist* policy instruments vis-à-vis the market, the *integration* of the European Defence Technological Industrial Base (E-DTIB) and the strengthening of the EU's *actorness* to regulate foreign dependencies, known as 'strategic autonomy'. Despite some political and institutional changes since 2022, EU Member States have not yet implemented the 'great transformation' needed to create a more effective institutional framework and policy tools for defence industry governance in a context of rising international instability. How can a new European military-industrial regime emerge to address the geo-economic challenges of the 2020s? The first section of this paper reviews the European military-industrial regime before Ursula von der Leyen's second term as Commission President (2024-2029). The second section highlights the regime's inadequacy to meet the 2020s challenges. The third section explains why the proposed new politico-military regime is desirable for both states and companies, while addressing the political, institutional, and economic obstacles to its establishment. The fourth section offers three recommendations to overcome these obstacles and activate changes before 2027 to enable the EU, its member states, and companies to better respond to the new strategic context.

- Recommendation 1 – Create an eleventh formal configuration of the EU Council, bringing together Defence Ministers with qualified majority voting for decision-making.
- Recommendation 2 – Provide the European Commission with budgetary tools to implement a €100 billion investment plan for the defence sector, possibly through Eurobonds, and meet the 3% of the GDP target for the 27 EU Member States in the next MFF (2029-2034).
- Recommendation 3 – Ensure the rapid success of the three key armament programmes (SCAF, MGCS, and RPAS) currently under negotiation between Germany, France, Italy, and Spain by prioritising them at the heads of State and government level.

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## 1. Introduction

Transforming Europe's current military-industrial regime could be an appropriate political response to the geo-economic challenges facing the European Union (EU) and its Member States: the rise of China, the accelerating disengagement of the United States from Europe, the war in Ukraine, and the hybrid attacks on critical industrial infrastructures. The *European military-industrial regime* is defined as the political organisation and policy instruments used by the EU and its Member States to govern the defence industry. This new European military-industrial regime requires the activation of four politico-institutional changes: the *supranationalisation* of defence industry governance within the EU, the strengthening of *interventionist* instruments vis-à-vis the market, the *integration* of the European Defence Technological Industrial Base (E-DTIB) and the strengthening of the EU's *actorness* to regulate foreign dependencies, known as 'strategic autonomy'.

However, despite certain political and institutional adaptations that have been underway since 2022, the EU Member States have not encouraged the structural transformation of the European military-industrial regime that has been underway since the beginning of the 21st century. The current European military-industrial regime can be defined as *intergovernmental* (the EU's agency is weak), *liberal* (limited intervention by the EU vis-à-vis the market), *fragmented* (industry is led by national champions) and *transatlantic* (strong dependence of European states on the United States and its companies).

How can a new European military-industrial regime emerge within the EU to respond more effectively to the geo-economic challenges of the 2020s?

## 2. The current state of Europe's military-industrial regime

At the start of Ursula von der Leyen's second term as president of the European Commission (2024-2029), the current European military-industrial regime is defined by four political-institutional features.

Firstly, the governance of the defence industry is intergovernmental within the EU. The most strategic decisions are taken by the heads of state and government in the European Council, by the ministers in the informal Defence Council and by a unanimous vote. Extending the institutionalisation of the Common Security and Defence Policy (CSDP) initiated in 2001, the heads of state and government decided to create the European Defence Agency (EDA) in 2004. An intergovernmental body under the authority of the Council, the EDA's mission is to identify capability requirements shared by European states in order to rationalise and Europeanise demand (Karampekios and Oikonomou, 2015). Denmark joined the CSDP and therefore the

EDA in 2022 following a referendum held in the context of the war in Ukraine, with 67% of voters choosing to lift its opt-out. In addition, the Permanent Structured Cooperation (PESCO) created by the Lisbon Treaty in 2009 was activated in 2017, with all EU Member States taking part except Malta. By 2024, PESCO will have 68 military-industrial projects, including the European unmanned aerial vehicle (RPAS, also called Eurodrone), a programme involving France, Germany, Italy and Spain.

In 2019, a supranationalisation of defence industry governance emerged. While the European Commission had begun to put defence industrial policy on its agenda as early as the 1990s (Faure, 2022a), the European Commission became a fully-fledged player in the early 2010s, generating institutional rivalries with intergovernmental players such as the EDA (Fiott, 2015). For the first time in the history of the EU, the European Commission included defence industrial issues in the portfolio of the Commissioner for the Internal Market, Thierry Breton, and created a new Directorate-General for Defence Industry and Space (DG DEFIS). However, DG DEFIS cannot aspire to play the role of ‘game changer’ and remains confined to the role of ‘gap feeder’ – to quote a DG DEFIS agent during an interview – insofar as it has only a small number of officials and a limited budget.

Secondly, the EU’s defence industrial policy is liberal in the sense that EU public intervention in the market is limited. Following a proposal from the European Commission, two directives known as the ‘defence package’ were passed by the Parliament and the Council in 2009 (Blauberger and Weiss, 2013). The European Commission’s ambition was to limit the repeated use of Article 346 TFEU by the Member States in order to create an internal armaments market and consolidate the E-DTIB. The aim was therefore to enhance the competitiveness of companies and the efficiency of the market by deregulating national norms (‘market making’ strategy) rather than preferring an interventionist policy aimed at organising and regulating the market within the EU (‘market correcting’ strategy) (Scharpf, 1999). However, a political turning point was reached in 2017 when the European Commission created the European Defence Fund (EDF). For the first time in its history, the EU obtained its own budget to finance industrial projects in the defence sector (Hakansson, 2021). Part of the 2021-2027 multiannual financial framework (MFF), the EDF, which is managed by DG DEFIS, is financing the research and development phase of armament programmes carried out in Europe to the tune of 8 billion euros over this seven-year period.

Thirdly, the E-DTIB remains largely fragmented around national champions such as Dassault Aviation, Leonardo, Rheinmetall, Saab, Safran and Thales, which dominate the European defence industry (Faure, Joltreau and Smith, 2019). The list of failed European consortia projects is long, from the aborted attempt to bring EADS and BAe Systems together in 2012 to the blocking of the takeover of French company STX by Fincantieri in 2021. However, industrial

consolidations led to the creation of MBDA in the missile sector and EADS in the aerospace sector in the early 2000s and the transformation of EADS into Airbus in 2014. In the land sector, a merger took place in 2015 between Nexter and Krauss-Maffei within the Franco-German consortium KNDS, which remains weakly integrated (Möhring, 2024). In the naval sector, the Naviris consortium brought together the French company Naval Group and the Italian company Fincantieri after 2020 (Faure, 2024a).

Fourthly, European states produce and acquire armaments through *ad hoc* inter-state cooperation outside the EU, such as the armament programmes currently under negotiation for the SCAF fighter aircraft (Germany, France, Spain) and the MGCS tank (Germany, France), when they do not choose to import equipment from outside the EU, mainly from the United States (Faure, 2020).

### 3. Europe's military-industrial regime out of step with geo-economic challenges

The war in Ukraine has revealed the inadequacy of the current European military-industrial regime to meet the geo-economic challenges facing the EU and its Member States in the 2020s.

At state level, it has taken two years of war, resulting in the deaths of 200,000 civilians and soldiers on European soil (Cooper et al., 2023), for a majority of EU Member States to reach the target of 2% of GDP for military spending. This political objective had been formulated within NATO a decade earlier, following the annexation of Crimea by Vladimir Putin's Russia in 2014. However, this 'rearmament of Europe' is not a finished process for several reasons.

Firstly, a quarter of the countries have still not reached this target, namely Belgium, Croatia, Italy, Luxembourg, Portugal, Slovenia and Spain (NATO, 2024). Secondly, a state that devotes 2% of its GDP to its military budget is insufficient in a context of high-intensity warfare that lasts over time. Such a level of budgetary commitment does not correspond to a 'war economy', a discursive framing chosen, among others, by French President Emmanuel Macron (2024). By way of comparison, Ukraine was spending 35% of its GDP on military expenditure by 2022 (Bellais, 2023). Moreover, U.S. President Donald Trump has proposed that NATO members increase defence spending to 5% of GDP, more than double the alliance's current target.<sup>2</sup> This proposal has raised significant concerns among Europe's financially constrained governments, as such an increase would place considerable strain on the budgets of nearly all member states.

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<sup>2</sup> Politico (2025, January 8). *Europe splits on Trump's call to dramatically boost defence spending.* <https://www.politico.eu/article/donald-trump-tells-allies-spend-5-percent-gdp-defense-nato/>

Poland, which allocated 4.12% of its GDP to defence in 2024 and plans to reach 4.7% in 2025, is the only country close to meeting this target.<sup>3</sup>

Thirdly, these budgetary investments have been made by European states without any prior political coordination. The possibility of national rearmament by states, leading to increased industrial competition in Europe and a weakening of the EU's shared capacity for action, cannot be ruled out (Béraud-Sureau, 2022; Faure, 2024b). Fourthly, national military budgets remain fragile and uncertain in the medium term due to the low growth rate in the eurozone as a whole, which accentuates Europe's 'economic lag' from the United States (Draghi, 2024). Fifthly, austerity policies in the defence sector (Hoeffler, Mérand and Joana, 2021) could shape national military policies in the upcoming years in some European countries. This policy frame was the one chosen by the French Prime Minister, Michel Barnier, in his first public appearance as the *primus inter pares*. Michel Barnier was appointed Prime Minister in early September 2024 by Emmanuel Macron, nearly two months after the unexpected dissolution of the National Assembly by the President. However, Barnier was forced to resign after being censured by the Assembly. It remains unclear whether his successor, François Bayrou, will pursue a similar policy direction.

In the defence industry, companies face a twofold problem in the context of interstate warfare on the European continent, which is mirrored in other industrial sectors such as automotive, steel and new technologies (Defraigne, Wouters, Traversa and Zurstrassen, 2022; Draghi, 2024). On the one hand, companies do not have sufficient commercial outlets with their client state: the markets are too small on the demand side. On the other hand, their production apparatus is not efficient enough to meet growing demand: production output is too low and too slow on the supply side, resulting in high production costs (Cottarelli and Virgadamo, 2024) and an inability to meet the targets set by the EU. In 2024, the defence industry was able to transfer only half of the one million rounds of 150mm ammunition that the EU had promised Kiev a year earlier (Fiott, 2024a). Moreover, the fragmentation of the European defence industry poses a problem for the standardisation and interoperability of military equipment: 'For 155 mm artillery alone, EU Member States have provided ten different types of howitzers to Ukraine from their stocks, and some have even been delivered in different variants, creating serious logistical difficulties for Ukraine's armed forces' (Draghi, 2024: 51).

At EU level, the political will of European actors is embodied in the emergence of political notions such as 'European sovereignty' (Fiott, 2021), 'strategic autonomy' (Franke and Varma,

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<sup>3</sup> Politico. (2025, January 12). *Poland backs Trump push for NATO to boost defense spending to 5 percent of GDP*  
<https://www.politico.eu/article/poland-backs-trump-calls-to-ramp-up-nato-defense-spending/>

2018) and the ‘Geopolitical Commission’ (Haroche, 2023a), which, only ten years ago, were alien to their discursive practices. This shift in political framing has been described as a ‘geo-economic turning point’ within the EU (Fiott, 2024b): armament policy is no longer shaped solely as a problem of economic competitiveness embodied in the ‘defence package’, but as a politico-military problem requiring the implementation of an industrial policy. This change in political framework has had the effect of putting industrial defence issues at the top of the EU’s political agenda. There have never been so many European Councils at which EU defence policy, and in particular its industrial policy, has been discussed since 2022. This has led to a number of political decisions that would not otherwise have been taken, or not as quickly, by the heads of state and government and the Presidents of the European Council and the European Commission (Hofmann, 2024).

In 2023, the Council and Parliament voted in favour of the ASAP (500 million euros to increase the production of munitions and missiles by European companies) and EDIRPA (300 million euros to support joint procurement by European states) regulations. In 2024, a few months before the European elections, the European Commission and the EEAS extended this work by publishing EDIS and a proposal for a regulation (EDIP), with a budget of one billion euros, currently being negotiated by the Parliament and the Council (Faure and Zurstrassen, 2024; Fiott, 2024c). In the same year, the twenty-seven EU heads of state and government, including Hungarian Prime Minister Viktor Orban, decided to increase the budget of the European Peace Facility (EPF) to €18 billion (Faure, 2024b). The EPF is a financial instrument that was created in 2021 with a budget of just €5 billion, and which has been used to deliver arms to the Ukrainian armed forces since the start of the war.

The total budgetary resources available to the EU for action in the defence sector reached 30 billion euros in 2024 (Fiott, 2024a). This volume of budgetary commitment had seemed unthinkable in 2019, at the start of Ursula von der Leyen’s first term of office. Against the backdrop of the Covid-19 pandemic, the heads of state and government had decided to reduce the EDF budget from €13 billion, the objective formulated at the start of the European negotiations, to €8 billion, the amount that the EDF will finally be spending on the 2021-2027 MFF. However, many experts on defence industrial issues consider that this budget envelope is largely insufficient to support Ukraine and to defend Europe (Faure, 2022b; Haroche, 2023b; Fiott, 2024d). European political decision-makers have only partially succeeded in transforming the setting of military-industrial objectives into policy instruments with sufficient budgetary and institutional resources not just to adapt but to transform the current European military-industrial regime.

The recently published Niinistö report on EU preparedness and readiness (Niinistö, 2024) could further accelerate this transformation. In this high-level document, former Finnish President

Sauli Niinistö presents a series of recommendations aimed at enhancing EU preparedness. The report emphasises the need to strengthen European defence capabilities through greater cooperation among Member States and joint European initiatives, such as the European Sky Shield Initiative. It introduces the concept of 'EU's comprehensive preparedness' to address technological gaps and deficiencies in the European defence sector. This approach combines the fortification of the defence industry through the European Defence Industry Strategy and the creation of a Single Market for Defence, while also enhancing interoperability between military and civilian solutions. Achieving this objective would require a whole-of-government approach, fostering civil-military cooperation, dual-use technologies, and shared infrastructures at the EU level. Lastly, the report stresses the need for increased funding to support EU defence initiatives and promote the development of dual-use technologies.

Additionally, the European Commission is preparing a White Paper on the future of European defence, set to be published within the first 100 days of the Von der Leyen II Commission (European Parliament, 2024). This White Paper will aim to establish a true European Defence Union by identifying investment needs, enhancing defence sector capabilities, and strengthening the EU's response to geopolitical threats, particularly from Russia. It will emphasise closer EU-NATO cooperation, more efficient defence spending among Member States, and the reduction of external dependencies in procurement. At the same time, it will encourage greater intra-EU collaboration in industrial innovation and production to strengthen the overall defence industrial base.

Outside Europe, the dependence of European states on US industry has not diminished, but rather increased since the start of the war in Ukraine. In 2023, the volume of imports of US military technology doubled: 78% of the weapons purchased by European states were imported from states outside the EU, with almost two-thirds (63%) coming from the United States (Letta, 2024). These data converge with those that demonstrated the 'illusion' of Europe's strategic autonomy even before the outbreak of the war in Ukraine (Brooks and Meijer, 2021). This dependence of European states on American companies and therefore on the United States is a political issue in the context of a war being fought near the EU's borders against a nuclear power that is increasing industrial demand, but also of political instability in the United States. Donald Trump could accelerate the U.S.'s military disengagement from Europe, reducing its financial support to both the Ukrainian armed forces and NATO. During his first term, Trump threatened to pull the U.S. out of NATO and repeatedly argued on the campaign trail that the U.S. would not defend allies who do not sufficiently invest in their own defence in the face of



Russian aggression.<sup>4</sup> This situation could turn into a hidden opportunity for the EU, pushing European governments to work more closely together and take decisive action such as agreeing to joint borrowing to strengthen the defence sector.<sup>5</sup> However, some European capitals might try to court the Trump administration to ensure continued U.S. security assistance, potentially by increasing purchases of U.S.-made weapons, even as the European Commission advocates for greater local procurement. Trump's return could result in a cessation of U.S. military aid to Ukraine and increased pressure on Kyiv to pursue a peace agreement with Russian President Vladimir Putin, even if the terms heavily favour Moscow.

#### **4. Comparative advantages of the new regime and obstacles to its establishment**

The inadequacy of the current European military-industrial regime poses a fourfold challenge for European political and industrial decision-makers: the lack of funding and budgetary investment by governments for the defence industry, the insufficient production capacity of companies in Europe to meet military threats, the lack of coordination between political and administrative actors within the EU to take decisions quickly in the context of a crisis, and the increased dependence of European governments on American defence industry. Faced with these challenges, the new European military-industrial regime defined in the introduction has four comparative advantages that make it desirable to both large companies and governments.

On the one hand, no European state, not even Germany or France, has sufficient budgetary resources to invest in the defence industry to make it a competitive and autonomous sector on a global scale vis-à-vis American or Chinese companies. To achieve this, the EU could encourage massive, coordinated budgetary investment through an interventionist industrial policy to meet the geo-economic challenges. Such an interventionist policy would be desirable for large companies, which have for years been calling for more public funding to enable them to embark on technological breakthroughs and successfully complete the major armament programmes (SCAF, MGCS, RPAS) currently being negotiated. In this way, major companies would be able to use these EU budget resources to further their technological ambitions and commercial objectives, while at the same time promote the creation of skilled jobs on European soil. In addition, the pursuit of a political agenda based on the strategic industrial and technological autonomy of European states vis-à-vis the American defence industry would favour large companies as well as small and medium-sized enterprises (SMEs) established within the EU

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<sup>4</sup> Reuters. (2024, December 4). Joint EU defence funding mullied in era of Ukraine war, Trump return. [https://www.reuters.com/world/europe/poland-push-common-funding-defence-during-eu-presidency-2024-12-11/?utm\\_source=chatgpt.com](https://www.reuters.com/world/europe/poland-push-common-funding-defence-during-eu-presidency-2024-12-11/?utm_source=chatgpt.com)

<sup>5</sup> Politico. (2024, November 6). Trump's in. Here's what it means for Europe. <https://www.politico.eu/article/donald-trump-washington-us-elections-win-2024-kamala-harris-europe-russia/>

(Béraud-Sudreau and Faure, 2021). Such a ‘European preference’ would make it possible to use European public funds to invest in the European defence industry rather than help to finance the American, Korean or Turkish industry by importing military equipments from outside the EU.

At the same time, significant disagreements persist among Member States regarding the participation of non-associated third countries in EU-funded defence initiatives. France has consistently advocated for stringent standards for the inclusion of such countries, a stance that became particularly evident during negotiations on the European Defence Fund Regulation. This institutional position is strongly supported by French industries, which argue that a minimum of 80% of European components should be required for eligibility to access EU funds. However, under the Hungarian Presidency of the Council of the European Union, a proposal was introduced to lower this threshold to 65% while introducing two additional eligibility criteria that would facilitate the inclusion of products from non-EU countries. This proposal, backed by Italy, Germany, and Spain as well as numerous European industries, is justified by the argument that more flexible rules would ease future discussions with the Trump administration regarding US military involvement in Europe. Nevertheless, adopting such a proposal risks undermining the objectives set out in the EU Defence Industrial Strategy and the Draghi Report. Going forward, new proposals from the European Commission aimed at strengthening joint public procurement will be pivotal in forging a common European position on this issue.

On the other hand, the Member States could also benefit from this new European military-industrial regime insofar as the integration of the E-DITB would lead to large-scale industrial dynamics of mergers/acquisitions in each branch of the sector (land, aeronautics, naval, electronics) and to a continent-wide division of industrial labour around European champions. This reorganisation of the defence industry in Europe would make companies fewer in number and more efficient through increased specialisation, leading to lower production costs and higher productivity. In addition, the supranationalisation of defence industry governance would not weaken or marginalise the political positions of the Member States, but rather strengthen them. Supranational governance would promote coordination and the political effectiveness of states negotiating within the EU, following the model of the European integration of monetary policy in the 1990s (Jabko, 2007). Moreover, since Brexit, no ‘populist’ political party or leader has defended the exit from the Eurozone of the country he or she governs or aspires to govern.

Although the new European military-industrial regime, seeing the comparative advantages, is counting on the current regime to meet the geo-economic challenges facing the armaments sector, several groups of stakeholders are defending the political-institutional status quo and are opposing the emergence of a new regime for a variety of reasons.

Firstly, national political leaders who defend a sovereigntist vision of the defence industry, such as the Polish conservatives of the PiS, Viktor Orban in Hungary or the *Rassemblement National* (RN) in France, oppose any change to the intergovernmental and liberal paradigm of the current European military-industrial regime in the name of protecting national sovereignty in line with their preference for a Europe of nations more autonomous from the United States. The intergovernmental order would be unsurpassable insofar as the States are the only political actors in the EU with the political legitimacy derived from national sovereignty, which enables them to govern a core state power such as armaments policy. This political line is defended by far-right groups in the European Parliament such as the Patriots (PFE) and the European Conservatives and Reformists (ECR), as well as a majority of conservative MEPs in the European People's Party (EPP). This is the position of French MEP François-Xavier Bellamy, who was appointed *rapporteur* for the EDIP programme in the European Parliament in September 2024.

However, the political status quo in favour of intergovernmental governance carries the risk of the EU stalling, i.e. of an institutional crisis, in addition to the slowness of decision-making and the lowest common denominator trap that are intrinsic to the principle of unanimous voting, problems that have arisen time and again. Indeed, the PiS conservatives at the head of the Polish government until autonomous 2023 and Viktor Orban, Hungarian Prime Minister since 2010, have always found themselves in a political minority at the European Council negotiating table, which has led them to accepting the proposals put forward by the majority of other Member States in favour of military and political support for Ukraine. However, the balance of power at the European Council could be different if more 'populist' national political parties were to take the helm of other governments, especially those of large states, as in France with Marine Le Pen's *Rassemblement National* (RN).

Secondly, the civilian and military agents in the defence ministries of each Member State are working to maintain their dominant bureaucratic position in the European governance of the defence industry, which is leading them to oppose new transfers of powers or resources to the EU. For example, the majority of French civil servants in the Ministry of Defence are opposed to the supranationalisation of the EU's political regime, which they see as a threat to the national sovereignty of which they see themselves as custodians. In Germany and the Netherlands, the administrative players are reluctant to accept more dirigiste public intervention mechanisms from the EU institutions because of their attachment to bureaucratic practices that are more rigorous on the budgetary front within the state and more liberal with regard to the market. In Denmark and Italy, but also in Latvia and Romania, the prospect of European strategic autonomy is perceived by the bureaucratic players – and sometimes to the detriment of the political leaders of these countries – as a threat of accelerated disengagement from the United States rather than the strengthening of the EU's military and industrial agency.

Finally, the large national companies that dominate the defence industry in Europe aim to retain the quasi-monopolistic position they often enjoy with their client state within the national institutional framework. These companies do not see it in their interest, at least in the short term, to open up the defence market to European competition. Instead, they work to preserve their industrial rent in order to retain their commercial outlets.

## 5. Conclusions and Policy recommendations

This final section puts forward three policy recommendations for transforming Europe's military-industrial regime so that the EU and its Member States are better organised and better resourced to meet the geo-economic challenges.

Recent years, and in particular since 2022, have shown that the political will of certain key players is constrained by the intergovernmental order of European defence industry governance. The same causes are likely to produce the same effects in the future. To avoid such a dynamic of institutional status quo, one of the political priorities must be not only the creation of a formal Council of Defence Ministers, but also one that can operate by qualified majority voting. To avoid a political campaign of opposition from sovereigntist political leaders, the heads of state and government would retain their right of veto within the European Council.

The second obvious conclusion to be drawn from this analysis is that it is unlikely to enhance the effectiveness of the European military-industrial regime without granting the EU more resources, particularly budgetary funding. Negotiations on the next MFF – which finances the EDF among other things – will be the main challenge of the 2024-2029 EU mandate. The rise of far-right national governments in addition to those led by the conservative right is likely to make it difficult to achieve a substantial increase in the EU's Community budget (3% of the GDP of the 27). Contemporaneously with waging this essential political battle, the creation of a €100 billion investment fund for the defence industry along the lines of the proposals put forward by Thierry Breton is a more flexible proposal institutionally, since it would be an ad hoc fund from which the member states and their companies could benefit directly.

We can expect political opposition from certain states on this front of budgetary effort, which could be overcome by demonstrating not only political will but also institutional creativity by playing on Europe's variable geometry and multi-speed governance (Faure and Smith, 2019). The European Investment Bank (EIB) is an institution whose *raison d'être* is to support EU policies. In December 2023, when she was still Prime Minister of Estonia, the new EU High Representative, Kaja Kallas, proposed the creation of EU defence bonds to boost investment in the sector (Greenacre, 2024). This ambitious and innovative idea should be taken up and

supported by institutional and political players with ambitions to make the European military-industrial regime more efficient for states and companies alike. In the same spirit of institutional innovation to address the limitations of the system without resorting to treaty reform, the mechanism of Important Projects of Common European Interest (IPCEI) could prove suitable for the establishment of a new European military-industrial regime. These proposals are compatible and convergent with the recent reports prepared by Enrico Letta (2024) and Mario Draghi (2024; see, Brzozowski, Michalopoulos and Moller-Nielson, 2024).

A third obvious point is that the political work carried out inside the EU must be articulated with the institutional and industrial efforts undertaken outside the EU. The European Commission could take the political initiative for a new partnership with the UK by approaching the new Labour government led by Keir Starmer, who has been less reluctant to engage the EU than his predecessors since the Brexit. This recommendation has already been proposed by British experts such as Anand Menon (2024). Moreover, this would not mean falling into two pitfalls: on the one hand, dispersing energy and political will to create yet another bilateral agreement when the priority objective should be to strengthen the tools at the service of the EU and its Member States; on the other, having overly high expectations of the British partner. While post-Brexit UK remains a major military power in Europe, the companies that make up the British defence industry are no less dependent on the US market and the US Department of Defense than they were when the UK was still part of the EU (Béraud-Sudreau and Faure, 2024).

A more appropriate and urgent lever for institutional and industrial change to establish a new European military-industrial regime is to push ahead more rapidly and effectively with the three major armament programmes: SCAF, MGCS and RPAS. To achieve this, these armament programmes must be priorities on the political agenda of heads of state and government, and not just at the level of defence ministers and their administrations. If there are no regular meetings at the highest political level of the states concerned to cement decision-making, history has shown that the failure of European cooperation programmes can occur after several years of negotiations (Krotz, 2011; Faure, 2020; Pannier, 2020). Intensive political efforts are still required to ensure that the SCAF, MGCS and RPAS programmes are 'too big to fail'. Much stronger political and economic incentives should be put in place to achieve the EDA objective, taken up by EDIS, of doubling the volume of armaments (from 18% to 35%) produced in cooperation between several states on the European continent. The success of these major programmes would be a powerful instrument for consolidating and integrating the E-DITB, boosting industrial productivity and ensuring military technological excellence for decades to come.

The political path to strengthening the EU's industrial policy in the defence sector during the 2024-2029 mandate will be narrow and steep, but it exists and has already been marked out.

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