



EUROPEAN DEFENCE AT A CROSSROADS: CAN THE EU BUILD A STRONGER DEFENCE INDUSTRY?

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EUROPEUM

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On **March 17th**, the **Brussels Office of EUROPEUM** representing the **Think Visegrad Platform** co-organised with **IRSEM Europe** (The Institute for Strategic Research at the Military School) a public event entitled **'European Defence at a Crossroads: Can the EU Build a Stronger Defence Industry?'** The event took place at IRSEM-Europe Offices, 73 Rue de Namur, with a participation of thirty-seven leading experts, policymakers, and civil society actors. The aim of the discussion was to examine the fundamental transformation in Europe's security architecture, and to consider the challenges and opportunities in developing a more independent European defence and security framework.

Opening remarks

Dr. Philippe Perchoc, Head of IRSEM Europe

Speakers

Juraj Majcin, Policy Analyst for Defence and Security, European Policy Center (EPC)

Aleksandra Koziół, European Security Analyst, Polski Instytut Spraw Międzynarodowych (PISM)

Federica Mangiameli, Defense and Security Senior Programme Manager Senior Associate (GLOBSEC)

Dániel Bartha, Director, Centre for Euro-Atlantic Integration and Democracy (CEID)

Moderation

Danielle Piatkiewicz, Research Fellow, EUROPEUM Institute for European Policy

Panellist Discussion

Dr. Philippe Perchoc's opening remarks emphasised the need for deeper research into Europe's defense industry, noting a significant knowledge gap in its structure, transatlantic ties, and industry specifics. He stressed that collaboration, not competition, should drive capability-building, echoing Jean Monnet's efforts in Anglo-French procurement during WWI. Intra-European defence cooperation remains stronger than ties with the U.S., and indeed recent transatlantic policy shifts under the second Trump administration could become 'new normal,' underscoring the urgency of greater European defence autonomy.

Moderator **Danielle Piatkiewicz** launched the discussion by highlighting recent European defence initiatives, including the 2024-2029 Commission's vision, the European Defence Industrial Strategy (EDIS), and the forthcoming White Paper, all aimed at improving procurement, investment, and interoperability. She also noted challenges like underinvestment, fragmented procurement, and political divisions. Posing her first round of questions, she asked panellists to evaluate the EU

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defence industry's resilience, strategic autonomy, and ability to respond to threats, particularly in light of the evolving U.S. security posture and Russian aggression, while also identifying critical gaps in Europe's industrial capabilities.

Aleksandra Koziol responded by highlighting Europe's false sense of security since WWII, believing trade had replaced conventional war, leading to decades of disarmament and underinvestment. The shocks of February 2022 and January 2025 disrupted this illusion, yet Europe's strategic autonomy and resilience remain

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insufficient. Even support for Ukraine is fragmented, offering Russia opportunities to exploit, especially as transatlantic divisions grow. **Juraj Majcin** agreed, stressing that Russia's ambitions extend beyond Ukraine – a reality Central and Eastern European states have long warned of.

He pointed to fragmentation in Europe's defence industry, dominated by small firms lacking economies of scale, making it costly to replenish defence stocks. With this configuration, Europe would need 8% GDP to meet its needs instead of NATO's 3.5% GDP proposed target. He also noted Europe's innovation gap, with only two of the world's ten largest defence firms being European and 80 % of defence innovation occurring in the U.S., further hindered by limited venture capital investment in Europe's relatively small defence sector.

Technological development takes time, requiring sustained defence budgets. **Ms. Piatkiewicz** invited **Daniel Bartha** to address technical gaps in the defence industry. **Mr. Bartha** urged against excessive pessimism, noting that Russia's defence industry is weaker than perceived and that European defence products are superior. However, technological development takes time, requiring sustained defence budgets. He also emphasised that common procurement discussions should extend to capacity-building and interoperability. **Federica Mangiameli** echoed the need to strengthen Europe's defence industry rather than comparing it to the U.S. She viewed the EU's response to Ukraine - €49.2 billion in aid, Ukrainian Medical Mission (UMM) training of 73,000 soldiers, and €6.1 billion via the European Peace Facility (EPF) as proof of adaptability. However, she was cautious on strategic autonomy, citing lingering uncertainty despite institutional efforts and stressing the need to integrate EU and NATO structures efficiently to avoid duplication.

Ms. Piatkiewicz opened the second round of questions by asking how ambitious and realistic the EU's defense initiatives are, citing the €800 billion Rearm Europe plan and High Representative Kallis's €40 billion military aid proposal for Ukraine. She also questioned whether, without clear consensus, these efforts would be enough to meet the EU's long-term security challenges.

Where Europe focuses on deterring Russia, while the U.S. prioritizes global power projection, particularly in the Indo-Pacific.

Mr. Majcin responded first, cautioning against direct EU-U.S. defence comparisons and noting their differing objective. Where Europe focuses on deterring Russia, while the U.S. prioritizes global power projection, particularly in the Indo-Pacific.

He highlighted the U.S.'s shift toward disengagement, with 90% of American troops stationed at home and 75% of the Navy deployed in the Pacific. While recent Paris and London summits have seen coalitions of the willing emerge, consensus on direct deployments to Ukraine remains elusive. He emphasised the challenges of relying solely on EU-led initiatives due to national differences and NATO's uncertainties amid strained transatlantic relations. Citing the E5 initiative (a group of European nations exploring new security cooperation approaches) as an alternative defence structure.

Mr. Majcin predicted a multi-layered approach where coalitions lead operations, while the EU provides financial and regulatory support. However, he warned against increasing defence budgets without clearly defined strategic priorities, as seen in the UK. He stressed that flagship EU defence projects, outlined in the upcoming White Paper, must align

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with NATO's priorities and be reflected in the June 2025 NATO summit to ensure effective resource allocation.

Ms. Koziol returned to the €800 billion Rarm Europe initiative, noting the lack of consensus on funding, with common debt still contested. She stressed that strategic autonomy requires more than money, it needs a shared vision and clear political direction. While Russia pursues maximalist goals in Ukraine (disarmament, occupation and pushing NATO troops far west) Europe's response has been largely reactive rather than pre-emptive.

Mr. Bartha then questioned who Europe should partner with, emphasising that excluding Britain would undermine the whole concept of European defence integration. He also highlighted Turkey's defence capabilities, strategic location, and high level of investment in the Hungarian defence sector, as well as Ukraine's wartime expertise, which could strengthen European defence efforts. Like **Ms. Koziol**, he was sceptical about the €800 billion proposal, pointing out that at 2.5 % of EU GDP, it may not mark a substantial funding increase. While Germany has pledged an additional €100 billion, he raised concerns about whether countries like Spain and Italy would contribute their fair share amid competing domestic priorities.

Ms. Mangiameli responded to **Mr. Bartha**, highlighting the political challenges behind defence financing and cooperation. She noted that Europe is aware of its capability gaps, but the real issue lies in the political will of member states (or lack thereof) to increase defence spending. She pointed out a divide between Central Eastern European countries, committed to defence due to historical experiences, and Southern Europe, where financial burdens from COVID-19, the energy crisis, and inflation make diverting funds from education and healthcare electorally unpalatable. National politicians, especially in Spain, Greece, Italy, and Portugal

(countries which do not meet NATO's 2% GDP target) are reluctant to risk voter support over defence spending.

Ms. Piatkiewicz introduced the regional divide in threat perception as the third final round of questions, highlighting Central and Eastern Europe's growing defence industries, with Slovakia as a notable example. **Ms. Mangiameli** intervened by praising Slovakia's defence sector, citing the Czechoslovak group's 70% revenue increase from 2023 to 2024 and its role as the "Rheinmetall of Central Europe." She also mentioned Slovakia's positive defence agreements, such as the 2020 deal with Poland and the 2023 production facility opening. However, she raised concerns about SMEs in defence, noting that the European Defence Fund (EDF) benefits larger companies, leaving SMEs with low profit margins and limited competitiveness. She suggested increasing EDF funding and ensuring SMEs are not overlooked.

Mr. Majcin agreed with **Ms. Mangiameli's** assessment of Slovakia, noting that Slovakia's exports of ammunition and weapons, valued at €1.5 billion in the past year, surpassed those of the Czech Republic. However, he expressed scepticism about Slovakia's political will to engage in defence matters, citing the country's isolation from broader discussions on coalitions of the willing. Indeed, Slovakia's Prime Minister, Robert Fico, has referred to these coalitions as meetings of "warmongers." **Mr. Majcin** noted that the significant divergence in threat perception across Europe has led to a lack of solidarity, particularly with regard to Eastern Europe's reluctance to take in migrants during the migration crisis. If Southern European countries are to be incentivised to take defence spending seriously, then a compensatory trade-off needs to be put in place where the consequences of climate change and migration are also jointly tackled. Certainly, European security should be conceptualised beyond the traditional parameters and extend to preparedness for climate change and natural disasters, as is the case in Scandinavian models of comprehensive security.

Mr. Bartha then shifted the focus to Hungary's significant defence industry progress in the last five years, driven by a partnership with Germany's Rheinmetall. Rheinmetall Hungary is co-owned by the Hungarian state which holds 49 % of the shares.

The collaboration has led to the production of a wide range of military equipment, including infantry fighting vehicles (IFVs), smart ammunition, and the development of next-generation main battle tanks. Additionally, Hungary has forged partnerships with companies from Israel and Turkey, leading to the creation of new defence industrial sites. The Hungarian government's focus on the defence industry since 2020 has positioned the country well for the war in Ukraine. This proactive approach by the Hungarian government was not based purely on strategic foresight of the war, rather on a strictly transactional foreign policy approach. This approach worked well for Rheinmetall, which found Hungary to be a reliable partner amid challenges in the German Bundestag regarding export authorisations, and Turkey, which used Hungary as an entry point into the European market. Rheinmetall's strategic cooperation with Hungary has thus become the backbone of the country's defence industry.

Hungarian government's focus on the defence industry since 2020 has positioned the country well for the war in Ukraine.

However, political trust remains a concern for Hungary's defence industry, particularly due to its acquisitions of strategic companies like Aero Vodochody and Hinterberger in Central Europe. While beneficial for Hungary, these moves raised reliability concerns among neighbouring countries, such as Slovakia, given potential political conflicts of interest. Mistrust in the region, especially around spare parts and the misuse of military equipment, could complicate future defence industry developments across Europe, with future leadership changes further complicating cooperation.

Ms. Piatkiewicz then asked **Ms. Koziol** if Poland's high defence spending would satisfy the Trump administration. **Ms. Koziol** explained that while Poland has a strong relationship with the U.S. and contributes to global defence, the situation in Europe complicates its priorities. While Poland benefits from common European defence spending and investments and supports the idea of focusing more on SMEs within the EDF, the rate at which the country delivers weapons and ammunitions to Ukraine has left Poland in urgent need of replenishing its own stock; a demand which European industries cannot supply. Therefore, Poland is looking to international partners, including the U.S. and countries like South Korea, to help fulfil these urgent needs. Poland's position, therefore, is one of balancing its interests in supporting European defence initiatives with the necessity of diversifying its defence sources from beyond Europe.

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Ms. Mangiameli brought the panellist discussion to a close by warning that it would be a mistake to think of Mr Trump as a transactional President. Transactionalism assumes a coherent, long-term foreign policy vision, but President Trump's actions in his second term have confirmed his mercurial and volatile nature. Reliance on the U.S. for European conventional security (outside of nuclear deterrence) is no longer an option. This does not mean disengaging from dialogue with the U.S., rather being realistic. Given the unpredictable character of the American administration, it would be unwise to assume that delivering on increased defence expenditure as President Trump has requested will guarantee the U.S's cooperation in future.