Armament Industry European Research Group

EUROSATORY 2026 "TOWARDS A MORE EFFICIENT EUROPEAN DEFENCE MARKET"

ARES Group

July 2026

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AUTHOR'S PRESENTATION

ARES group

The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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EUROSATORY 2026

TOWARD A MORE EFFICIENT DEFENCE MARKET

June 18th, 2026, Villepinte, France

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Moderation: **Jean-Pierre Maulny**, Deputy Director, French Institute for International and Strategic Affairs (IRIS)

A proposal to revise EU Directive 2009-81 on the defence and security market is currently being prepared. What are the ongoing debates on the future of the EU defence procurement regime? Simplification of procurement rules, European preference, incentives to develop joint procurement, establishment of a single defence market are the topics that will be discussed during this round table.

The panel began with a discussion on the current state of the European defence market, with each participant providing their assessment from their respective perspective.

From the perspective of a prime contractor, Saab highlighted the fragmentation of demand across Europe and the need for industry to adapt to the urgency of current defence requirements and the growing number of EU instruments. According to Saab, the sector is currently in an implementation phase, during which both industry and Member States need time to absorb and integrate these new instruments into their national frameworks and procurement processes.

Representing the SME perspective, GICAT speaker identified several key challenges, including limited access to financing tools, the need to strengthen the resilience of SMEs and insufficient cooperation at the European level. Better collaboration between industrial groups was presented as essential to ensure that smaller actors can effectively contribute to the European defence ecosystem.

From the European Commission's perspective, the revision of the directive is necessary because the defence market continues to face four major challenges. First, market fragmentation limits economies of scale and hinders large-scale production. Second, production capacity remains too slow to meet current needs. Third, insufficient interoperability reduces opportunities for common production and procurement. Finally, concerns remain regarding the security and resilience of supply chains. The Commission's overall assessment was that significant progress has been made in recent years but there are still a lot of homework to do.

The discussion then turned to the revision of the directive itself. The objective of the revision is to create a more integrated European defence market by facilitating transfers, improving the recognition of certifications and strengthening cooperation between Member States. Ultimately, the aim is to reinforce the European Defence Technological and Industrial Base (EDTIB) while creating greater opportunities for new defence actors. From an industry perspective, participants noted that some companies lack the resources and expertise needed to navigate the existing regulatory framework and participate in tenders. An important aspect of this revision is simplification, stressed the Commission but at the same time, these rules

remain necessary to ensure fair competition and protect the market. The Commission reiterated that the objective of the revision is to make the directive more attractive and effective in generating market opportunities. It also highlighted ongoing cooperation with the revision of the Civil Procurement Directive to support dual-use sectors and facilitate links between civilian and defence markets.

However, participants noted that transparency aspect remains limited because many defence-related matters are sensitive or classified. National preferences also remain strong, with governments often favouring domestic industries. It was stressed that the revision is not intended to impose any procedures. Moreover, Art. 346 of the Treaty on the Functioning of the European Union continues to allow Member States to derogate from EU procurement rules when security interests are at stake.

The discussion then focused on whether the revised directive would be more effective in accelerating procurement or in supporting joint production. In response, the Commission emphasized that its role is not to decide between these objectives but rather to facilitate cooperation between Member States. Through initiatives promoting common production and joint procurement, the Commission seeks to strengthen links between national defence markets while leaving final decisions in the hands of Member States. The Commission also acknowledged that the current EDTIB is not yet ready to fully meet European demand. As part of a broader readiness agenda, it has launched several initiatives, including the European Defence Industry Programme (EDIP) and the Security Action for Europe (SAFE) loan instrument, under which participating Member States, through their national investment plans, collectively account for 2/3 of investment in joint procurement. According to the Commission, these initiatives are helping industry develop a more cooperative mindset and create necessary conditions for industrial partnerships. In response, Saab cautioned against overwhelming the system with too many new initiatives. He stressed that it is important to give EU initiatives time to be implemented and assessed before adding further instruments.

This exchange led to a discussion about the future vision for the European defence market. The Commission argued that Europe must move from an "haute couture" production model towards a more mass production industrialized approach capable of delivering defence equipment fast and at scale. Drawing lessons from the Ukrainian experience, the Commission representative emphasized the need to think out of the box about production processes, ensuring that equipment can be delivered quickly in response to operational requirements as those emerging directly from the battlefield. Industry representatives agreed that cooperation is necessary to strengthen European industrial capabilities. However, Saab stressed that

"haute couture" products should not be associated with a negative connotation, as Europe must continue investing in cutting-edge technologies and innovation. Rather than choosing between quality and quantity, Europe should seek an appropriate balance between advanced technological capabilities and large-scale production. The company side also noted that the concept of a "good defence market" may differ depending on whether it is viewed from a political or an industrial perspective.

Another important topic concerned Europe's dependencies on non-European suppliers. Participants recognized that, in some areas, external supply remains inevitable. The challenge therefore lies in balancing industrial ramp-up and supply-chain resilience. The Commission underlined that efforts to strengthen production should be guided by the objective of enhancing European sovereignty. When discussing what is still needed to improve the European defence market, Saab argued that policymakers should focus on improving coordination and ensuring coherence between initiatives and policy objectives. GICAT expressed support for the Commission's current efforts and identified three key priorities. First, further support is needed to help companies scale up production capacities. Second, stronger cooperation across industrial ecosystems is required, especially to facilitate the participation of smaller companies that currently struggle to integrate into existing structures. Third, cooperation initiatives should not be considered solely from an operational perspective but should also support the long-term development of the industrial base. Participants also highlighted the importance of attracting private investment into the defence sector and suggested that the European Commission should play a role in encouraging such investment.

The agenda of the commission is to publish a new communication on the defence market autumn 2026 as the proposal to revise the directive 2009-81 on defence procurement.

The Armament Industry European Research Group

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