



PROGRAMME
DEFENCE,
STRATEGY,
ARMAMENT

POSSIBLE EFFECTS OF THE “REARM EUROPE” PLAN ON THE CONSOLIDATION OF THE EUROPEAN DEFENCE TECHNOLOGICAL AND INDUSTRIAL BASE

Jean-Pierre Maulny / Scientific Adviser at IRIS, Head of the
Defence, Strategy and Armaments Programme and ARES Group

September 2026



ABOUT THE AUTHOR



Jean-Pierre Maulny / Scientific Adviser at IRIS, Head of the Defence, Strategy and Armaments Programme and ARES Group

Jean-Pierre Maulny is a Scientific Adviser at IRIS, where he heads the Defence, Strategy and Armaments Programme. He is responsible for research on defence issues, European defence and NATO, the arms industry and arms sales. He heads ARES Group (The Armament Industry European Research Group), a network of European researchers specialising in defence industry issues.

Jean-Pierre Maulny is a member of the editorial board of *La Revue internationale et stratégique*. He is also responsible for the Master's-level Defence and Security programme at IRIS Sup', IRIS's school of applied geopolitics, where he also teaches. He served as Deputy Director of IRIS from its creation until 2026.



PROGRAMME
**DEFENCE,
STRATEGY,
ARMAMENT**

The Defence, Strategy, Armament Programme, directed by **Jean-Pierre Maulny**, Scientific Adviser at IRIS, aims to provide French and European public and private stakeholders with insights into policies and strategies implemented in the field of defence. The programme falls within the field of strategic studies, examining ends (theories, visions, objectives), ways (the conduct of war, the employment of forces, operations), and means (military capabilities, armament, industry, funding, human resources). On matters relating to the defence industry, the programme is in relation to the European research network Armament Industry European Research Group (Ares Group), coordinated by IRIS.

iris-france.org



@InstitutIRIS



@InstitutIRIS



institut_iris



IRIS



IRIS - Institut de relations internationales et stratégiques

INTRODUCTION

The war in Ukraine has led the European institutions, at the request of the Council of the European Union and the President of the European Commission, Ursula von der Leyen, to propose new measures to enable Europe to rearm by increasing defence spending, acquiring new capabilities and boosting the European Union's arms production capacity.

Historically, the European Union's approach to defence funding, and in particular to the defence industry, can be divided into three periods.

The first period began in 2016 and saw the European Commission propose the first measures in support of the defence industry, with a view to boosting its competitiveness and, in particular, funding defence R&T and R&D – areas that had been most affected by the decline in defence budgets following the fall of the Berlin Wall. This period, which ended before the start of the war in Ukraine, saw the launch of three major European Union programmes: the Preparatory Action on Defence Research (PADR) in 2017, the European Defence Industrial Development Programme (EDIDP) in 2018, and the European Defence Fund (EDF) in 2021, with the first two programmes serving as the EDF's pilot initiatives in the fields of R&T and R&D. These three programmes also encourage beneficiary companies to cooperate; the rule stipulating that projects must involve three companies from three different countries in order to secure European funding was established in the EDIDP in 2018. Furthermore, the eligibility criteria give priority to European companies when it comes to accessing European funding.

The second period begins with the outbreak of the war in Ukraine and continues until the publication of the Readiness 2030 plan on 19 March 2025. During this period, the European Commission, at the request of the European Council, presented a number of emergency measures designed to acquire capabilities within a collective framework: the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA); the Act in Support of Ammunition Production (ASAP), intended to enable the ammunition industry to ramp up production; and an initiative that could be described as a hybrid, the European Defence Industry Programme (EDIP). Indeed, **EDIP** seeks to extend the provisions set out in **EDIRPA** and **ASAP**, and also includes provisions in support of Ukraine, which is at war. EDIP extends the EDF's philosophy to the procurement stage and also provides for measures relating to security of supply and the financing of SMEs. EDIP can be regarded as a pilot initiative that is expected to be continued under the future European Competitiveness Fund.

Due to delays in its adoption timetable – it took over a year for the draft regulation establishing EDIP to be adopted – as well as its scope, EDIP can be seen as straddling the second period,

which began after the start of the war in Ukraine, **and the third period, which commenced with the ‘ReArm Europe’ plan – known as ‘Readiness 2030’ – presented on 19 March 2025.** It was also necessary to coordinate EDIP with SAFE, as some of the rules governing the latter instrument had to be applied to SAFE.

For this reason, it appears necessary to include EDIP in the analysis of the measures under the Readiness 2030 plan, as the timeframes for implementing the provisions of these various instruments overlap.

The other two instruments to be taken into account were set out in the Readiness 2030 plan.

This is **the ‘escape clause’**, which allows Member States that invoke it to increase their defence budgets by up to 1.5% of GDP for a period of four years, without this being counted towards their obligations under the Stability and Growth Pact. The escape clause does not impose any conditions on its use. The additional budgetary funds may be allocated just as easily to investment and procurement expenditure as to infrastructure or to increasing the size of the armed forces. The rules governing the escape clause were set out in a communication dated 19 March 2025, with the deadline for activating the escape clause set at the end of April 2025; by that date, 16 countries had applied to benefit from this derogation.

Finally, on 8 July 2025, the Council activated the national escape clause for 15 Member States: Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia and Slovenia.

On 10 October 2025, the Council also activated the national escape clause for Germany.

On 17 February 2026, the Council also activated the national escape clause for Austria.

And finally, late after the deadline, the Council activated the national escape clause for Spain after a request of this country the 13 April 2026.

It should be noted that the benefit of the escape clause covers the year in which the application to benefit from this initiative was made, i.e. 2025 for these 18 states.

SAFE consists of 10-year loans granted by the European Union. With a total value of 150 billion euros, SAFE funds may only be used for expenditure relating to arms acquisitions, whether to finance projects currently under way or to make off-the-shelf purchases. These acquisitions must be joint procurement involving at least two Member States. Payments under SAFE must be completed by 31 December 2030 at the latest. The SAFE Regulation was adopted on 27 May 2025; Member States were required to express their interest in SAFE by 15 August 2025 at the latest. Following this, on 9 September 2025, the European Commission notified the 19

Member States that had expressed a wish to benefit from SAFE of the amount of loans that could be granted to them. In a third stage, these Member States submitted their investment plans by 30 November 2025 at the latest.

The question is whether these initiatives will influence the structure of the European BITD, particularly with a view to consolidating it, as was the case with previous initiatives such as PADR, EDIDP, EDF and EDIRPA, or whether their sole purpose is to facilitate European rearmament in the wake of the war in Ukraine through financial incentives, with consequences that could potentially run counter to the objectives of organising the European internal market through a more efficient structuring of the EDTIB.

SCOPE OF THE ANALYSIS

In order to assess the effects of the **ReArm Europe** plan on the EDTIB, it was decided to take a sample comprising states that have invoked either SAFE or the escape clause, or both instruments simultaneously, and whose defence industry is sufficiently significant.

Table 1 – Countries that invoked the escape clause and used SAFE

	Country	Escape clause	SAFE
1	Austria	X	
2	Belgium	X	X
3	Bulgaria	X	X
4	Croatia	X	X
5	Cyprus		X
6	Czechia	X	X
7	Denmark	X	X
8	Estonia	X	X
9	Finland	X	X
10	France		X
11	Germany	X	
12	Greece	X	X
13	Hungary	X	X
14	Ireland		
15	Italy		X
16	Latvia	X	X
17	Lithuania	X	X
18	Luxembourg		
19	Malta		
20	Netherlands		

21	Poland	X	X
22	Portugal	X	X
23	Romania		X
24	Slovakia	X	X
25	Slovenia	X	
26	Spain	X	X
27	Sweden		
	Total	18	19

Consequently, it was decided to conduct the analysis by examining the policies in relation to these instruments as well as EDIP for the following eight countries.

Countries with SAFE in force and the escape clause

- Denmark: (SAFE €46.76 M)
- Poland: (€43.734 B)
- Spain: (SAFE €1,000 B)

Countries that have activated only the escape clause

- Germany

Countries that have activated SAFE only

- France: (SAFE: €15,090 B)
- Italy: (SAFE: €14,900 B)

Countries that have not activated either SAFE or the escape clause

- Sweden
- Netherlands

METHODOLOGY

The analysis is based on quantitative and qualitative data drawn from six types of sources:

- Interviews with a number of representatives from defence companies in the identified European countries, as well as national and EU institutional representatives;
- Secondary public sources: articles or press reports;
- arms orders placed in 2025 by the countries analysed using IRIS Database;
- An analysis of trends in defence budgets across the eight countries studied;
- Where possible, and where this information is available, projects submitted to the European Commission as part of the national plans submitted to benefit from SAFE.

THEORETICAL ANALYSIS OF THE EFFECTS OF THE INSTRUMENTS DEVELOPED BY THE EUROPEAN UNION

The instruments developed recently are very different in nature, for several reasons.

The EDIP has its origins in the European Commission's communication of 18 May 2022 and subsequently in the European Defence Industrial Strategy (EDIS) communication of 5 March 2024, both documents issued by DG DEFIS. The objectives of the EDIP can be regarded as mixed. On the one hand, there is certainly the objective of strengthening the EDTIB to address the consequences of the war in Ukraine, but this is combined with objectives that are less short-term and more structural in nature: the desire to increase the competitiveness of the defence industry, but also to better organise the internal market by promoting joint procurement. With EDIP, the European Commission aims to build on the European Defence Fund (EDF) by developing an instrument designed to encourage Member States to jointly procure the products they have begun to develop under the EDF. However, as the war in Ukraine broke out after the EDF had begun to be implemented, the conditions for access to EDIP are modelled more closely on those of EDIRPA than on those of the EDF. The objective of European preference has been significantly mitigated by Member States, which considered that the acquisition of capabilities, regardless of their origin, took precedence over the need to build an EDTIB that is less dependent on third countries.

The escape clause and SAFE are two instruments that were drawn up by the General Secretariat of the European Commission and not by DG DEFIS for the EDIP.

There are no conditions attached **to the escape clause**. With this benefit of 1.5% of GDP, Member States may finance operating expenditure as well as infrastructure or procurement expenditure. Furthermore, Member States are free to use these funds for procurements from third countries or from their national BITD. There is therefore no incentive to prioritise joint procurement, unlike under SAFE and in particular under EDIP. The effect on the consolidation of the defence industry may be negligible; indeed, it may even lead to a renationalisation of defence and procurement policies, as confirmed to us by some of those interviewed. It is, however, difficult to gauge the effects of the escape clause because, although the measure applies to the 2025 financial year, notification was late: July 2025 for 15 Member States, October 2025 for Germany, November 2025 for Austria and June 2026 for Spain.

Conversely, **SAFE** may theoretically have an impact on the structure of the European defence industry with a view to consolidation. SAFE applies only to procurement expenditure, unlike the escape clause, which applies to all defence expenditure, and Member States may only

benefit from it if they open up their markets to at least one other Member State (Article 2(3)). However, there is an exception to this rule for public procurement contracts signed no later than 31 May 2026 (Article 4(3)). Furthermore, as payments must be completed by the end of 2030, equipment must be delivered before that date, which suggests that only equipment already in production can be financed through SAFE.

The **EDIP** is undoubtedly the instrument that provides the greatest incentive for industrial consolidation. Its philosophy, initiated within DG DEFIS, aims to build on that which underpinned the EDF and seeks to encourage Member States to jointly procure products that will have begun to be defined within the framework of the EDF. Although eligibility criteria have been relaxed due to the war in Ukraine to allow for equipment containing components from suppliers in third countries, at least three countries must undertake a joint procurement in order to benefit from EDIP. Furthermore, the conditions are stricter for European Defence Projects of Common Interest (EDPCI), which must involve at least four countries.

The fact remains, however, that the financial amounts involved in these three initiatives are radically different: €650 B over four years for the escape clause, although this figure is theoretical; €150 B, with payments that may be spread out until 31 December 2030, for SAFE (Article 12(1)); and €1.5 B over two years, 2026 and 2027 for EDIP, bearing in mind that of this €1.5 B, joint acquisitions will receive €240 million and EDPCIs €325 million.

Consequently, in theoretical terms, the effects of these three initiatives can be visualised as follows:

EU programme	Financial volume	Theoretical impact on the consolidation of the EDTIB	Actual impact on the consolidation of the EDTIB, taking into account
Escape clause	High	Low or none	Low or none
SAFE	Average	Average	Average
EDIP	Low	High	Low

MEMBER STATES' CHOICES AND THEIR PUBLIC FINANCES: ESCAPE CLAUSE OR SAFE

Among the eight countries under scrutiny, it is noted that two countries – the Netherlands and Sweden – have not activated either the escape clause or SAFE; one country – Germany – has activated only the escape clause; two countries – France, Italy– have activated only SAFE; whilst three countries – Denmark, Poland and Spain – have activated both instruments.

Part of the explanation for this distribution lies in the state of these countries' public finances, and in particular their public deficits. The higher the public deficit prior to the activation of the escape clause, the greater the fiscal risk posed by the target of returning to the Stability and Growth Pact's limits by 2030 for those countries that have activated the clause

Table 2 – Public deficit of the 10 Member States in 2025

Member State	Denmark	Germany	Spain	France	Italy	Netherlands	Poland	Sweden
Public deficit (-/+)% of GDP	2.9	-2.7	-2.4	-5.1	-3.1	-1.6	-7.3	-1.5

Source: Eurostat, 22 April 2026

However, Eurostat data for 2026 tend to show that the economic situation is not the only factor taken into account by Member States when choosing between the escape clause and SAFE. One might indeed have thought that countries with a large public deficit would opt for SAFE, whilst those with a small public deficit would opt for the escape clause.

This is partly true, as it explains, in particular, why France and Italy opted for SAFE whilst ruling out the use of the escape clause, given that the public deficits of both countries were already very high in 2025, exceeding the 3% ceiling permitted by the Stability and Growth Pact.

On the other hand, it is clear that whilst Poland, with a public deficit of 7.3% in 2025, did indeed opt for SAFE, it also made use of the escape clause. If the benefit of the escape clause is deducted, Poland's public deficit in 2025 remains at 5.8% of GNP – a figure well above that permitted by the Stability and Growth Pact.

It is also noted that Germany's deficit will reach 2.7% in 2025 and that the country is making use of the provisions of the constitutional amendment of March 2025. The constitutional amendment authorised a deficit of 1% of GNP for defence, to which is added the 1.5% unaccounted-for deficit under the escape clause. For Germany, 2025 is the first year in which the defence budget has increased significantly without drawing on the special fund of 100

billion euros created in 2022. The German budget grew by nearly 20% in 2025 to stand at 64 billion euros, compared with 53 billion euros in 2024

Finally, whilst Denmark did make use of SAFE, this was not because the country needed loans to increase its defence budget; of the countries studied, it is the only one with a budget surplus, but because Denmark held the presidency of the Council of the European Union in 2025 and wanted to demonstrate that it was using a mechanism that promotes joint procurement, since the general rule is that a procurement must be open to at least one other country in order to qualify for SAFE loans.

ANALYSIS OF THE DEFENCE BUDGETS AND PROCUREMENT OF THE TARGET COUNTRIES SINCE THE ADOPTION OF THE VARIOUS INSTRUMENTS: STRATEGIES DICTATED BY NATIONAL INTERESTS

**Table 3 – Comparison of the 2024 and 2025 defence budgets of eight Member States
(in billions of euros)**

EU member states	2024	2025	%	Escape clause	SAFE
Denmark	4.86	8.90*	+ 81%	x	x
Germany	71**	86 ***	+ 21%	x	
Spain	22.38	33.12	+47.9%	x	x
France	47.2	50.5	+6.9%		x
Italy	29	31.3	+7.9%		x
Netherlands	22.19	26.8	+20%		
Poland	37.17	43.88	+18%	x	x
Sweden	11.46	13.46	+17.4%		

*Including €3.25 B acceleration fund

** including a €19.2 B special fund

*** including €22 B special fund, excluding €10 B earmarked for arming Ukraine

Sources: Ministries of Defence of the 8 Member States

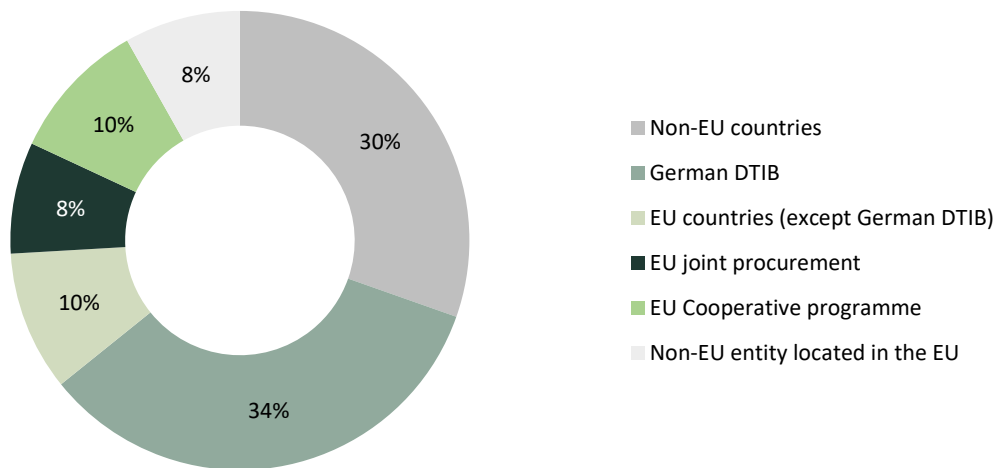
The comparison covers the years 2024 and 2025. In 2025, the escape clause was activated by 4 of the 8 countries, and the national plans of the 5 countries that had applied for SAFE benefits were submitted.

Germany

Table 4 – Summary table of German orders in 2025 (in billions of euros)

Origin of suppliers	Non-EU countries	German DTIB	EU countries (except German DTIB)	EU joint procurement	EU Cooperative programme	Non-EU entity located in the EU	Total
Value of acquisitions	13,164	14,649	4,272	3,400	4,284	3,540	43,309

German orders in 2025 (in %)



Source: IRIS

Germany is projected to make acquisitions totalling just over 43 billion euros in 2025. Acquisitions from the German defence industry account for the majority, representing just over a third of orders; acquisitions from outside the EU account for just under a third of orders; cooperative programmes account for just under 10% (Eurofighter acquisition); joint orders also account for just under 10% (the procurement of Boxer armoured vehicles with the Netherlands), and procurements from a non-European entity established within the European Union account for just over 8%.

It is therefore evident that European joint procurements and cooperative programmes account for only 20% of German procurements, bearing in mind that the equipment purchased stems from long-standing cooperative arrangements initiated in the 1980s (Eurofighter) or 1990s (Boxer).

It is therefore not possible to speak of any impact of recent European initiatives on industrial cooperation in Europe; rather, we are seeing a rebalancing of orders in favour of the German defence industry (BITD) compared with orders from outside the European Union, which accounted for three-quarters of German acquisitions between March 2022 and October 2023¹.

The increase in the German defence budget – and in particular in procurement expenditure linked to the creation of an initial special fund of 100 billion euros in 2022, has placed significant pressure on the BAAINBw, which is responsible for procurement. This explains:

- A certainly increased reliance on Article 346 of the TFEU in order to exempt the German Ministry of Defence's procurements from tendering procedures under Directive 2009/81 on defence and security contracts;
- The parallel use of procurement from the United States via the Foreign Military Sales (FMS) procedure;
- The amendment to German legislation on defence procurement, which came into force in February 2026, aimed at streamlining the processes for the procurement of military equipment². Procedures are to be faster, European cooperation on armaments is to be simplified, and German security interests are to be taken into account even more than before in award procedures³.
- Finally, a reform of the BAAINBw was recently announced, which is intended to distinguish between three types of procurement process by categorising purchases into different types: 'fast-track procedure' for urgent and/or relatively straightforward purchases, 'innovation' for future technologies, and 'complex projects' for large-scale projects⁴.

Furthermore, a BAAINBw office is to be opened in Brussels. As things stand, this suggests that Germany may place greater emphasis on cooperative programmes and joint procurement in the future, but everything may depend on the scope of the fast-track procurement procedure envisaged by Germany, which may also entail increased recourse to Article 346 of the TFEU for the benefit of the German BITD.

¹ Chris Lunday, "Germany will source little from the United States for its €80 billion rearmament plan", *Politico*, 23 September 2025. <https://www.politico.eu/article/pour-son-plan-de-rearmement-de-80-milliards-deuros-lallemagne-se-fournira-peu-aux-etats-unis/>

² *Federal Act on the Acceleration of Armed Forces Procurement: Greater Speed for a Strong Bundeswehr*, 16 February 2026. <https://www.bundesregierung.de/breg-de/aktuelles/bundeswehrbeschaffung-2367110>

³ "Government bill for the Bundeswehr Planning and Procurement Acceleration Act", *Gleiss Lutz*, 30 July 2025, <https://www.gleisslutz.com/en/know-how/government-bill-bundeswehr-planning-and-procurement-acceleration-act>

⁴ Defence: Flexible procurement structures and a new innovation centre, 20 May 2026.

Poland

Poland is, along with Denmark, the only country to have invoked the escape clause and submitted a plan to benefit from SAFE. The amount of the plan submitted by Poland to benefit from SAFE is the largest of the 19 countries benefiting from SAFE. With €43.734 billion, Poland will receive 29.1% of the total amount of loans to be granted under this initiative. More importantly, Poland has requested to benefit to a very significant extent from the exception provided for in Article 4(3) of the regulation establishing SAFE, which allows for a derogation from the rule that an acquisition must involve at least two Member States for contracts signed before 30 May 2026. Indeed, Polish Prime Minister Donald Tusk has made it very clear that ‘as much as 80% will go to Polish companies’⁵. A considerable sum will be generated at national level; therefore, these are not even joint purchases, but individual purchases. Poland will be one of the main beneficiaries of the exemption for individual procurements’⁶. However, the challenge is significant given the financial scale of the funding that Poland needs to secure through the SAFE programme. As of early May 2026, 40 contracts had still not been signed, according to Magdalena Sobkowiak-Czarnecka, the Polish government’s Minister Plenipotentiary for the SAFE programme⁷.

One of the explanations given by Donald Tusk for Poland’s capability-based approach is that, of the 100 projects funded by SAFE, “Nearly 30 projects out of more than a hundred are the East Shield (Tarcza Wschód) and the eastern border, so these funds will directly serve our security”⁸. This security-based justification therefore supports Poland’s decision not to prioritise joint procurement and to consolidate the Polish defence industrial base (BITD) – an objective that may run counter to the aim of opening up European defence markets and consolidating the European defence industrial base.

For the Poles, the same applies to the escape clause. Even though the full implications of invoking this clause have not yet been fully determined, nor has the strategy for utilising this initiative, the Poles consider that they need this instrument but that, once again, this is national funding which must be used for the national defence industrial base. Consequently,

⁵ Chancellery of the Prime Minister of the Republic of Poland, “SAFE: A turning point for the security of Poland and Europe”, gov.pl, 27 January 2026, <https://www.gov.pl/web/primeminister/safe-a-turning-point-for-the-security-of-poland-and-europe>

⁶ Interview with representatives of the Polish Ministry of Defence, April 2026

⁷ Tomasz Setta, “Sobkowiak-Czarnecka for money.pl: time is running out, but we’ll manage to spend the SAFE funds”, 8 May 2026, <https://www.money.pl/gospodarka/sobkowiak-czarnecka-dla-money-pl-czas-uciekale-zdazymy-wydac-pieniadze-z-safe-7283284850006048a.html>

⁸ Chancellery of the Prime Minister of the Republic of Poland, “SAFE: A turning point for the security of Poland and Europe”, gov.pl, 27 January 2026, <https://www.gov.pl/web/primeminister/safe-a-turning-point-for-the-security-of-poland-and-europe>

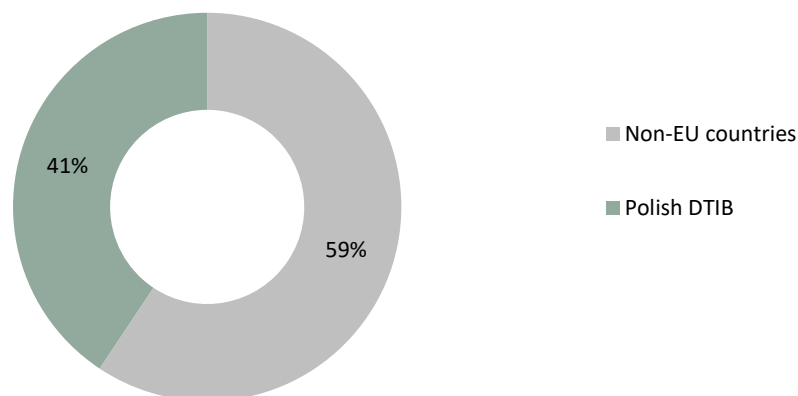
it is still too early for them to determine what proportion of these funds will be used within a European framework for joint procurement or cooperative programmes.

Nevertheless, the Poles are demonstrating their willingness to place the future of their equipment policy within a collaborative European framework. For the time being, SAFE forms part of an equipment procurement plan that had been defined previously, but they have expressed their desire to develop cooperation at European level whilst enabling the Polish Defence Industrial Development Agency (BITD) to become a major player on a par with other European BITDs. In particular, they have high hopes for the EDCPI component of the EDIP, which they regard as a pilot scheme ahead of the definition of the rules governing the use of the European Competitiveness Fund (ECF).

Table 5 – Summary table of Polish orders in 2025 (in billions of euros)

Origin of suppliers	Non-EU countries	Polish DTIB	EU countries (except Polish DTIB)	EU joint procurement	EU Cooperative programme	Non-EU entity located in the EU	Total
Value of acquisitions	12,973	8,884	0	0	0	0	21,857

Polish orders in 2025 (in %)



Source: IRIS

The summary table of acquisitions made in 2025 shows that Poland's procurement strategy currently has only two strands. The first involves procuring equipment from companies outside the EU, primarily American and Korean, and the second involves procuring equipment from the Polish BITD, in line with the stated approach to the use of the two European Union

initiatives, SAFE and the escape clause. It remains to be seen how the Poles will seek to influence the eligibility rules of the future Competitiveness Fund, and whether or not they will wish to rebalance their procurement policy in favour of European cooperation or joint procurement.

Denmark

Denmark's defence policy underwent a major shift in 2025. The realisation of the Russian threat – highlighted by the closure of Copenhagen Airport for several hours following possible drone flyovers⁹ – as well as the US President's repeated threats to take control of Greenland, led the Danes to increase their defence budget by 81% in 2025. Defence spending rose from €4.86 B in 2024 to €8.90 B in 2025. To achieve this, following Germany's example, Denmark has set up a special defence fund, the Acceleration Fund, amounting to €3.25 B in 2025, which will be rolled over unchanged in 2026. This brought the Danish defence budget to nearly 3.5% of GDP in 2025, in line with the target approved at the NATO summit in June 2025, even though Denmark was spending less than 1.5% of GDP on defence in 2019¹⁰.

This massive increase in the Danish defence budget led the Ministry of Defence to question its ability to carry out a large number of procurements involving significant financial outlay within a very short timeframe. The answer lay in the very terms of use of the Acceleration Fund, and the political agreement establishing this fund states that the Fund's deviation from the general procurement rules is based on Article 346 of the TFEU, which allows Member States to take the necessary measures to protect essential security interests.¹¹

In 2025, Danish procurement still comes mainly from US companies, notably the Patriot air defence missiles and an additional order for 16 F-35s. The Danes have a underdeveloped defence industry and have traditionally sourced the majority of their equipment from the United States. This accounted for 79% of their defence procurement over the period 2020–2024¹². However, Danish observers believe that a shift towards European companies could take place, particularly through the procurement of air defence systems (Mistral, SAMP-T). It should also be noted that the acquisition of the SAMP-T system marked a departure from

⁹ "Denmark calls airport incident a 'serious attack'", DW News, 24 September 2025. <https://www.youtube.com/watch?v=6d9hZT62TcU>

¹⁰ Kim Abildgren, Rasmus Mose Jensen, Rasmus Rold Sørensen, Dominic Cucic, Emil Holst Partsch, "Higher defence spending may increase capacity pressures moderately", Danmarks Nationalbank, 2 September 2025. <https://www.nationalbanken.dk/en/news-and-knowledge/publications-and-speeches/analysis/2025/higher-defence-spending-may-increase-capacity-pressure-moderately>

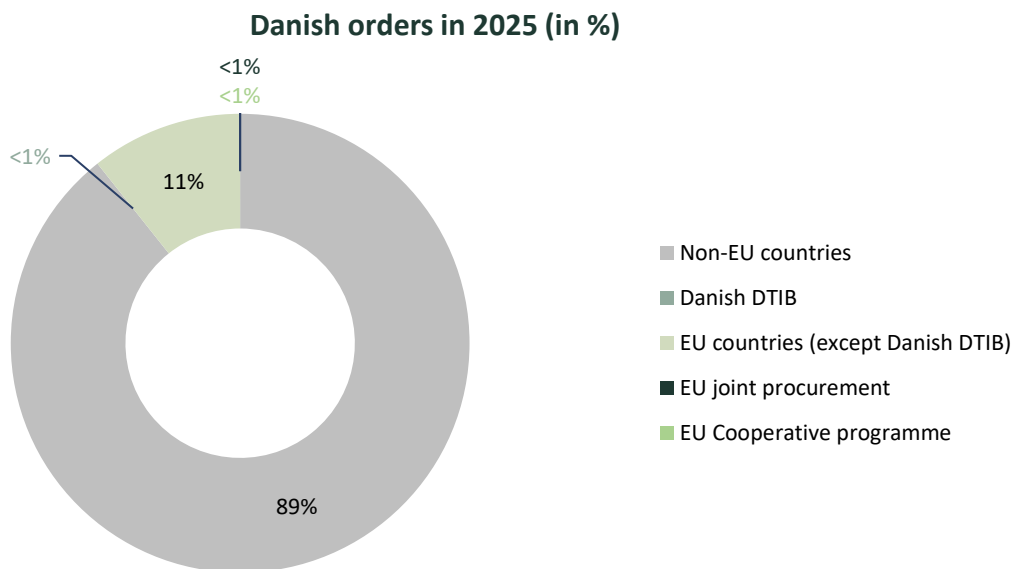
¹¹ Nick Bronstein, "Acceleration Fund: New billion-kroner fund to strengthen the Danish Armed Forces' combat capabilities – quickly", DLA Piper, 24 May 2025, <https://denmark.dlapiper.com/en/news/acceleration-fund-new-billion-kroner-fund-strengthen-danish-armed-forces-combat-capabilities>

¹² Stockholm International Peace Research Institute, Trends in international arms transfers 2024, March 2025. <https://doi.org/10.55163/XXSZ9056>

Denmark's previous reliance on US-sourced air defence equipment, whilst the procurement of Mistral missiles took place under the European EDIRPA joint procurement programme. However, the acquisition of 27 F-35s in 2022, followed by an order for a further 16 in 2025, is placing a significant strain on Denmark's defence budget, as noted by the Danish National Audit Office, which estimates the cost of the F-35s over 30 years at €9.5 billion¹³.

Table 6 – Summary table of Danish orders in 2025 (in billions of euros)

Origin of suppliers	of	Non-EU countries	Danish DTIB	EU countries (except Danish DTIB)	EU Joint Procurement	EU Cooperative programme	Non-EU entity located in the EU	Total
Value of purchases		18,134	0.390	2,170	0.125	0.300	0	21,119



Source: IRIS

The Danes have invoked both the escape clause and SAFE, the latter programme for a very small amount of €46 million. The use of SAFE can be explained by the fact that Denmark held the presidency of the Council of the European Union when the scheme was created, and it seemed difficult for the Danes not to make use of a European initiative during their

¹³ Folketinget Statsrevisorernes and Folketinget Rigsrevisionen, *Expenditure on F-35 fighter aircraft*, June 2026, <https://cdn.rigsrevisionen.dk/rigsrevisionen/Media/639165124543575577/sr1825.pdf>

presidency¹⁴. However, this also indicates that if Denmark wishes to proceed with joint acquisitions in the coming months, it will do so on the basis of proposals put forward by other countries.

Ultimately, the Danes are making their future procurement strategy contingent on the ability of European countries with significant defence industries – Germany, France, Italy, Spain, Sweden and also the United Kingdom – to supply large quantities of armaments to their European partners at prices that must remain competitive¹⁵. The objective of structuring or consolidating the European defence industrial base is therefore not a priority for Denmark.

France

Like Italy and Spain, France is one of the countries that has made use of SAFE but has not requested a temporary exemption from the Stability Pact rules. This is due to a public deficit of 5.1% of GDP, which far exceeds the 3% of GDP ceiling. Invoking the escape clause would only have made the conditions for returning to a level below 3% by 2030 even more onerous.

France has applied to benefit from SAFE funding and has therefore submitted an investment plan requesting €16.216 billion in funding. Following a review of this investment plan, the European Commission has granted a slightly lower amount of €15.09 billion.

To assess how France intends to use these SAFE funds, it is necessary to examine the programmes and acquisitions planned by France over the next four years.

The breakdown of orders placed, as well as the amount of payments relating to these acquisitions, is set out in the report provided by the DGA for its 2025 activities. This indicates that the value of orders has been €38 billion in 2025 and the amount of payments €19 billion¹⁶. As regards the orders, nearly half relate to deterrence programmes – submarines and ballistic missiles, or the new nuclear-powered aircraft carrier – all of which are unlikely to be procured jointly¹⁷. Orders that could be procured jointly mainly concern missiles of all types, drones and munitions, which are also among the priorities of the revised military programming law¹⁸.

¹⁴ Olivier Jehin, “SAFE: Poland takes the lion’s share, far ahead of Romania, France, Hungary and Italy”, *B2*, 9 September 2025. <https://www.bruxelles2.eu/article/268235>

¹⁵ “Higher defence spending may increase capacity pressures moderately”, Danmarks Nationalbank, 2 September 2025, <https://www.nationalbanken.dk/en/news-and-knowledge/publications-and-speeches/analysis/2025/higher-defence-spending-may-increase-capacity-pressure-moderately>, *op. cit.*

¹⁶ *DGA Annual Report 2025*, Ministry of the Armed Forces, 16 April 2026, <https://www.defense.gouv.fr/sites/default/files/dga/Bilan%20activites%20DGA%202025%202.pdf>

¹⁷ Michel Cabirol, “Naval Group’s phenomenal year in 2025 (18.9 billion in orders)”, *La Tribune*, 23 March 2026, <https://www.latribune.fr/article/defense-aerospatiale/defense/39096272160619/annee-stratospherique-de-naval-group-en-2025-18-9-milliards-de-commandes>

¹⁸ Draft bill updating the military programme for the years 2024 to 2030 and containing various provisions relating to defence. https://www.assemblee-nationale.fr/dyn/17/textes/l17b2630_projet-loi

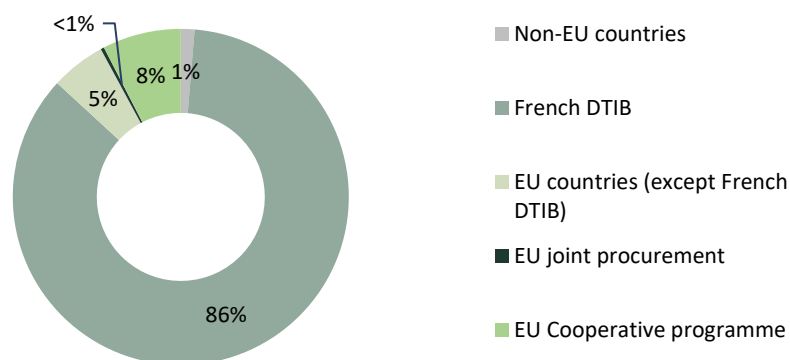
The duration of the SAFE programme may also make it possible to propose the joint procurement of the future Thundart rocket artillery system, with a range of 150 km – a programme designed to provide a European capability to rival the HIMARS manufactured by the American company Lockheed Martin¹⁹. Ground-based equipment includes the Caesar howitzer and the FDI frigate – two systems that have already been exported and therefore appear likely to be the subject of joint procurement, with the caveat for the FDI frigate that states generally require specific specifications for combat vessels.

As with other European countries, France regards SAFE as a means of providing additional funding for acquisitions that were planned in advance and are included in the 2024–2030 Military Programming Act. These funds will not be used to launch new projects that could be carried out through cooperation. It is therefore necessary for the French government and French companies to approach other states that might be interested in purchasing equipment of the same type as that intended for the French armed forces, bearing in mind that deliveries of this equipment must be completed by 31 December 2030.

Table 7 – Summary table of French orders in 2025 (in billions of euros)

Origin of suppliers	Non-EU countries	French DTIB	EU countries (except French DTIB)	EU joint procurement	EU Cooperative programme	Non-EU entity located in the EU	Total
Value of acquisitions	0.5	32,5	2	0.125	2.875	0	38

French orders in 2025 (in %)



Source: IRIS

¹⁹ “THUNDART, the French solution to succeed single-rocket launchers”, MBDA, 23 October 2025. <https://www.mbdasystems.com/fr/thundart-la-solution-francaise-pour-succeder-aux-lance-roquettes-unitaires>

Spain

Faced with pressure from US President Donald Trump, the Spanish government decided in April 2025 to invest a further €10.4 billion in defence by 2025 in order to reach the threshold of 2% of GDP allocated to defence²⁰. To reach this level of defence spending, Spain – whose public deficit stands at 2.4% of GDP – belatedly applied for the escape clause on 13 April 2026, covering the period 2025–2028, which was granted on 3 June 2026²¹. The country has also submitted a plan to secure €1 billion in loans through SAFE. From a strictly financial point of view, Spain has only a limited interest in benefiting from SAFE, given that, as Felix Arteaga and Daniel Fiott noted, ‘on 29 April 2025, the Eurozone 10-year bond yield stood at 3.06%, whilst Spain’s yield was at 3.16%’²². It is therefore Spain’s commitment to Europe that has justified its use of SAFE, rather than financial interest; this explains why the amount of funding requested is relatively low compared with other European countries using SAFE. The Spanish also see this instrument as a means of structuring the country’s industrial relations by forging links through joint acquisitions. Looking ahead, the post-EDIP Competitiveness Fund and the EDPCI projects appear, in the Spanish view, to offer greater potential for developing cooperation. SAFE therefore appears to be an instrument in which one must participate, even if it lacks any real financial benefit. Furthermore, the Spanish did not limit their proposal for SAFE to off-the-shelf purchases, as they also included a future programme, the European Patrol Corvette.

Spain’s procurement policy may appear contradictory at first glance. On the one hand, the 2025 Defence and Security Industrial and Technology Plan states that 89% of all new investment will be made in Spain²³. On the other hand, the record of Spain’s involvement in the European Defence Fund shows that Spanish companies are the most active: since the EDF began in 2021, Spain has coordinated 36 projects and there have been 371 Spanish participants in such projects.²⁴ Within the European Union, only France has been more involved in the EDF. This contradiction is, in fact, only apparent, as Spain has always regarded

²⁰ “Press conference by the President of the Government of Spain following the Council of Ministers”, La Moncloa, 22 April 2025. <https://www.lamoncloa.gob.es/lang/en/presidente/intervenciones/Paginas/2025/20250422-council-press-conference-speech.aspx?qfr=120>

²¹ Council recommendation allowing Spain to deviate from the maximum growth rates for net expenditure as set by the Council under Regulation (EU) 2024/1263 (activation of the national escape clause), 3 June 2026, <https://data.consilium.europa.eu/doc/document/ST-9913-2026-INIT/en/pdf>

²² Felix Arteaga, Daniel Fiott, *The defence dilemma: can Spain ride Europe’s defence revival?*, Real Instituto Elcano, June 2025. <https://media.realinstitutoelcano.org/wp-content/uploads/2025/06/policy-paper-the-defence-dilemma-can-spain-ride-europes-defence-revival.pdf>

²³ *Industrial and Technological Plan for Security and Defence*, Government of Spain, (2025) : 9.

²⁴ Felix Arteaga, Daniel Fiott, *The defence dilemma: can Spain ride Europe’s defence revival?*, Real Instituto Elcano, June 2025. <https://media.realinstitutoelcano.org/wp-content/uploads/2025/06/policy-paper-the-defence-dilemma-can-spain-ride-europes-defence-revival.pdf>, *op. cit.*

European cooperation as a means of upgrading the Spanish defence industrial base and developing strategic autonomy.

However, doubts are emerging regarding the future coherence of the European Union's and Spain's capability and technological objectives, as demonstrated by the table below.

Table 8 – A comparison of Spanish and EU capability priorities

	EU White Paper on European Defence (2025)	EU Coordinated Annual Review (2024)	Spanish Industrial and Technological Plan for Security and Defence (2025)	Spanish Defence Industrial Strategy (2023)
Air and missile defence	✓	✓		✓
Artillery systems	✓	✓		✓
Ammunition and missiles	✓	✓	✓	✓
Drones and counter-drone systems	✓			✓
Military mobility	✓	✓		
AI, quantum, cyber & electronic warfare	✓	✓	✓	✓
Strategic enablers and critical infrastructure protection	✓	✓		✓
Next-generation fighter aircraft			✓	✓
Naval combat		✓		

The defence dilemma:
can Spain ride Europe's defence revival?

Elcano Policy Paper

Source: Felix Arteaga, Daniel Fiott

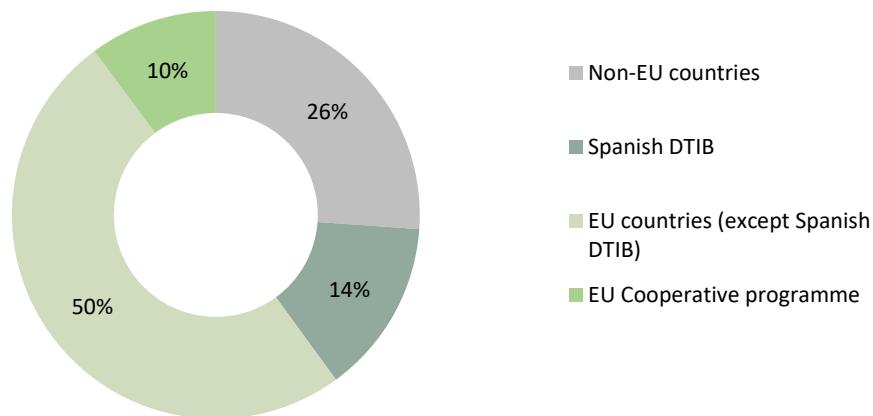
The procurements planned for 2025 tend to show that, for the time being, Spain is fully involved in European projects, although it is difficult to estimate precisely the industrial return for Spain, particularly with regard to orders placed with Airbus, whether for aircraft, helicopters or satellites. It should also be noted that Spain has chosen Turkey and the company TAI for its future Hürjet trainer aircraft.

Table 9 – Summary table of Spanish orders in 2025 (in billions of euros)

Origin of suppliers	Non-EU countries	Spanish DTIB	EU countries (except	EU joint procurement	EU Cooperative programme	Non-EU entity	Total
---------------------	------------------	--------------	----------------------	----------------------	--------------------------	---------------	-------

			Spanish DTIB)			located in the EU	
Value of acquisitions	2,572	1,366	4,912		1,000		9,850

Spanish orders in 2025 (in %)



Source: IRIS

Italy

Like Spain, Italy is one of the countries that must significantly increase its defence budget as a result of the decisions taken at the NATO summit in June 2025. Italy's defence budget stood at 1.5% of GDP in 2024. It was due to reach 2% of GDP in 2025, but the figure set out in Italy's defence planning document, the Documento programmatico pluriennale (DPP) 2025–2027²⁵, of €31.3 billion, does not correspond to the figure communicated to NATO, which is €45.32 billion, thereby bringing the Italian defence budget to 2% of GDP²⁶. In this case, the scope of the budget has been extended to include specific measures under the National Recovery and Resilience Plan concerning 'digital, cyber and space transition', pensions supported by the National Institute for Social Security, and 'additional contributions, including only the deployable quota of Carabinieri personnel; budgets for contexts, domains and sectors to

²⁵ Ministry of Defence, *Multi-annual Policy Document 2025–2027*, October 2025.

²⁶ Alessandro Marrone, Gaia, Ravazzolo, "The 2025–2027 Defence Policy Document: priorities, budget and operational domains", IAI, 22 October 2025. <https://www.affarinternazionali.it/il-documento-programmatico-della-difesa-2025-2027-priorita-budget-e-domini-operativi/>

which a more military focus has been assigned, and military cooperation projects (e.g., Military Mobility)'. The 3.5% target will inevitably pose a challenge for Italy, and it is certainly this challenge that explains why Rome requested, on 29 July 2025, funding of €14.9 billion under the SAFE programme. It should be noted that the decision to draw on SAFE loans was taken late, on 29 July 2025²⁷, given that Member States were required to submit their investment plans by 30 November 2025 at the latest.

In late May 2026, Italian Prime Minister Giorgia Meloni questioned the rationale behind joining this programme, arguing that the European Commission's priority was not to help European countries finance defence but to tackle rising energy costs. This stance was linked to domestic political considerations; it could also be seen as a criticism of Donald Trump's US policy regarding the war against Iran. More immediately, Giorgia Meloni secured from the European Commission – albeit to a very limited extent – an adjustment to the Stability Pact in light of rising energy costs. Ultimately, Italy did not withdraw from SAFE, given that it was necessary, in particular, to sign public procurement contracts not subject to a joint procurement procedure by two states before 30 May 2026; however, the value of the investment plan submitted at the end of August 2026 was reduced to €8 billion²⁸.

No information is available on the investment plan submitted by Italy under SAFE. However, the impact of SAFE on the nature of Italy's acquisitions can be assessed on the basis of several indicators.

Firstly, at the political level, it is worth noting that the Prime Minister, Giorgia Meloni, had stated that "projects that we have carefully selected in order to maximise the development of our national defence industry and its impact on employment, prioritising the development of dual-use instruments"²⁹. The 'dual-use' characteristic does not necessarily provide any indication of Italy's future acquisitions through SAFE; this clarification is no doubt intended to reassure the Italian political class, given that the country has always been reluctant to emphasise defence spending³⁰. However, it does demonstrate that, whilst SAFE is required to finance acquisitions carried out by at least two countries, the aim of these additional funds is indeed to benefit the Italian defence industry.

Public sources do not provide a comprehensive overview of Italy's acquisitions in 2025, as there are numerous ongoing programmes for which no contracts have yet been formally

²⁷ Alessandro Marrone, *op. cit.*

²⁸ Italy asks EU for €8 billion in SAFE defence funds, Reuters, 26 August 2026, <https://www.reuters.com/business/italy-asks-eu-8-billion-safe-defence-funds-2026-08-26/>

²⁹ Italian Government, "European Council Meeting of 19–20 March and the Middle East Crisis: President Meloni's Address to the Senate", 11 March 2026, <https://www.governo.it/en/node/31338>

³⁰ Alessandro Marrone, "Meloni's Defence Policy: Adjusting the Balance Sheet to Crises", IAI briefs, March 2026

signed. Public sources mainly list orders for missiles, which are divided between orders placed with MBDA for land-based and naval missiles, and orders placed with the United States for missiles to equip fighter aircraft.

It is therefore necessary to refer to the amount of funding allocated to armaments programmes in 2025, as calculated from the 2025–2027 Defence Programme Plan (DPP). This amounts to €9.645 B, whether the funding comes from the Ministry of Defence or the Ministry of Industry, as is traditionally the case in Italy. It is evident that the largest share of these funds is allocated to fighter aircraft, with €725 M allocated to the F-35, €625 M to the GCAP and €740 M to Eurofighter orders, the order for 24 of these aircraft having been placed the previous year in 2024. Of these three aircraft, one is American; the GCAP is a joint venture with the British and Japanese; whilst the Eurofighter is a European cooperative programme. It should be noted that the 2024 order for 24 Eurofighters was not part of a joint procurement programme with other countries. These three items of equipment account for more than 21% of the funds earmarked for arms procurement in 2025.

The DPP allocates a significant amount of funding to ground equipment manufactured by Italian companies. This includes funding for the new Italian main battle tank, in cooperation with Leonardo and Rheinmetall, and the first orders for A2CS armoured infantry fighting vehicles, also in cooperation with Rheinmetall, based on the Lynx KF-41 platform, amounting to €130 million. Furthermore, Romania's investment plan under the SAFE programme includes, in particular, the acquisition of 298 KF-41 armoured personnel carriers (APCs) at a cost of €3.336 billion, of which €2.598 billion will be covered by SAFE. These two Lynx armoured vehicle models differ in some respects, and one might wonder whether joint acquisitions relating solely to the platform are possible, which does not appear to be the case at present.

In any case, SAFE funding for joint orders of Aster missiles appears to be a possibility.

It appears that Italy will certainly seek funding for projects already included in the 2025–2027 Defence Programme (DPP), rather than for new projects.

Netherlands

The Netherlands is one of two countries that has not activated either SAFE or the escape clause. Dutch observers attribute this to the fact that it was the Ministry of Economic Affairs and Finance that determined the country's position. In keeping with its tradition as a frugal nation, the Ministry of Economic Affairs and Finance ruled out the possibility of the country financing its defence through borrowing, particularly as the Netherlands can benefit from

lower interest rates than those available to the European Union. The Dutch Ministry of Economy and Finance also wished to ensure that the country did not invoke the escape clause, given that the country's public deficit in 2025 is, after all, only 1.6% of GDP.

The country is, however, in the process of increasing its defence budget, which is of course due to Russia's aggression against Ukraine, but also to the fact that Mark Rutte has been Secretary-General since 1 October 2024. He therefore had to manage the NATO summit in June 2025, when – under pressure from Donald Trump – a target was set to increase NATO defence spending to 3.5% of GDP, excluding infrastructure expenditure.

However, many observers in the country believe that the Netherlands is in the process of rebalancing its defence policy to give it a more European focus and make it less aligned with US positions. The Netherlands is therefore considering joining OCCAR (³¹). Some have, moreover, expressed regret that the Netherlands did not activate SAFE in order to send a more European signal and to promote joint procurement. This position appeared to prevail, whilst a form of SAFE 2 is expected to be launched in the second half of 2026, with calls for projects benefiting from funds that cannot be utilised, as Italy and Hungary ultimately decided not to confirm their investment plans. Dutch observers also considered that SAFE would have a beneficial effect on cooperation, albeit a limited one due to the practice of certain states of placing their orders with their national BITD.

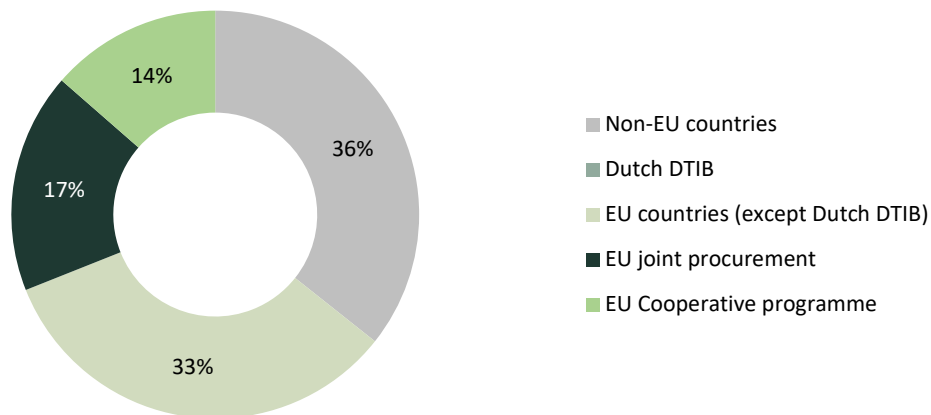
Table 10 – Summary table of Dutch orders in 2025 (in billions of euros)

Origin of suppliers	Non-EU countries	Dutch DTIB	EU countries (except Dutch DTIB)	EU joint procurement	EU Cooperative programme	Non-EU entity located in the EU	Total
Value of acquisitions	3,577	N/A*	3,338	1,750	1,361		10,026

*The Netherlands' defence industry is involved in a number of procurements, particularly through the cooperative programmes in which the country participates: the NH 90 helicopter and Boxer armoured vehicles; however, it is not possible to accurately measure the industrial return associated with these cooperative programmes, or indeed with procurements from the defence industries of other European countries, starting with Germany, in the field of land-based armaments

³¹ Klass Meijer, Post X, 22 May 2026, <https://x.com/klaasm67/status/2057822276641284603>; Nuclear ID, Post X, 22 May 2026, <https://x.com/NuclearID68/status/2057868635960467876>

Dutch orders in 2025 (in %)



Source: IRIS

This rebalancing of the Netherlands' procurement policy was evident in 2025, when orders for military equipment placed by the Netherlands outside the European Union accounted for only 35% of the total, whilst orders relating to European cooperative programmes or under a joint procurement initiative accounted for more than 30% of these orders.

Sweden

Like the Netherlands, Sweden has not invoked the escape clause nor made use of SAFE funds. The country is one of the so-called 'frugal' states that do not wish to finance expenditure through borrowing. Sweden's public deficit is in line with the Stability Pact, at a level similar to that of the Netherlands, namely 1.5% of GDP. Furthermore, Sweden is very reluctant to see the European Commission assume a growing role in the defence sector, favouring the European Defence Agency at the expense of the European Commission³². However, the defence industrial strategy published in 2025 emphasises the beneficial effects of ASAP³³ which an European commission initiative.

This lack of enthusiasm for EU institutions in the field of defence does not translate into a shift towards national autonomy in Swedish defence and armaments policy. Sweden, which is one of the six Lol countries and therefore has a significant defence industry, prioritises cooperation on armaments where necessary – such as the MBDA Meteor missile – and is part of a network of Nordic countries that favour joint procurement, notably within the framework of

³² Lorenzo Scarazatto, "Sweden's perception of the EU defence industrial 'toolbox'", IRIS, ARES No. 86, November 2023, <https://www.iris-france.org/wp-content/uploads/2023/11/ARES-86-Comment.pdf>

³³ Government Offices of Sweden, *Defence Industrial Strategy for a Stronger Sweden*, Ministry of Defence, June 2025.

NORDEFECO³⁴. The defence industrial strategy also devotes a chapter to cooperation in the field of armaments. It states: ‘Sweden must actively utilise international cooperation to achieve economies of scale in procurement, gain access to technology and develop defence’³⁵. The strategy also emphasises the EDIP programme, which is to ‘be used to strengthen the European industrial base and to research, develop and procure major equipment jointly with other Member States’³⁶.

In 2025, Sweden was one of six countries that decided to jointly procure the CV 90 armoured vehicle manufactured by the Swedish company Bae Hagglunds. On 13 November 2025, Estonia, Finland, Lithuania, the Netherlands, Norway and Sweden signed a technical agreement, with the specifications for a common version still to be defined³⁷. Sweden is also one of the four countries involved in the development of the 6x6 CAVS armoured vehicle programme developed by the Finnish company Patria, which has received funding from the European EDIRPA programme designed to promote joint procurement³⁸.

This procurement strategy is reflected in the summary of orders placed in 2025. Orders placed outside the European Union account for a limited percentage – just over 10% – whilst orders placed with the Swedish BITD account for a significant share – over 47% – demonstrating the capabilities of Swedish defence companies. As for joint procurements, whilst they account for just under 5% in 2025, they are expected to increase significantly as CV 90 procurements and the CAVS programme gain momentum.

Table 11 – Summary table of Swedish orders in 2025 (in billions of euros)

Origin of suppliers	Non-EU countries	Swedish DTIB	EU countries (except Swedish DTIB)	EU joint procurement	EU Cooperative programme	Non-EU entity located in the EU	Total
Value of acquisitions	1,003	4,544	3,193	0.449	0.200		9,389

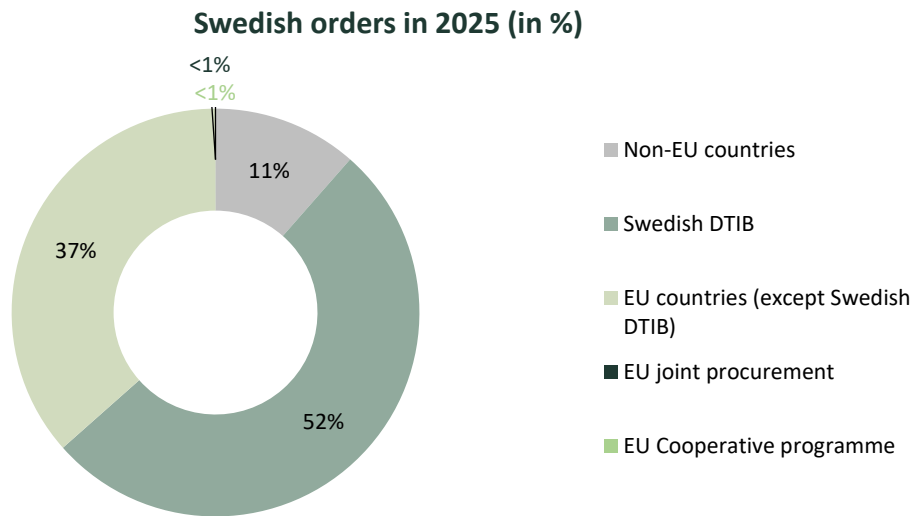
³⁴ *Defence Industrial Strategy for a Stronger Sweden*, 2025, op. cit.

³⁵ *Defence Industrial Strategy for a Stronger Sweden*, 2025, op. cit.

³⁶ *Defence Industrial Strategy for a Stronger Sweden*, 2025, op. cit.

³⁷ “Multilateral CV90 Agreement Signed”, Nordic Defence Sector, 14 November 2026, <https://nordicdefencesector.com/en/article/multilateral-cv90-agreement-signed>

³⁸ EC DG DEFIS, CAVS, *Common Armoured Vehicle System*, factsheet, 2024, https://defence-industry-space.ec.europa.eu/document/download/ff0f1790-9169-4dec-bb56-93312763e01e_en?filename=EDIRPA%20CAVS.pdf



Sweden should therefore increase the volume of cooperative procurement in the coming years, and to this end make use, where possible, of the European Commission's initiatives aimed at facilitating the revitalisation of the European BITD and joint procurement. However, programmes funded must meet Sweden's security needs and be consistent with the capability objectives set by NATO's NDPP and the European Union's CDP. Such cooperation must be initiated by the Member States and not by the European Commission.

GENERAL CONCLUSION: IMPACT OF RECENT EUROPEAN INITIATIVES ON THE BITD

Although it is still somewhat too early to assess the effects of the European initiatives in the field of armaments that have only just come into force – it is particularly difficult to gauge the exact effects of the escape clause, the rearmament policies and increases in defence budgets that preceded the introduction of the escape clause, as can be seen from the data provided by Member States in 2025 – several trends are nevertheless emerging. These trends result either from an analysis of the arms orders placed in 2025 and the military planning of the states covered by this analysis, or from the information provided by these states on their use of the new EU instruments, or from assessments gathered from various industry and national and EU institutional observers.

The main conclusions are as follows:

1. **The EDIP programme**, which has its origins in the European Commission's communication of 18 May 2022 entitled 'On the Defence Investment Gaps Analysis

and Way Forward’, is essentially in line with the initiatives pursued by the European Commission since the establishment of the European Defence Fund, which aim to develop the European defence industrial base (BITD) within a cooperative framework designed to better structure the defence industry. The aim is both to achieve a more competitive defence industrial base and to encourage Member States to develop future military capabilities jointly. Beyond the period during which EDIP will apply – namely 2026 and 2027 – most of the measures in this programme are designed to shape the European defence industrial base in the long term, even though the eligibility rules have been adapted from those of the EDF to take account of the need for rapid rearmament. These are expected to be continued under the Competitiveness Fund of the 2028–2034 MFF.

2. **The escape clause and the SAFE programme**, for their part, stem from the Readiness 2030 plan of 19 March 2025 and are intended to enable Europe’s rearmament by 2030, rather than to organise the European defence market or influence the structure of the EDTIB.
3. **The escape clause** imposes no restrictions on how Member States will use this additional funding to finance their defence capabilities. Member States may just as easily use this money to increase the size of their armed forces, to fund infrastructure or to finance additional equipment. As Member States do not specify precisely which actions are carried out under the escape clause, this effect can only be measured by analysing arms orders for those countries that have invoked the escape clause without invoking SAFE, so as not to distort the analysis.

The only country examined in this context is Germany, which has a significant volume of orders scheduled after 2025, totalling over 43 billion euros. For this country, joint acquisitions and acquisitions linked to cooperative programmes each account for less than 10% of orders and relate mainly to programmes that have been in existence for over 20 years, such as the Boxer armoured vehicles (joint acquisition) and the Eurofighter combat aircraft (cooperative programme). Conversely, orders placed with non-European companies or with the German defence industry (BITD) account for 30% and one-third of orders in 2025, respectively. It can therefore be considered that the escape clause may help to consolidate existing European cooperation but does not lead to the creation of new partnerships and tends to favour the national defence

industry without reducing dependence on non-European equipment.

4. **EDIP** will not be able to have any significant impact in 2026 and 2027 – the years covered by this programme – due to a lack of available funding: €1.5 billion, of which €240 million is earmarked for joint acquisitions, with a maximum of €20 million per selected project. To this must be added the €325 million allocated to the European Defence Projects of Common Interest (EDPCI).

Nevertheless, institutional and industrial stakeholders have high expectations of these two strands of the EDIP. The EU's contribution to joint procurement offers them the opportunity to expand their market, resulting in a better-structured defence market due to the expected industrial consolidation centered on companies capable of aligning Member States' requirements with their products. However, only the Competitiveness Fund is likely to truly realise this objective if the EDIP framework is made permanent. It also remains to be analysed how the eligibility criteria for EDIP funding will be applied, as these may give rise to differing interpretations or applications, with consequences for companies' ability – or inability – to free themselves from undesirable dependencies on components not originating in the EU.

As regards EDPCIs, the initiative has also received strong support, but it is not certain that the interests of the Member States and their industries align in these projects. Some stakeholders have expressed doubts about the implementation of EDPCIs, whilst others see them as an opportunity to better position their nascent industries, which could result in the creation of industrial overcapacity. The issue of rebalancing the BITDE in favour of certain countries' industries may therefore be a source of tension. On the other hand, EDPCIs encourage European manufacturers to collaborate on forward-looking projects. This is the instrument that appears most effective in bringing about a reorganisation of the internal market and a consolidation of the EDTIB.

5. In light of the escape clause and the EDIP, **SAFE** appears to be a hybrid programme whose objectives may vary from one country to another. Furthermore, a proper assessment of SAFE will only be possible in 2030 at the end of the programme, even though certain trends are already emerging today.

Firstly, due to the programme's short four-year cycle, SAFE does not, in principle, allow funds to be used to develop new products. Consequently, the vast majority of countries utilising SAFE use these funds to finance acquisitions that were previously

envisaged in their military planning. This additional funding enables them, at best, to bring forward these acquisitions. Furthermore, it is evident that a number of states have indicated that SAFE funds would be used for the benefit of their BITD: Poland, Italy, Spain and France; this does not suggest that this programme will contribute to the consolidation of the EDTIB. Polish officials have even made extensive use of the exemption under Article 4 of SAFE, which allows states to avoid bilateral acquisitions if the procurement contracts are signed before 30 May 2026. The aim here has clearly been to channel the programme's funding towards companies within the Polish BITD. It appears, however, that a large proportion of these funds will be allocated to the Polish BITD for support or maintenance tasks on equipment's procured from companies outside the European Union. This would therefore limit the potentially negative effects of contracts intended to develop national industrial capabilities in Poland, which might otherwise have encouraged the creation of industrial overcapacity at European level. On the other hand, this use of SAFE does not help to reduce dependence on equipment designed outside the European Union.

Nevertheless, SAFE could have positive effects in terms of structuring the European defence market and, consequently, industrial consolidation. It appears, in fact, that two-thirds of the procurement projects included in the investment plans submitted to the European Commission by Member States using SAFE are joint procurements. Even assuming that only €140 billion will be spent, this represents €92 billion in joint European acquisitions by 2030, or €23 billion per year. If we assume procurement expenditure of 120 billion euros per year for all EU countries, this would mean that SAFE would account for 19% of joint procurement. Although we certainly cannot simply add this figure for joint procurement to the 18% recorded in 2021³⁹ – the latest available figure – we can estimate that, with an additional 50% of joint procurement, the total value of joint procurement would reach 28.5% of the procurement expenditure of EU member states. This would bring us closer to the 35% target set in 2007 by the Member States at a meeting of the EDA Steering Board at ministerial level.

There remains one final point, namely whether the Member States will actually carry out these joint procurements before the end of 2030, the date on which the final European contributions under SAFE are due to be paid. One factor supporting this is that SAFE brings together countries with established defence industries, such as France and Italy, alongside countries with only fledgling arms industries that have submitted

³⁹ European Defence Agency, *Defence Data 2024*, 2024

major investment plans, such as Romania, which has been allocated 16 billion euros. The first category of countries must absolutely be able to find buyers for the products they offer in order to fulfil their obligations, whilst the second category must, correspondingly, acquire equipment that will also be procured by the country manufacturing these weapons. This therefore creates a situation where the interests of the selling countries align with those of the buying countries. This thus bodes well for SAFE's success in terms of the actual rate of joint procurement by 2030. The Netherlands' application to join SAFE in 2026 for a SAFE 2 programme, using the remaining unspent funds from SAFE 1, reflects the enthusiasm for a scheme that can foster industrial partnerships. This shortfall could amount around 21 billion euros, due in particular to Italy's reduction of its request to 8 billion euros instead of 14.9 billion euros, and to the new Hungarian government led by Péter Magyar reducing its request to 5.4 billion euros instead of 16.2 billion euros. The second SAFE call could take place in late 2026 or early 2027. Another question remains unanswered at present: will companies be able to produce, by the end of 2030, the additional armaments required to meet the objectives set out in the national investment plans? It is too early to say at this stage.

In conclusion, the escape clause will have no effect on the structure of the European defence market and may even, in the worst-case scenario, lead to a renationalisation of defence policies, resulting either in the development of national industrial capabilities or in the procurement of non-European equipment, thereby increasing the level of critical dependencies.

- **EDIP** should result in increased development of cooperative programmes, which may lead to better structure for the defence industry through industrial consolidation. However, this is merely a future prospect, and the modest level of EDIP funding means that a major impact cannot be expected over the next two years.
- **SAFE** is certainly the instrument that will have the greatest impact on the European defence industrial base, but this will not be achieved through increased cooperation in the field of armaments. The most logical scenario is that, thanks to SAFE, a few companies producing a certain range of products will capture the bulk of the European market, which is likely to result in de facto restructuring linked to the creation of a quasi-monopoly by these manufacturers on certain products. Consequently,

procurement arrangements will almost certainly lead to agreements involving local manufacturing in the purchasing countries, or even more structural links with the local defence industry. As for the European companies that will be excluded from these markets, they will only be able to find a way forward through acquisitions at national level and by developing exports outside the European Union.

Strategic expertise in complete independance



PROGRAMME
DEFENCE,
STRATEGY,
ARMAMENT



2 bis, rue Mercœur - 75011 PARIS / France

+ 33 (0) 1 53 27 60 60

contact@iris-france.org

iris-france.org



IRIS is one of the main French think tanks specialising in geopolitical and strategic issues. It is the only one to have the singularity of combining a research centre and a teaching centre delivering diplomas, via its IRIS Sup' school, a model that contributes to its national and international attractiveness. IRIS is organised around four areas of activity: research, publication, training and event organisation.