Armament Industry European Research Group

THE EU AND THE INTERNAL DEFENCE MARKET: WHAT ARE THE NATIONAL PERSPECTIVES?

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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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TABLE OF CONTENT

INTRODUCTION ---------- 2

DENMARK ---------- 4

FRANCE ---------- 6

GERMANY ---------- 8

GREECE ---------- 10

ITALY ---------- 12

LITHUANIA ---------- 14

POLAND ---------- 16

SPAIN ---------- 18

SWEDEN ---------- 20

THE NETHERLANDS ---------- 22

CONCLUSION: DIVERGENCES ET CONVERGENCES ---------- 25

INTRODUCTION

Since the European Commission announced its intention to revive the project of an internal market for defence, Member States have been on alert. The issue is particularly sensitive. Using the EU budget to strengthen the European Defence Technological and Industrial Base (EDTIB) is one thing, regulating defence markets — and public procurement in particular — is quite another. Some countries are supportive, others remain sceptical, while others are still weighing up what position to take.

The idea of an internal market for defence does, after all, raise major issues. This is no longer simply a matter of supporting industry: it touches on the very exercise of national sovereignty, as governments decide which weapons and military equipment their security will ultimately depend on.

These questions have therefore been the subject of intense debate within the EU institutions for several months. In Brussels, even the terminology remains contested: a Defence Single Market? An Internal Market for Defence? A Defence Equipment Market?

But what is the view from European capitals? How are these issues perceived at national level? And what positions do the main Member States intend to defend in Brussels?

To answer these questions, the ARES Group asked ten of its researchers, based in ten EU capitals, to examine the debate from their respective national perspectives. The picture that emerges is a nuanced one. National positions certainly diverge, but they are far from set in stone, and several areas of convergence are beginning to emerge. More importantly, some of these disagreements appear to stem from misunderstandings that could be clarified, potentially opening the way to compromise.

The challenges facing the internal defence market

The Commission's starting point is that Europe's defence market remains deeply fragmented along national lines. This **fragmentation** constrains competition, limits economies of scale, makes it harder for SMEs and new entrants to access markets in other Member States, and slows both the development and the scaling-up of the EDTIB.

A genuine **internal market for defence** is therefore intended to strengthen Europe's industrial base, encourage joint procurement, provide industry with greater visibility over future demand, and reduce external dependencies, notably by reinforcing intra-EU supply chains.

Against this backdrop, the Commission considers that **Directive 2009/81/EC on defence procurement** is in need of reform. Adopted in 2009, the Directive remains unevenly and only partially applied across the Union. The Commission is therefore seeking to revise it with a view to:

- ✓ Reducing market fragmentation by strengthening **intra-EU competition and transparency**, while taking due account of the specific requirements of the defence sector, particularly security of information and security of supply.
- ✓ Further promoting **industrial cooperation**, notably by facilitating the procurement of equipment developed through cooperative programmes and thereby supporting greater consolidation on the supply side.
- ✓ Encouraging **joint procurement** through simpler and more flexible administrative arrangements.
- ✓ More broadly, delivering **administrative simplification** and faster procurement procedures. In particular, making it easier to integrate technological upgrades rapidly into existing weapon systems.
- ✓ Revising subcontracting rules in order to create greater scope for **local production**.
- ✓ Supporting **industrial ramp-up**, including by facilitating the procurement of additional production capacity.
- ✓ Eventually, introducing procedural provisions that could **favour European industry**, in particular by making greater use of security-of-supply considerations.

DENMARK

*By **Christine Nissen**, Chief analyst, Think Tank Europa*

Denmark's engagement with the EU internal defence market carries a legacy it has yet to shed. The Edinburgh opt-out (1993–2022) never barred Danish entities from EU-funded defence research, but it kept "EU" and "defence" institutionally apart in Copenhagen for three decades. The 2022 referendum, prompted by Russia's invasion of Ukraine, saw 66.9% of Danes vote to join the Common Security and Defence Policy, and political and public support for EU defence cooperation has grown further since. Yet the habit persists: Denmark fields only a small team on defence-industrial matters at its EU representation, has limited contacts inside the Commission and the EDA, and has struggled to get Danish industrial strengths recognised at EU level.

This partly reflects the industry itself: Danish defence firms are small, niche subcontractors and the country lacks the close state-industry ties found in France or Italy. Tellingly, over 80% of Danish defence-industry output is exported (about 31% to the EU, 23% to the US); the domestic state is a minor customer of its own industry, leaving less reason, or capacity, to build the strategic industrial policy that shapes EU-instrument participation.

The European Defence Fund illustrates the pattern. Officially Denmark sits in the successful camp: with the "big four" (France, Germany, Italy, Spain), Benelux and the Baltics, the Nordic bloc, Denmark, Sweden, Finland and associated Norway, is one of four regional groups capturing over 80% of the EU's €8 billion EDF budget, and by project count Denmark performs well (38 projects, 23% of all funded, second in the Nordics after Sweden). The quality-adjusted picture is weaker, though: Danish entities coordinate barely 1.8% of projects and receive the lowest average grant per participation among the Nordics (€344,000, against €1.2–1.5 million for Sweden and Norway), volume without strategic depth.

Denmark's response has been institutional rather than legislative: a national EDF roadmap, concentrated capacity, stronger coordination. The same pragmatism shapes its stance on revising Directive 2009/81/EC, where Danish MEP Henrik Dahl has pushed to simplify joint procurement. Yet Danish procurement officials note the Commission has twice postponed its own briefing to member states and National Armaments Directors on the revision — a lack of engagement Copenhagen reads as symptomatic of the transparency gap the reform should close.

On “European preference,” Denmark has shifted markedly: its 2025 choice of the French-Italian SAMP/T NG over the US Patriot, backed by demands for over DKK 10 billion in offsets, treats European sourcing as a security imperative, not protectionism, hardened by doubts about US reliability. Yet Denmark stays wary of a closed market, its air force still flies the F-35, for which Terma is a sole-source supplier, and values NATO interoperability alongside its new defence-technology pact with Ukraine. An effective EU market, for Copenhagen, means European preference paired with rules rewarding quality over size, faster and transparent procurement, and openness to partners like the UK, Norway and Ukraine.

FRANCE

*By **Samuel B. H. Faure**, Senior Research Fellow, Institute for Strategic Research (IRSEM)*

Why does France diverge from the European Commission's push to establish a "Defence Single Market," particularly through the ongoing revision of Directive 2009/81/EC under the "defence omnibus" package?

France does not reject the idea of a defence market for the European Union (EU) *per se*, but opposes the model promoted by the Commission. Instead, it advocates for a "European defence equipment market," built on an interventionist approach, intergovernmental governance, and a "European preference" vis-à-vis third countries.

Moving beyond competition: an industrial policy-driven market

For French authorities, the defence sector cannot be governed by a liberalisation logic comparable to that of other markets. This approach is seen as incompatible with its politico-strategic specificities: "arms are not sold like tins of sardines," as several interviewees put it. France therefore supports maintaining a distinct regulatory framework, arguing that a purely competitive logic could weaken rather than strengthen defence firms based in Europe.

This position goes hand in hand with support for a European-level defence industrial policy (EDTIB), notably through regulatory simplification and industrial consolidation. Interviewees questioned the Commission's willingness to support consolidation and the emergence of European champions, such as the BROMO project led by Airbus, Thales and Leonardo. More broadly, the "geo-economic turn" is seen as necessary, calling for an interventionist industrial policy aligned with European strategic interests.

Supporting the EU's funding role, resisting its prescriptive authority

At the same time, France acknowledges the Commission's legitimate role in supporting Member States' rearmament and the scaling-up of defence industrial production. Interviewees stress that France has backed EU budgetary instruments such as EDIRPA, ASAP, EDIP and SAFE, seen as useful tools to foster cooperation and strengthen industrial capabilities.[1]

[1] Whilst this statement is accurate in the case of EDIRPA, ASAP and SAFE (the latter having even been promoted by the French Head of State), it is worth noting that the French authorities did not facilitate negotiations on EDIP and often found themselves isolated alongside Greece and Cyprus.

However, France opposes any extension of the Commission's competences in a domain that falls under national sovereignty, as defined by the Lisbon Treaties, notably Article 346 TFEU. A recurring concern is a potential shift towards a more prescriptive role, particularly regarding export controls. In France, export control is a core instrument of foreign policy, especially for a nuclear-armed state.

Any binding harmonisation at EU level is therefore seen as likely to undermine existing legal balances, particularly regarding non-proliferation commitments. By contrast, French authorities emphasise the robustness of the national control system, overseen by the SGDSN. In short: yes to EU financial incentives ("carrots"), but no to regulatory constraints ("sticks").

Defining the market through "European preference": why external boundaries matter

Finally, French stakeholders advocate for an alternative to the notion of a Defence Single Market: a "European defence equipment market." This concept is defined by its external boundary, regulating interactions between EU actors and third countries. While Directive 2009/81 facilitates intra-European openness, it leaves largely unaddressed access for non-EU actors, contributing to persistent techno-industrial dependencies.

In this context, France promotes a "European preference," whereby equipment produced within the Union should be prioritised whenever available. Recourse to third-country suppliers remains possible, but only conditionally, in the absence of a European alternative. This approach is part of a broader agenda to strengthen Europe's strategic autonomy, reflected in eligibility criteria within instruments such as EDIP and SAFE.

While some red lines remain firmly entrenched, most divergences between Paris and Brussels are not insurmountable. Convergence is within reach, provided that each side builds on its respective strengths and reduces mistrust through sustained and frank dialogue.

GERMANY

*By **Andrea Rotter**, Head of Division Foreign and Security Policy, Hanns Seidel Foundation*

In the 2025 coalition agreement, the German Federal Government, formed by the conservative CDU/CSU and the Social Democrats (SPD), set out an explicit goal: "We want a genuine single market for defence goods, with common export rules and close cooperation in planning, development and procurement" (CDU et al., 2025, p. 138). While this underlines the Government's clear commitment to strengthening European defence and industrial cooperation, Germany's approach is best characterised as pro-European but pragmatic.

Germany's profound transformation of its security and defence policy since the start of Russia's full-scale invasion of Ukraine rests upon two observations: that Russia is and will remain the greatest threat to Allied territory and that growing uncertainty in the transatlantic relationship requires Europe to reduce its critical dependencies on the United States.

This sense of urgency is reflected in Germany's rapidly increasing defence spending, from more than €108 bn in 2026 to €183.7 bn by 2030 (Federal Ministry of Finance, 2026), and its objective to develop the Bundeswehr into "Europe's strongest conventional army" (Federal Ministry of Defence, 2026, p. 4). A resilient and innovative defence technological and industrial base (DTIB), both in Germany and across Europe, is seen as a prerequisite for credible deterrence and collective defence.

While considerable focus is placed on developing national capabilities, Berlin recognises that European shortfalls – a fragmented defence industrial base, insufficiently coordinated planning, a lack of both harmonised requirements and aggregated demand – impede efforts to achieve the efficiency and speed needed to strengthen European readiness. Thus, Germany has generally been supportive of European initiatives aimed at strengthening the European DTIB and incentivising more joint procurement, such as ASAP, EDIRPA, EDIP and SAFE.

Regarding a European internal market for defence, however, three considerations define Germany's approach:

First, maintaining national room for manoeuvre in terms of national capability and procurement requirements: As Germany seeks to assume a significantly more responsible role in European security, Berlin's priorities are to close the Bundeswehr's capability gaps quickly and to enable the German DTIB, one of the fastest-growing industrial sectors, to scale up its production capacities. The Government is therefore reluctant to transfer too much decision-making authority to Brussels but willing to serve as a lead nation for smaller EU partners.

Second, efficiency and speed as the central criteria for deeper integration: “Simplification, Standardization and Scale” constitute the Government’s underlying rationale for European armaments cooperation). A European preference is supported as long as it can deliver the required capabilities and industrial benefits efficiently and with the speed of relevance. A strict “Buy European” obligation at the expense of readiness is viewed critically.

Lastly, anchoring in NATO: While Germany recognises the necessity to reduce European reliance on the US, for Berlin, European security remains firmly anchored in the transatlantic Alliance. Deeper EU market integration must remain compatible with strengthening the European pillar within NATO, meeting NATO defence planning requirements, ensuring standards and interoperability, as well as maintaining cooperation with non-EU Allies. Thus, Berlin will be wary of proposals that could weaken rather than strengthen NATO’s defence readiness. Germany is set to maintain a delicate balance – keeping the US invested in European security and deepening cooperation with the UK, while simultaneously fostering the EU’s DTIB.

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GREECE

*By **Panos Politis Lamprou**, Research Fellow & Coordinator,*
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Directive 2009/81/EC created a regulatory framework, not a per se functioning (single) market. It made European defence procurement more transparent and gave institutional legitimacy to the broader goal of developing an EU defence equipment market. Yet nearly two decades after its adoption, the gap between ambition and operational reality remains. The directive governs a relatively narrow[2] proportion of actual defence expenditure, with a substantial share of contract value channelled indirectly through national security exemptions invoked under Article 346 TFEU and bilateral intergovernmental arrangements operating outside the directive's scope. At the same time, procurement cycles lag technological change and operational needs, while bureaucracy obscures the directive's efficiency.

Greece's position in this debate is defined, in principle, by a structural asymmetry that shapes its national interests. Athens sustains one of the highest defence expenditures as a percentage of its GDP in the EU and the Alliance. Nevertheless, its domestic industrial base remains modest compared with that of the major member states, which have robust defence industries that collectively capture the majority[3] of European defence revenues, partly[4] due to the fiscal crisis of the previous decade. This asymmetry incentivises Greece to promote simplification but also reminds it that the conditions for meaningful market improvement remain insufficient, if its practical effects are to further consolidate the industrial primacy of the larger member-states. Openness to SMEs and firms embedded in smaller defence value chains must be structurally inscribed in the revised directive.

For Greece and its industrial ecosystem, three main reforms would materially improve market performance. First, a fully harmonised EU industrial eligibility architecture would reduce the transactional costs that currently discourage cross-border and transnational participation, particularly for smaller firms unable to absorb repeated qualification processes across multiple national jurisdictions. Second, building credible procurement processes for EU-

[2] European Commission (2016), *Report from the Commission to the European Parliament and the Council on the implementation of Directive 2009/81/EC on public procurement in the fields of defence and security, to comply with Article 73(2) of that Directive*.
https://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2016/0762/COM_COM(2016)0762_EN.pdf

[3] European Parliament (2026), "European defence industry at a glance".

[4] Kamaras A. (2023), *The Greek Defence Sector: Turning the Page?*, Policy Paper #126/2023 from Hellenic Foundation for European & Foreign Policy (ELIAMEP).

funded defence research and development tools, such as the European Defence Fund, would address the structural discontinuity between innovation funding and procurement. Third, a carefully bounded 'European preference principle' would create the demand-side conditions necessary to anchor key industrial capacity within the Union, without tipping into the protectionist logic that would ultimately undermine the EDTIB's competitiveness. Greece would naturally promote prioritising EU solutions where they meet operational requirements, rather than categorically excluding non-EU alternatives, except when they come from countries that are not like-minded, cannot prove a substantial degree of alignment with CFSP and contravene the security and defence interests of both the Union and its member-states. On the supply side, reducing dependence on third-country providers requires strengthening domestic production, diversifying supply chains, supporting resilience and investing in competitiveness.

Athens has pursued defence-industrial relations with non-EU partners, such as Israel, for operational necessity. Simultaneously, due to the fact that its main security threat emanates from a NATO ally, it has maintained a strategic imperative to seek other security providers[5], including the EU. A revised Directive must be sophisticated enough to distinguish between domains in which European capabilities are achievable and efficient, and those in which operational requirements legitimately point elsewhere, taking into account the aforementioned conditions. This would serve Greek interests and, arguably, the broader credibility and stability of the European project.

[5] Tsakonas P. and Tournikiotis A. (2003), "Greece's Elusive Quest for Security Providers: The `Expectations-Reality Gap'", Security Dialogue, Volume 34, Issue 3, pages 301–314, https://doi.org/10.1177/09670106030343005

ITALY

By ***Alessandro Marrone***, *Head of "Defence Security and Space" Program, Istituto Affari* Internazionali

Italy has experienced much more debate on national and EU defence investments than on the status of this market within the Union. Yet among institutions, practitioners and experts there is a plurality of views, with certain common elements concerning both the status quo's inadequacy and its possible improvements.

By large, the European defence market is considered still too fragmented, with negative effects on production capacity, economy of scales and competitiveness of European firms on the global markets. For instance, the LOI countries procure mostly from the respective national industrial basis, while Eastern Europe buys substantially from the US. The features of SAFE loans unfortunately enhance such fragmentation, which is more worrying considering the need to rearm Europe to counter the Russian threat with less American support. Some are also concerned that the stalemate of market and industrial integration may negatively affect the EU political integration process. However, the Italian government is keen to maintain as possible national sovereignty in the defence sector, as other member states, and there is strong cautiousness about European Commission's role and initiatives. It is not by chance Italy continues to use quite often the exceptions provided by the article 346 TFUE to the directive 2009/81. As a matter of fact, there is a structural contradiction between the aspiration towards an EU defence market and the willingness to maintain national sovereignty. On top of it, Italy missed the opportunity to use the implementation of both 2009 directives on defence procurement and intra-community transfers to streamline its cumbersome regulatory and bureaucratic framework.

Concerning possible improvements, the Italian government is against the use of EU regulatory power to introduce a European preference criterium. An eventual revision of both 2009 defence directives should rather aim to simplify in a synergic way intra-EU transfers and procurement provisions, as well as to enable the industrialization of EDF output trough a fast-track for the procurement programs based on these EU projects. Moreover, a harmonization of national rules on intra-community transfers should prevent any government's interference on the smooth functioning of European supply chains.

Above all, the prevailing view in Italy is that joint development and then joint procurement among groups of like-minded countries, on the basis of common requirements for specific capabilities, is the most effective way to aggregate the demand side and trigger the creation of consortia/joint venture to integrate the supply side and improve competitiveness. It is a

capability-driven, long-term process based on the convergence of national defence industrial policies, by negotiating and managing division of labor, interdependence and security of supply with a good deal of pragmatism. A process to be supported by EU policies, including through a revision of the regulatory framework to enable the smooth transition from joint R&D to joint procurement. This process would benefit from EDIP and EU flagship projects as economic catalysts, provided they are properly implemented with a view to aggregate demand and integrate supply in a balanced way. Since it is a long-term process, the support from EU should be constant too, without necessarily introducing new strategies or regulations with each and every new European Commission.

LITHUANIA

*By **Prof. Margarita Šešelgytė**, Director of the Institute of International Relations and Political Science, Vilnius University*

Calls to reform Directive 2009/81/EC predate Russia's full-scale invasion of Ukraine. Both the European Commission's 2016 evaluation (European Commission, 2016) and a 2021 European Parliament assessment (European Parliament, 2021) concluded that the Directive had only partially achieved its objectives (to promote transparency, competition, and integration within the European defence market), as defence procurement remained fragmented and Member States continued to rely extensively on national exemptions and non-competitive procedures. The new revision of Directive 2009/81/EC takes place in a fundamentally altered security environment shaped by Russia's war against Ukraine, growing defence expenditure, increasing emphasis on European defence readiness and increasing efforts to boost European defence industry.

From a Lithuanian perspective, the current defence market structure has achieved only partial success. Lithuanian defence procurement has been largely opportunity-driven, with decisions shaped by available resources, operational requirements, and strategic partnerships rather than long-term industrial objectives. Consequently, procurement has prioritised military effectiveness, interoperability, and security of supply, while Article 346 TFEU exemptions have frequently been used to protect essential security interests (Šešelgytė, 2018). While this approach has enabled Lithuania to respond flexibly to evolving security needs, it has also exposed some of the limitations of the current European defence procurement framework.

Current Lithuania's defence priorities include establishing a fully operational national division by 2030 and ensuring the successful deployment and support of the German brigade. To achieve these objectives, the country has launched major procurement programmes, including the acquisition of Leopard 2A8 tanks, CV90 infantry fighting vehicles, air defence systems, ammunition, and drone capabilities. These procurement efforts are supported by a rapidly expanding defence budget: in 2026, Lithuania plans to spend €4.79 billion on defence (5.38 per cent of GDP), including approximately €1.3 billion from the EU's SAFE instrument, under which the country has been allocated up to €6.375 billion in loans to finance major capability development projects. In this context, the effectiveness of the defence market should be assessed not only in terms of transparency and competition, but also by its ability to deliver the required capabilities rapidly, reliably, and, where possible, from the best available sources.

For Lithuania, the reform of the Directive should not result in rigid European preference requirements. Given the country's urgent capability needs and longstanding defence

cooperation with trusted NATO partners, particularly the United States and the United Kingdom, procurement flexibility remains essential for ensuring military effectiveness, interoperability, and security of supply. Any revised framework should therefore support European industrial development without limiting access to the suppliers best able to meet operational requirements.

At the same time, the reform should better reflect the realities of smaller Member States. Lithuania's defence industry is composed largely of private, dual-use, export-oriented SMEs that are unlikely to become prime contractors but can contribute as suppliers of technologies, components, and specialised services. The priority should therefore be to facilitate their integration into European supply chains through strategic partnerships, technology transfer, maintenance and servicing arrangements, and participation in joint procurement projects. From a Lithuanian perspective, the success of the Directive's reform will depend on whether it simultaneously enables faster capability acquisition and creates meaningful opportunities for national industries to become part of a stronger and more resilient European defence industrial ecosystem.

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POLAND

*By **Łukasz Maślanka**, Senior Fellow, Security and Defence Department, Centre for Eastern Studies (OSW)*

From a Polish perspective, the key challenge is not the integration of the European defence market as such, but rather the ability of the domestic defence industry to participate in transnational supply chains, multinational project consortia, and the EU system of joint defence procurement[6]. By contrast, the interests of a public arms purchaser focus on the ability to rapidly acquire armament, including through cooperation with partners outside the EU. The Polish position will therefore simultaneously seek greater openness of the EU market to equipment from the Member States that are not traditional leaders in defence production, while at the same time maintaining broad access to procurement from outside the EU.

Although the EU has expanded cooperation through initiatives such as the European Defence Fund and broader support for the European Defence Technological and Industrial Base (EDTIB), the practical outcomes remain uneven. One major criticism concerns unequal access to EDF resources, as larger and more established Western European defence industries often possess stronger institutional and financial advantages in obtaining funding. This creates concerns in Poland that smaller or newer member states face difficulties competing on equal terms[7]. From the Polish perspective, such imbalances may reinforce existing asymmetries rather than create a genuinely integrated defence market. Another important issue is the relatively slow pace of production within the European Defence Technological and Industrial Base. Limited production capacity and long delivery timelines reduce confidence in relying exclusively on European suppliers for urgent security needs[8].

The revision of the Defence Procurement Directive could improve transparency and reduce market fragmentation, but Poland would likely support reforms only if they create more equal access to opportunities across member states. For example, the Directive could limit the use of excessively stringent requirements regarding prior experience in delivering similar pieces of armament, which often constitute a classic barrier to market entry.

Measures to reduce dependencies within supply chains should prioritise critical sectors such as ammunition, electronics, strategic materials, AI, quantic computing. Support for local

[6] *MDLT supports the activity of the Polish defence industry in the European Defence Fund*, Retrieved June 9, 2026, https://www.gov.pl/web/development-technology

[7] Maślanka Ł., & Tarociński J. (2025), *Which Type of Armament Cooperation Do We Want/Need? The Case of Poland*, Retrieved June 9, 2026, from iris-france.org.

[8] Paik W. (2024), *The Korean Defense Industry Enters the European Security Theater. An Analysis of Korea-Poland Arm Deals*, Retrieved on June 9, 2026, from irsem.fr.

production capacities and industrial resilience could reduce vulnerabilities during crises. However, the promotion of the EDTIB and joint procurement should avoid developing into a strict "European preference" principle[9]. The EU should rather enable European companies to produce raw materials, substances, and components that are currently unprofitable due to overly strict climate and environmental regulations. In this regard, difficult trade-offs will be necessary to enable faster development of critical manufacturing capacities within the EU, for example in ammunition production. The Defence Omnibus should be more ambitious, for instance by exempting steel, aluminium, and chemical producers supplying the defence sector from the ETS system or from additional certification requirements related to restrictions on hazardous substances.

The organisation of the defence market in the EU should encourage cooperation, technology transfer, and strategic partnerships while avoiding excessive industrial concentration. Large-scale consolidation may increase efficiency but could also reinforce the dominance of a limited number of major European defence firms. Poland has also a strong interest in ensuring that national defence industry and SMEs remain integrated into future industrial structures.

Proposals to limit the use of Article 346 TFEU are met with considerable caution[10]. The current framework provides member states with necessary flexibility to protect essential security interests, particularly in the field of defence procurement. Restricting its application could reduce national discretion in areas directly linked to sovereignty and strategic security requirements. There are also concerns that a narrower interpretation may create administrative burdens and limit the ability to respond effectively to changing security conditions. Any reform should avoid weakening member states' capacity to safeguard their core defence interests.

[9] Terlikowski M., Wróbel T. (2025), *Great Game of Interests*, Retrieved June 12, 2026, from polska-zbrojna.pl.

[10] Raduła M. (2024), *Zamówienia publiczne a ochrona istotnych interesów bezpieczeństwa państwa – spotkanie efektywności ekonomicznej i rozwoju konkurencji z zapewnieniem bezpieczeństwa In Kowalczyk B. (ed.), Prawo administracyjne jako miejsce spotkań : księga jubileuszowa dedykowana Profesorowi Jerzemu Supernatowi (pp.339-345),* Wrocław: Uniwersytet Wrocławski.

SPAIN

*By **Félix Arteaga**, Senior Fellow, Elcano Royal Institute*

Spain recognises the progress made towards an EU defence market. The current framework has established common rules, funded cooperative R&D, promoted the EDTIB, encouraged joint procurement and placed defence industry at the centre of European strategic autonomy. Yet the market remains fragmented into national systems, with limited scale, underinvestment and regulatory burdens that constrain the EDTIB's ability to sustain protracted conflicts.

Spanish defence industrial policy broadly aligns with the proposed reforms of the EU defence procurement and transfer directives. The reforms seek to simplify procedures, speed up procurement, facilitate joint acquisition, improve intra-European transfers, support innovation and unlock private investment. Spain expects to benefit from market integration, European funded projects, stronger supply chains and a growing preference for European industrial capacity. However, Madrid will read these reforms through a national industrial lens and will support EU market integration insofar as it strengthens the Spanish defence industrial base.

The main challenge is to ensure that the new framework helps Spain secure workshare, promote open supply chains, protect critical national capabilities and incorporate SMEs and start ups as innovation providers within the EDTIB. Spain has already taken steps on general transfers, dependence on foreign suppliers, critical technologies and secure access to raw materials. However, it still faces structural obstacles: an inadequate procurement framework, limited multiyear planning, a shortage of professionalised procurement officers and SME access barriers.

Despite the exceptional European security context, Spain has not fundamentally changed its defence procurement system. The Ministry of Defence is instead adopting additional tools, including open contracts, innovative public procurement, public financing instruments and the use of artificial intelligence in procurement. These measures can help, but the system remains vulnerable to national industrial preference, concentration around a few large firms, weak competition, limited SME access and insufficient transparency.

EU reforms could help Spain address the tension between supporting national champions and opening major defence programmes to SMEs and start ups. Industrial Participation Plans may be useful if they open supply chains and create technological capacity. They may generate

legal friction, however, if they restrict cross border competition. The Ministry of Industry and the new National Committee for Technological Sovereignty should improve civil military synergies, strengthen governance and align Spanish measures with EU initiatives.

The simplification agenda could accelerate Spanish and European industrial deliveries, through higher thresholds and lighter medium sized procedures. Yet faster procedures must be matched by stronger procurement capacity, transparent industrial participation, ex post control and a clear distinction between legitimate security of supply requirements and protectionist national preference. Measures favouring production in Spain can be compatible with EU rules if linked to resilience, life cycle support, classified information, urgent availability, strategic capacity or objective industrial criteria.

EU market integration can strengthen Spanish firms if they join European consortia early. It can weaken them if Spain acts too late or if consolidation is led by larger European players. Spain must therefore promote industrial partnerships, align national planning with NATO and EU capability processes and secure a strong presence for its industrial base in European supply chains.

SWEDEN

*By **Calle Håkansson,** Head of the Programme for European and Global Politics, Swedish Institute of International Affairs (UI), and Researcher, Swedish Defence Research Agency (FOI)*

Given the security situation Europe is facing in 2026, characterised by Russia's continued full-scale war against Ukraine and growing transatlantic tensions under the second Trump presidency, a priority for Sweden is to increase defence production capacity in Europe while also reducing the cost curve for defence equipment. One of the key lessons of the past few years is that the existing rules and regulations need to be simplified and streamlined to make the European Defence Technological and Industrial Base (EDTIB) more effective in this regard. This short commentary takes stock of recent developments and outlines Sweden's overall position on the revision of the EU Defence Procurement Directive (2009/81/EC).

Overall, Swedish authorities have underlined that the Defence Procurement Directive has served its purpose well, whereas the defence industry association has argued that it has fallen short of its ambitions. However, it has also been emphasised that the current Directive was developed in a different geopolitical context and that the current security environment underscores the need to adapt it to today's realities.

The most controversial aspect of the revision of the Directive from a Swedish perspective is the possible inclusion of a "European preference". The Government has underscored its opposition to such a preference, arguing that it could result in both higher costs and lower-quality defence equipment for the armed forces. From the defence industry's perspective, it has been argued that a European preference could strengthen the EDTIB, but that it needs to be carefully designed so as not to undermine production and cooperation. This is particularly important for Sweden, as it has a defence industrial base that is deeply integrated with non-EU suppliers, both through ownership structures and cooperation. Hence, the Swedish defence industry has argued that a European, rather than an EU, preference could be a way forward.

Moreover, Swedish authorities have also underlined that, although the ambition of the revision is to simplify the procurement process, the new revision risks adding complexity and becoming more burdensome if additional layers and hurdles are introduced. In regard to the discussion on a European preference, it is also outlined that it risks affecting supply chains and the security of supply in Europe, and could ultimately lead to a less competitive European defence industry.

However, another aspect that the revision could help improve is a more common application of procurement rules across Europe. Today, many Member States use different

interpretations of the current Directive, which leads to more complicated processes between countries. Moreover, it should also promote a more innovation-friendly approach to procurement. To improve common procurement within Europe, it has been suggested that clearer guidance on how to structure joint procurement could be included, for instance through a joining mechanism in contracts so that more countries can join existing agreements.

To conclude, the Swedish position is that there is a need to adapt the regulations to current conditions, but also that the revision risks introducing new hurdles and affecting cooperation with non-EU industry. Given the structure of the Swedish defence industry, this is likely to become a key issue for Sweden in the negotiations on the revised Directive.

THE NETHERLANDS

*By **Auke P. Venema,** Senior Research Fellow, Clingendael*

Traditionally, the Netherlands has been a strong supporter of a transparent, competitive and rule-based EU defence market. Dutch defence industry is highly internationalized, meaning openness to European, transatlantic as well as third-country cooperation is economically and strategically of vital importance. Furthermore, the Netherlands armed forces depend on numerous high-tech US weapons systems.

However, since the Russian invasion of Ukraine in 2022 the Netherlands has become an advocate of a more integrated European defence market. Russia's invasion of Ukraine has exposed major shortcomings in Europe's defence industrial capacity, ammunition production and supply-chain resilience. Against that backdrop, the Dutch government supports to strengthen the European Defence Technological and Industrial Base (EDTIB) to improve military readiness, to enhance security of supply and to strengthen Europe's ability to respond to future crises.

Dutch EDTIB policy

The Netherlands considers the EDTIB to be technologically advanced and internationally competitive, but nevertheless weak. Dutch policy points at the fragmentation of the European defence market as the root cause problem. Defence procurement is still largely organised at the national level, resulting in duplication of capabilities, limited economies of scale and insufficient coordination of demand. From the Dutch perspective, these shortcomings result in inefficiencies, insufficient production capacity and vulnerabilities in supply chains. Dutch policy therefore supports measures to stimulate market integration, joint procurement and industrial cooperation, and innovation.

Joint procurement has a particularly important place in Dutch EDTIB policy. The Netherlands views collaborative procurement as one of the most effective means of reducing fragmentation, increasing interoperability and providing industry with predictable demand signals. Larger and more coordinated procurement programmes cab help strengthen the EDTIB while improving value for money and accelerating capability delivery.

The Netherlands supports measures to improve security of supply and reduce critical strategic dependencies. The war in Ukraine demonstrated that European production capacity for ammunition and other defence materiel was insufficient for a prolonged high-intensity conflict. Dutch policy therefore favours strengthening production capacity, mapping critical

supply-chain vulnerabilities and diversifying sources of supply. However, the objective is not complete self-sufficiency. Rather, the Netherlands advocates reducing critical dependencies while maintaining access to international supply chains and partners.

Innovation represents another important pillar of the Dutch approach The Netherlands consider technological innovation a key strength of the European defence sector but argues that innovation is often adapted too slowly. Dutch policy therefore supports measures that simplify procurement procedures, facilitate participation by small and medium enterprises, strengthen cooperation between industry, knowledge institutions and defence organisations, and enable the continuous integration of new technologies into military capabilities.

The Dutch position

The Netherlands position vis-vis the creation of a European defence market reflects an overall change in Dutch policy since the early 2020s, when the term "open strategic autonomy" started appearing regularly in government documents. Europe should be capable of protecting its essential security and economic interest, while remaining open to trade, investment, competition and cooperation with international partners. Consequently, the Netherlands supports initiatives such as the European Defence Industrial Strategy (EDIS) and the European Defence Industry Programme (EDIP). Dutch policy has embraced new approaches, including joint procurement mechanisms, government-to-government arrangements and long-term framework contracts.

Simultaneously, the Netherlands keeps emphasizing the need for competition, transparency, openness and continued cooperation with NATO allies and global partners. Dutch defence companies are heavily integrated into multinational production networks. There are relatively few prime contractors, but many specialised suppliers in areas such as sensors, radar, aerospace, maritime systems, optics and high-tech components. They need participation in European, NATO as well as global supply chains. Therefore, the Netherlands supports strengthening the EDTIB but remains cautious about extensive European preference and industrial protection. It favours strategic openness over a protectionist interpretation of European strategic autonomy, in order to remain connected to NATO non-EU allies and transatlantic supply chains.

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RESSOURCES

- BNC fiche 1 - mededeling Europese Defensie-Industrie Strategie en Verordening Europees Defensie-industrie Programma (05-03-2024; rijksoverheid.nl)
- Key Messages of the Netherlands on the European Defence Industrial Strategy (EDIS) (16-01-2024; rijksoverheid.nl)
- Defensie Strategie voor Industrie en Innovatie 2025-2029 (04-04-2025; rijksoverheid.nl)

CONCLUSION: DIVERGENCES ET CONVERGENCES

What conclusions can be drawn from these ten overviews of how the main EU Member States view the prospect of a European defence market? Several key observations — as well as a few apparent contradictions — emerge.

- First, all the countries consulted share the **same diagnosis**: the EDTIB suffers from excessive fragmentation across European markets, which undermines its efficiency, competitiveness and ability to scale up. All agree that this handicap must be addressed. The remedies they advocate, however, are different.

- While EU countries broadly agree on the diagnosis of fragmentation, several nevertheless remain suspicious of any **Commission** initiative aimed at addressing the problem. They fear that the EU executive could use such initiatives to extend its competences excessively at their expense. Significantly, the four largest EU Member States — France, Germany, Italy and Poland — are among those most wary of this prospect. Spain is the notable exception.

- Differences also emerge over **whether** the 2009 Directive on defence procurement should be reformed:
  - ✓ Some Member States, notably France and Italy, remain **sceptical** of further regulatory intervention at EU level. Their preference is for intergovernmental arrangements and sovereign cooperation among groups of Member States, rather than a further extension of the Community method into the defence sector. From this perspective, the Commission should continue to concentrate on the instruments over which its role is least contested: financial support to strengthen the European industrial base and incentives for joint procurement, rather than the regulation of national demand. France, in particular, takes a markedly political view of the defence sector. Defence industrial choices are seen first and foremost as matters of sovereignty and strategic policy, to be determined through political decision-making rather than constrained by legal rules — especially where those rules are supranational.
  - ✓ Other Member States, such as the Netherlands, Denmark, Sweden, Greece, Spain and Lithuania, are **not opposed** to the emergence of a more competitive European defence market, provided that it enables their SMEs and mid-caps to secure a lasting place within the EDTIB. Their concern is that such a market could end up being shaped primarily around the interests of the major prime contractors. Germany's position is

more distinctive — and perhaps somewhat harder to interpret. Berlin presents itself as pro-European but pragmatic. On the one hand, it is open to a greater Europeanisation of the defence market; on the other, it remains wary of the introduction of overly prescriptive rules.

- The **most active countries** in the debate over an internal defence market are France and Poland, which arguably have the most developed positions, followed by Germany. Each of these three countries places the emphasis on a different priority:
  - ✓ **Germany** makes **simplification** and faster administrative procedures an overriding priority. On this point, it is supported by several other Member States, notably Denmark, Greece, the Netherlands, Poland and Lithuania.
  - ✓ **Poland**, for its part, advocates a reform that promotes **technology transfers** and local production. Its priority is to avoid any further concentration of the European defence industry that could come at its expense.
  - ✓ **France**, finally, places **European preference** at the forefront of its position, in particular with a view to promoting European strategic autonomy.

The challenge of European preference

The question of European preference is undoubtedly one of the most sensitive issues in the debate. Whenever the European Commission has put forward a new defence-industrial initiative, Member States have almost invariably divided over this point.

Broadly speaking, the countries most supportive of stronger competition rules have also tended to be those most reluctant to endorse European preference — notably the Netherlands, Germany, Denmark and Lithuania. Over time, however – particularly in the context of the debate on the internal defence market – their positions appear to have evolved. At least to some extent, they now seem to be moving closer to the French position on this issue.

In light of the changing international environment, there now appears to be broad acceptance of the principle that the EU should give greater priority to its own defence industry. Indeed, the very concept of European strategic autonomy – long viewed with scepticism – has gained considerable ground in Brussels, inevitably shaping the debate over European preference.

This does not mean, however, that all Member States support an overly rigid form of European preference. Most still want to preserve a degree of flexibility in procuring military equipment

from non-EU NATO allies. It is precisely here, however, that **a misunderstanding** persists among Member States – one that needs to be clarified.

The misunderstanding stems from the way some Member States approach the debate. Those reluctant to introduce a form of European preference into a new defence procurement directive seem to fear that the Commission intends to impose binding rules similar to those already used in EU programmes supporting the EDTIB. For example, they are concerned that strict eligibility criteria applied under SAFE and EDIP could somehow be extended to defence procurement[11].

This is, however, unlikely. When implementing funding policies through the EU budget, the Union can legitimately impose strict eligibility criteria. National defence procurement is a different matter. In this area, the EU cannot oblige Member States to buy European equipment, still less prevent them from purchasing the systems of their choice. The issue is therefore not to impose a binding European preference, but rather to create a regulatory framework that provides for simplified procedures when Member States choose to procure European equipment, particularly systems developed through cooperative programmes.

Yet, judging from the national positions outlined here, no Member State appears to hold a position that is fundamentally incompatible with this principle. Italy is particularly revealing in this respect. Rome remains reluctant to introduce any form of European preference into EU rules on defence procurement. At the same time, however, it appears supportive of simplified procedures for equipment developed through the European Defence Fund.

Ultimately, the positions of the Member States and the Commission on European preference may not be as far apart as they first appear. Germany's and other Member States insistence that any reform should above all pursue administrative simplification also points to a possible compromise with France: simplify procedures, certainly, but ensure that this simplification apply when the purchaser intends to buy Europeans equipment first and foremost.

Of course, the question of European preference raises many other complexities. One of the most important is the need to define more clearly what should qualify as European equipment. In this respect, the criteria set out in EDIP and SAFE — notably the '35%–65%' rule and the notion of a European Design Authority — remain imprecise and insufficiently defined. Differences of view between Member States persist on both issues, but they are far from irreconcilable.

[11] These include the so-called '35%-65% rule' and requirements based on the concept of 'European design authority'.

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The Armament Industry European Research Group (Ares Group) is a high-level network of security and defence specialists across Europe. Its aim 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.