

EU defence industry programme and strategy

On 5 March 2024, the Commission adopted the first-ever European defence industrial strategy (EDIS), which sets a long-term goal of achieving EU defence industrial readiness, and proposed a defence industry programme (EDIP) regulation. Experts laud its ambition, noting that its success will require political and financial buy-in.

European defence industrial strategy (EDIS)

Outlining the opportunities to realise the full potential of the European defence technological and industrial base (EDTIB), the [EDIS](#) sets the direction for the next ten years and lays out the [challenges](#). To improve European defence industrial readiness, Member States must 'invest more, better, together and European'. The [EDIS](#) outlines a series of steps, such as enhancing the EDTIB's responsiveness (notably through the EDIP) and reinforcing the EDTIB with 'increased, more collaborative and European investment from Member States'. This will draw upon current tools and programmes, such as Permanent Structured Cooperation ([PESCO](#)) and the capability development plan ([CDP](#)). To promote the adoption of a culture of defence readiness, including across all EU policies, the EDIS inter alia invites the European Investment Bank (EIB) to review lending policy in 2024, to adapt defence-related [exclusions](#).

EU countries' collective defence budget in 2022 was [€240 billion](#), with [€290 billion](#) expected by 2025. Yet, [78 %](#) of Member States' defence acquisitions from February 2022 to June 2023 originated outside the EU. The EDIS also sets (non-binding) indicators to track EU countries' progress towards defence industrial readiness: Member States should procure at least 40 % of defence equipment through cooperation by 2030 (current level is 18 %, [below](#) the 35 % set in the European Defence Agency framework). They should also ensure the value of intra-EU defence trade is 35 % or more of the EU defence market's value by 2030 (currently 15 %), and procure at least 50 % of equipment through the EDTIB by 2030, and 60 % by 2035.

European defence industry programme (EDIP)

The proposed [EDIP](#) regulation includes measures to guarantee the timely availability and supply of defence products as an immediate means to deliver the EDIS. The EDIP aims to achieve defence industrial readiness by bridging the gap between short-term emergency measures, such as the European Defence Industry Reinforcement through Common Procurement Act ([EDIRPA](#)) and the Act in Support of Ammunition Production ([ASAP](#)) and a structural, long-term approach. Both financial and regulatory elements are present in the EDIP. From 2025 to 2027, the EDIP should allocate €1.5 billion from the EU budget as a '[gap-filler](#)' up to the next multiannual financial framework (MFF), to support the EDTIB's continued improvement in competitiveness. The funds come from the European Defence Fund, which recently [received](#) a €1.5 billion top-up within the framework of the [mid-term review](#) of the MFF. Eligible entities for EDIP funding must be established within the EU, or associated countries (e.g. Norway), or Ukraine. To further encourage EDTIB investment, the financial support EDIP provides should significantly expand the intervention logic of EDIRPA (EU budget support to offset the complexity of joint procurement) and ASAP (support for defence industries increasing their production capacity) beyond ammunition and missiles. It would also support the build-up of reserved surge manufacturing capacities ('ever-warm' facilities). It is proposed to repurpose civilian production lines in certain cases. A fund to accelerate defence supply chain transformation (FAST) may also be established.

The EDIP will provide a new (voluntary) legal framework, the structure for European armament programme (SEAP), to facilitate and scale up Member States' cooperation throughout the defence equipment lifecycle, from development to maintenance. Participation will require three or more Member States and is also open to Ukraine and associated countries. Where equipment purchased through the SEAP (functioning as an international organisation) is jointly owned by Member States, they will receive a VAT exemption. A 'modular and gradual EU Security of Supply regime' should guarantee continuous access to essential defence products throughout Europe and offer a framework for effective response to future defence



product supply crises. To guarantee the coherence of EU action in the defence industry, a Defence Industrial Readiness Board will gather representatives of the Member States, the EU High Representative and the Commission. The Board should carry out the EU defence joint programming and procurement function called for in the [Defence Investment Gap Analysis](#). The EDIP regulation would formally create the Board, which will also assist in the EDIP's implementation. One function will be 'the joint identification of possible projects of common interest to focus EU effort and funding programmes'. In tandem, a High-level European Defence Industry Group, meeting in specific configurations and with a consultative function, will guarantee efficient government-industry cooperation and foster dialogue and involvement.

The EDIP suggests that European defence projects of common interest are launched through the EDIP, to support the implementation of EU capability development priorities, and secure and protect the EU and Member States' unrestricted [access](#) to 'strategic domains and contested spaces'. Furthermore, the establishment of a trial European military sales mechanism is envisaged to raise awareness of the EDTIB's defence product availability, and ease the procurement process, including 'government-to-government' purchases. The Commission suggests testing the mechanism through a pilot project within the EDIP, to create a fully fledged version from 2028. The EDIP will support Ukraine (see below) and benefit NATO, two key EU partners. The strategy inter alia calls for increased structured staff-to-staff exchanges with NATO on matters of mutual interest and defence industry-related activities, such as the circular economy, interoperability, standardisation and cross-certification.

Camille Grand, a former NATO Assistant Secretary-General and distinguished policy fellow at ECFR, [notes](#) that the 'strategy's aim to address the major issue of defence financing and emphasis on interoperability are promising', but that success will depend on both financial and political buy-in. The Commission is [aware](#) that some of the proposals are controversial, underlining that 'defence must remain a national responsibility'. According to analysts, there will be [push-back](#) from the Member States. Antonio Missiroli, also a former NATO Assistant Secretary-General, notes optimistically that the EU reacts to shocks, and that if more shocks occur there 'may be more readiness to go down new paths in order to support [the EDTIB]'. Despite the ambition, another [analyst](#) labels the new initiatives 'modest', as they will neither 'see direct weapon purchases, nor offer lavish funding previously promised...'. Notably, although the EU Commissioner for the Internal Market, Thierry Breton, [proposed](#) a debt-financed €100 billion fund to boost joint procurement of defence products in January 2024, according to a senior EU diplomat, such a fund is not 'on the cards'. Indeed as the Centre for Security, Diplomacy and Strategy's Daniel Fiott [notes](#): 'We all know the money isn't right. €1.5 billion for the EDIP is a start but it will not stop the traffic'. Fiott believes the strategy signals 'that the EU is coming of age in terms of how it views defence'. It moves the EU away from an approach pursuing liberalisation through regulation as its core ideology to a focus on industrial policy and EU institutions supporting industry through greater cooperation, common procurement and ambitious benchmarks. He notes that benchmarks already existed, and asks how EDIP means to 'herd 27 cats?' He argues the 'real battle' will be the defence funding under the next MFF, as the strategy acknowledges.

Defence industrial support for Ukraine

Russian strikes continue to target Ukrainian defence industry [infrastructure](#). It is proposed that Ukraine participate in the EDIP, with collaboration on common procurement and assistance to ramp up its defence industry. The EDIP anticipates a dedicated budget line to support these initiatives. According to the Commission, this budget line could be funded through a portion of the windfall profits derived by central securities depositories from immobilised Russian sovereign assets, subject to a Council decision. To promote collaboration between the EU and Ukraine defence industries, the EU will also host an EU-Ukraine Defence Industry Forum in 2024, and [establish](#) an Innovation Office in Kyiv. This support is in addition to the [European Peace Facility](#) and Member States' bilateral military support, which [amounts](#) to €28 billion so far.

European Parliament position

Members [emphasised](#) that additional initiatives, including the EDIP and EDIP, should supplement current defence tools. Sufficient EDIP funding must be guaranteed, as well as an efficient regulatory framework to foster innovation, increase production, and guarantee smarter, efficient public investment. Parliament calls on Member States to provide the necessary funds for all European defence instruments. Members backed the plan to establish a €100 billion defence fund, and [called](#) on the EIB to reform its lending eligibility list.

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