



**Strategic Foresight and a sense of Urgency needed –
European Defence Industrial Policy (EDIP) and the upcoming White Paper on the future
of the European Defence**

Ralph D. Thiele and Denis Verret

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Summary

At a critical juncture of dynamic global developments, the European Union needs ambitions and capabilities to back them up. This article shows why EU decision-makers and leaders need to develop a sense of urgency about strategic direction, military readiness, technological innovation and industrial robustness. It focuses in particular on the European Defence Industrial Policy (EDIP), which must become a key capability for Europe's security and defence.

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Analysis

1. The tipping point

These days we can see how quickly the world-could come crashing down around our ears if US foreign and security policy fails to deliver. In this situation, Europe is seeking to assert itself in a number of ways - politically, economically, technologically and-militarily. At a geopolitical tipping point, EU member states are increasingly aware of the depths of their defence, operational and industrial vulnerabilities. Russia's invasion of Ukraine, in particular, has highlighted the need for the EU to move beyond its initial emergency response and improve the long-term readiness of the European military forces and defence industry.

2. Putin's long-term threat

Russia's illegal invasion of Ukraine has brought war back to Europe. Failure to stop major aggression in Europe and its neighbourhood would leave Europe with a long-term threat to peace, stability and prosperity. Putin has transformed his country into a war economy and is preparing to spend 9% of its GDP on defence, becoming stronger and stronger not only in terms of quality and innovation, but even more in terms of the mass of lethal equipment produced: that is, more ammunition than all the NATO countries (including the US) put together. The current target of 2% of NATO members' GDP was set well before 24 February 2022; it is clear that it is in no way commensurate with the Russian threat. The next NATO summit in 2025 will probably raise it.

Meanwhile, the new US president has questioned the extent to which the EU can rely on US leadership and protection in the future. As a result, European countries need to dramatically increase their strategic, military and technological footprint in both NATO and the EU. European countries have significantly increased their defence spending in recent years. However, most critical capabilities are still lacking notably in volume, while innovation suffers. While the EU as a whole meets NATO's 2% target, 7 EU-NATO countries still fall short. The European defence market remains fragmented.

The lack of common procurement and national preferences for defence spending result in small markets with low production levels. Low production numbers, when not compensated by substantial exportation are a major reason for relatively high costs per unit of production.

3. Underpinning European ambitions

Against this background, European ambitions for defence and its industrial backbone must grow. That is why the Commission is negotiating its proposal for an EDIP Regulation, which sets out a policy that is aiming at:

- strengthening the competitiveness and responsiveness of the EU's Defence Technological and Industrial Base (EDTIB),
- easing the security of supply of defence products.

It also aims to improve cooperation with Ukraine in the recovery, reconstruction and modernisation of its defence industry.

The Commission is preparing a European White Paper on defence and space. This White Paper must emphasise that, in the face of the multiple and growing threats, "the harmonisation of operational requirements, leading



to a limited number of interoperable technical solutions, is an essential basis for the design of future European defence systems and equipment", as our network of EuroDefence associations stated last May in its comments on the EDIS proposals. The CHODs (Chiefs of Defence), supported by the National Armament Directors and the EDA (European Defence Agency), have a central role to play here: they must make a real inventory of their needs and the products available in Europe to meet them, and propose cooperation to meet them. On this basis, the Member States, with the support of the Commission, must commit themselves. In other words, the prime purpose of the White Paper cannot be first of all to better define the Commission's own contribution to the defence of Europe.

Still, it represents an opportunity to set out clearly how the Commission intends to improve its performance and to define how the EU can support Member States' defence efforts through much-needed support measures such as: pooling expertise and acquisition; providing incentives for further joint industrial development, industrial grouping and consolidation; funding cooperative R&D (Research and Development) and procurement; and defining common standards. Potential instruments of the Commission and of the Member States need to be better coordinated, complementary and consistent with the overall objective of meeting Member States' capability needs. The measures to be taken must urgently focus on added value by the Member States and by the Commission as well. Spending better together but spending more is simply needed, at national, intergovernmental and EU level. The Draghi report underlined the necessity to help the funding of these efforts by resorting notably to Eurobonds, as the EU did to face the sanitary pandemic. Here we have to face a military pandemic. An ambitious budget is needed to meet strategically agreed objectives, with priority given to EU companies for defence investment and acquisition. It is clear that "European preference" is essential to strengthen the EDTIB and enhance security of supply.

While the European Defence Strategy should not exclude armaments cooperation with strategic partners such as the US and the UK, purchases of weapons from outside the EU must be justified and rational, with guaranteed security of supply and interoperability. However, local investment and procurement, i.e. some European preference, to boost industrial capabilities and innovation are crucial to strengthen strategic autonomy and avoid falling behind in military technology. The reinforcement of the European DTIB will reinforce the Transatlantic Alliance by the same token.

4. European growth potential

Today, NATO forces provide a credible nuclear deterrent. However, there are conventional armament needs and growth potential, particularly in terms of what European Allies can contribute to the required mass of personnel, tanks and artillery, munitions, air defence or deep strike capabilities. In particular, they lack new technologies to respond to the exponential growth of, for example, swarms of low-cost armed drones, the challenges of the cyber domain, the electromagnetic spectrum and hybrid attacks. In sum, there is an urgent need to rebuild the operational and interoperable capacity and availability of European forces within NATO, under the impetus of the CHODs and the commitment of member states. Against the backdrop of a declining American commitment to NATO, the European pillar will be called upon to deliver much more than in the past.

At present, the demand for defence equipment in Europe is inadequate, fragmented and based on national, if not American, preferences, ignoring non-national and sometimes even partly national/partly European solutions. This does not encourage the consolidation of European groups needed to reach and maintain the critical global size of their American competitors in particular. However, the successes of Airbus, particularly in



the military derivatives of its commercial aircraft, or of MBDA in tactical missiles, show the way forward: programme/consolidation/integration/export.

The Draghi report has made extremely clear the necessity to consolidate the European Defence Industry. The Reports Letta and Niinistö also. Now is the time for the Commission to embrace such a critical objective, in addition to the right support for the supply chain and start-ups. The competitiveness has to be assessed at the global level. The European states have invented promising instruments, OCCAR (Organisation for Joint Armament Cooperation - 6 member states / 10 'non-member states participating'), EDA, PESCO (Permanent Structured Cooperation), 2 key instruments of the CFSP (Common Foreign and Security Policy). However, these instruments have been underused or even demonetized for maintaining national comfort zones. This has proved counterproductive to the desired increased European ambition for more autonomy, and has resulted in a haemorrhage of purchases in the United States: according to an IRIS survey 63% of defence purchases in the EU have recently gone to American solutions. To put it in a nutshell: The European pillar of the Alliance is in a sub-critical state in terms of both military and industrial readiness. All the existing instruments have to be properly used before creating new ones, with the risk of bureaucratic duplication.

5. The Commission as a powerful facilitator

The EDIP proposal of the Commission contains very logical and welcomed propositions:

- to better inform each member state of the European solutions on the shelves and in preparation so that no one is unaware of them before rushing towards non-European solutions;
- to support the efforts of the member states by means of community subsidies, to purchase in a grouped way and to launch programs in cooperation;
- to reduce tax inequalities compared to NATO purchasing procedures;
- to introduce between Europeans and for third-party strategic partners Government to Government contract mechanism in the manner of the American Foreign Military Sales system.

All this with the assumed and judiciously quantified objective in the EDIS proposal of gradually reducing European dependence on external solutions.

Still, the Commission should not pretend to substitute the Member States Defence responsibilities but become a powerful facilitator in helping Member States to meet their defence commitments and in contributing to the financing of European defence. In particular, it is important to pave the way towards a robust and defence-ready EDTIB, which will facilitate enhanced defence cooperation between Member States. Building on Member States' national efforts, the Commission could bring added value to Member States' defence cooperation, while respecting their defence prerogatives as enshrined in the Treaties.

Consequently, successful EU initiatives must strengthen the EDTIB and defence cooperation on the basis of strong support and political determination from EU Member States. The EU Commission should also support a key role of the EDA in helping Member States to identify/close defence capability gaps within the EDTIB and to jointly address them in order to reduce dependencies on non-European technologies.

NATO standards are the key to increased interoperability of member nations' forces. In addition, the EU could promote technological agility and the sharing of experience and best practice by providing Member States with examples of technological and/or combat developments in other parts of the world. Through EDA and a more



targeted PESCO approach, it should also help to identify areas for future joint R&D. An expanded but better focused European Defence Fund (EDF) should enable the EU and its Member States, in coordination with NATO and EU-based R&D institutions, to have at their disposal future defence solutions available on the European market. The EDF, when addressing development phase cannot disperse its subventions. It has to adapt its processes to assume the absolute necessity to reinforce the strong European points confronted to the global competition. It has to support the needed consolidation. To this end, any financial support from the EU budget must be targeted at the EDTIB and at the production and availability of EU defence products, emphasising the long-term perspective, for example by encouraging Member States to make long-term commitments to industry, e.g. through joint procurement and programs in cooperation.

The creation of a Commissioner for Defence and Space is an excellent innovation. However, it cannot and should not relieve Member States of their responsibility for defence capabilities and industry. But it does enable the Commissioner to exercise a kind of moral magistracy, to alert the right people, the recalcitrant state, the Member States concerned, his colleagues, public opinion, when a Member State fails to live up to its commitment to spend more, spend better and spend together.

6. A sense of urgency needed

EU decision-makers and leaders need to develop a sense of urgency about strategic direction, military readiness, technological innovation and industrial robustness. The EDTIB itself must become a key capability for Europe's security and defence. The forthcoming White Paper on the Future of European Defence is the right place at the right time to set out clearly what the common strategic goals and instruments are, and therefore how the Commission will contribute with strategic foresight to improving the defence of EU Member States.

Remarks: The opinions expressed in this contribution are those of the authors.

This article has been co-signed by Ralph Thiele, President of EuroDefense Deutschland e.V. and Denis Verret, Vice-President of EuroDéfense-France, co-animator of the EDDeu/DEFr working Group dedicated to the relaunch of the Franco-German relations in Defence.



About the Authors of this Issue

Colonel (ret.) Ralph D. Thiele is an experienced defence expert and pioneer of disruptive innovation in security and defence. He is President of the independent initiative EuroDefense Deutschland e.V., Chairman of the Politisch-Militärische Gesellschaft e.V. and Managing Director of StratByrd Consulting. He is a strategy consultant, security expert, researcher, expert witness and publicist.

In his earlier military career, Ralph Thiele held senior positions in national and international security and military policy, planning and academia, including on the Planning Staff of the German Minister of Defence, in the Cabinet of NATO's Supreme Allied Commander Europe, as Chief of Staff of the NATO Defence College in Rome, as Commander of the German Armed Forces Transformation Centre and as Director of Education at the German Armed Forces Staff College.



Ralph D. Thiele

Denis Verret has been Vice President of EuroDéfense-France since 2024. His career includes key governmental and industrial assignments at the Ministry of Public Facilities, the French Embassy in Washington D.C., in the Cabinet of Laurent Fabius, Minister of Industry and Research and then Prime Minister. He was Director Europe and then Deputy Director of Thomson CSF International (now Thales), Corporate Vice President in charge of International and Commercial Affairs, President of Aerospatiale Matra Lagardère International, EADS (now Airbus). As Consultant he has advised in international, institutional and strategic affairs in aerospace and energy.



Denis Verret