SEPTEMBER 2023

TRANSATLANTIC DEFENSE DURING WARTIME

A COMPANION VOLUME TO THE 2023 CSIS GLOBAL SECURITY FORUM

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This event and this companion report would not have been possible without the participation of conference speakers and panel moderators including Admiral Christopher W. Grady, vice chairman of the Joint Chiefs of Staff, General Chris Badia, deputy supreme allied commander transformation for the North Atlantic Treaty Organization and of the German Air Force, Max Bergmann, director of CSIS Europe Program and Stuart Center, Vice Admiral Hervé Bléjean, director general of European Union Military Staff, Heather Conley, president of the German Marshall Fund of the United States, Emily Harding, deputy director of CSIS International Security Program, the Honorable Ellen Lord, former under secretary of defense for acquisition and sustainment, the Honorable William J. Lynn III, CEO of Leonardo DRS and former U.S. deputy secretary of defense, His Excellency Marek Magierowski, ambassador of the Republic of Poland to the United States, John McLaughlin, former acting and deputy director of the Central Intelligence Agency, the Honorable Deborah G. Rosenblum, assistant secretary of defense for nuclear, chemical, and biological defense programs, and performing the duties of assistant secretary of defense for industrial base policy, and Rear Admiral Tim Woods, British defense attaché to the United States.

The authors would finally like to thank Colin Wall for the numerous ways he laid groundwork for this document while serving as an associate fellow with CSIS and the publications team and the design team for their roles in preparing this report.

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Executive Summary

This report examines European defense over a year after Russia's invasion of Ukraine sent shockwaves throughout the world. The destructive reality of conventional war on the European continent transformed perceptions of risk. Historically, with the prospect of war unlikely, European states made relatively small investments in their defense capabilities and remained content with the United States serving as the continent's guarantor of security especially after the end of the Cold War. As a result, capability gaps began to emerge in European militaries that remained largely unaddressed for decades.

Russia's invasion of Ukraine and Europe's collective response to send robust security assistance packages to Kyiv exposed the magnitude and scale of several of Europe's capability gaps. Europe's collective shock from Russia's invasion has prompted European decisionmakers to pursue rearmament on a national and multinational basis with an unprecedent political zeal for the post-Cold War era. This report seeks to capture the progress made in European defense over the past few years and provide actionable insights to guide European and transatlantic decisionmakers forward as they continue to work to preserve continental peace and support Ukraine.

Following the North Atlantic Treaty Organization's (NATO) Vilnius summit this past July, the transatlantic alliance requires long-term defense industrial investments to sustain the collective defense of all member-states. The summit's official communique outlines the need for a stronger European defense industrial base that facilitates cooperation within the continent and across the Atlantic.[1] The communique also articulates NATO's commitment to serving as a "standard setter" and a "requirement setter and aggregator."[2] The document further hails the progress NATO has made in cooperating with the European Union in an array of fields—including defense industrial and research cooperation.[3]

There are a diverse range of views concerning European defense both among analysts and decision makers on either side of the Atlantic. On April 5, the Center for Strategic and International Studies (CSIS) convened top practitioners and scholars at the 2023 Global Security Forum to address the topic transatlantic defense. This report aims to capture multiple of perspectives surrounding European defense in a bid to provide readers an understanding of the complexities that have long frustrated European decisionmakers aiming to rationalize the continent's collective defense. These complexities range from granular regulations to strategic concerns decades in the making. Furthermore, this report aims to unravel the interplay between the European Union, NATO, and the United States in advancing collective security in Europe amidst the ongoing Russo-Ukrainian War.

Outline of the Report

The first introductory chapter provides an overview of the report. This body of report offers three distinct perspectives on key issues for the new European defense. The second chapter, "Europe's Defense Outlook 2030: Implications of An Increasingly Aligned Europe," explores how Russia's invasion of Ukraine has changed European threat perceptions and strategic outlooks before forecasting how these changes will shape European states for the remainder of the decade. The third chapter, "NATO's Evolving Threat Landscape and Ability to Respond," focuses on the role of NATO in European security and the intra-alliance dynamics that enable or impede a robust transatlantic response to Russian aggression. The fourth chapter, "Pivoting to Production? Europe's Defense Industrial Opportunities," analyzes the factors driving European defense integration, the tools needed to expand European defense collaboration, and the roles and responsibilities between European defense institutions in delivering capabilities to European warfighters. The concluding chapter summarizes and reflects on the discussions in the earlier chapters.

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A Critical Juncture for Europe

Authors: Cynthia R Cook and Nicholas Velazquez

Russia's invasion of Ukraine in February 2022 set off a chain of events that has reverberated far beyond the borders of the conflict. Across Europe, a historic effort to rethink defense posture is underway as European states grapple with the implications of the conflict for their own security. In a consequence clearly unforeseen by President Vladimir Putin, the invasion has undermined Russia's efforts to divide the collective West and has instead led to the expansion of NATO. Additionally, the invasion has weakened the Russian Armed Forces, as mounting setbacks continue to degrade the Kremlin's conventional capabilities. As a result, the West has gradually unified and strengthened while Russian power has diminished. This moment in European defense represents a critical juncture for the continent wherein European nations can, individually and collectively, rethink their continent's security architecture. To support deeper discussions and analysis into the topic of transatlantic defense, the 2023 Global Security Forum, the flagship annual event of CSIS's International Security Program, featured senior leaders from Europe and the United States who analyzed the threat landscape and identified challenges in defense, as well as opportunities for transatlantic cooperation.[4] This companion volume includes essays on those topics as well as material covered during the discussion by the expert participants.

Background

With the end of the Cold War and the dissolution of the Soviet Union, European security exited an era defined by East-West division and began an era focused on economic development that has characterized the past 30 years. During this period, Europe enjoyed the so-called "peace dividend." Without a unified adversary threatening their sovereign borders, European nations were able to allocate resources away from their defense capabilities and toward developing dynamic economies supported by social safety nets. Where Europe did invest in its defensive capabilities, a focus on out of area operations lead to the development of expeditionary forces that are not designed for a conventional conflict with a near-peer adversary.

The lack of a unifying threat led European nations to refocus their investments, as varying threat perceptions drove different levels of defense spending within individual European states and led them to invest according to their disparate national interests.[5] Across all elements of Europe's security architecture, this contributed to redundancies in capabilities and a lack of efficiency across national borders.[6] Throughout this era, Europe was able to rely on the United States as a backup external security provider–a security insurance policy.

However, as the challenges of sustaining Ukraine's defense against Russia's invasion have demonstrated, the U.S. defense industry would struggle if it tried to sustain a major war without support from allies. Fortunately, the United States is not alone in its support of Ukraine, as European allies have made significant contributions to the fight against the Russian invasion. Similarly, it is highly unlikely that the European allies could have provided the full range of necessary support without the United States.[7] The clear conclusion is that the United States and its European allies will need to cooperate to preserve European security, especially as the United States shifts its strategic gaze to the Pacific. Reaching an equitable and sustainable agreement on burden sharing within Europe and across the Atlantic will continue to be the primary challenge for European defense.

"It's not U.S. versus Western Europe. It's an alliance. We all come together in the ways that we can."

—Admiral Christopher W. Grady, Vice Chairman of the Joint Chiefs of Staff, Keynote Discussion

Europe's Defense Era

Russia's invasion is leading to a historic reset of the strategic picture and increasing alignment in the threat perceptions of Russia among European states. As a result, Finland and Sweden's historic policies of neutrality ended with the former's accession to NATO on April 4, 2023, and the latter's planned entry into the alliance; Germany is reinvesting in its armed forces, the Bundeswehr; and the European Union is organizing joint procurement among its member-states to refill stockpiles spent in Ukraine. Most of these developments were unthinkable before February 24, 2022.

"I think that the work that the alliance is doing, the United States is doing, to provide the capabilities and add capacity that the Ukrainians need has been pretty spectacular, frankly."

—Admiral Christopher W. Grady, Vice Chairman of the Joint Chiefs of Staff, Keynote Discussion

European defense has a rare opportunity to rethink continental defense and deepen institutional cooperation among European states. Because of Russia's invasion of Ukraine, European states now have the political will to invest in defense and increasingly also the resources to do so, with European decisionmakers pursuing unprecedented investments in defense capabilities. The full potential of this moment requires increased cooperation and investment, especially for the ongoing evolution of continental defense to represent a new era rather than a short-lived phase.

As a result, questions concerning the future of European defense loom large in the minds of transatlantic policymakers and analysts alike. Questions concerning European defense integration, the division of labor between the European Union and NATO, and the role of the United States remain unanswered. Answers to these questions will define Europe's security architecture for decades. This report aims to advance the conversation surrounding these questions in a bid to bring the transatlantic community closer to actionable policy solutions.

> *"I think theater missile defense is something that Ukraine has shown us is important, another one of those elements that is perhaps reemphasized as opposed to learned or relearned. And so moving together with our allies and partners on the appropriate architecture and capability/capacity to execute theater missile defense will be absolutely critical."*
>
> *—Admiral Christopher W. Grady, Vice Chairman of the Joint Chiefs of Staff, Keynote Discussion*

Note on Currency Conversions

This report includes spending figures and pledges in dollars, pounds, krone, and euros. Then year figures are provided, except in those cases where inflation adjustments are explicitly made, for example to 2015 constant euros. Currency exchange rates can be variable even within a given year and many of the figures include pledges for future years or a range of multiple years. As a result, this report sticks with the reported currency except in those cases where a conversion is core to the analysis. All conversion involves some estimation and as an aid to the reader Table 1 below is provided to approximate the difference in value between the currencies used in this report.

Table 1 Exchange Rates as of August 2023

Currency	Average Exchange Rate (August 10, 2022 to August 9, 2023)
Euro (€)	€ 100 to $105.58
British Pound (£)	£ 100 to $121.32
Danish Krone (kr.)	Kr. 100 to $14.95

Note: Exchange rates Average August 10, 2022 to August 9, 2023.

Source: European Central Bank, "ECB Euro Reference Exchange Rate: US Dollar (USD)," European Central Bank, August 9, 2023, https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-usd.en.html; "Exchange Rates," accessed August 10, 2023, https://www.bankofengland.co.uk/statistics/exchange-rates; and "Exchange Rates," Nationalbanken, accessed August 10, 2023, https://www.nationalbanken.dk/en/what-we-do/stable-prices-monetary-policy-and-the-danish-economy/exchange-rates.

2

Europe's Defense Outlook 2030

Implications of an Increasingly Aligned Europe

Authors: Max Bergmann, Sissy Martinez, and Otto Svendsen

The war in Ukraine has put defense and security front and center on Europe's political agenda. Europe was shocked by Russia's invasion, and there is a renewed sense of urgency and purpose to strengthen European defense as a result. The war has also reinvigorated NATO alliance, refocusing its attention on the threat posed by Russia and the need to prepare for conventional warfare.

An analysis of European responses to the war across the continent shows the emergence of a shared European perception of threat and general alignment on the need for greater action. It finds that there are indeed varying perceptions of threats across Europe. For example, states bordering Russia will be consumed with the threat posed by Russia, while states bordering the Mediterranean may share the concern about Russia but will also be focused on security to the south. Yet there is also an underlying shared solidarity formed both through the European Union and NATO that has a unifying effect inside of Europe. The war in Ukraine has reinforced what it means to be European as well as the need to protect Europe. This was borne out by states across the continent, as well as the European Union itself, taking unprecedented steps to support Ukraine and bolster European security. Thus, while Europe may not have a singular strategic culture or share precisely the same view on how to prioritize the challenges it faces, it does generally share a common strategic outlook of the threat landscape.

However, the question remains as to whether a shared sense of threat and purpose will translate into European military capabilities. The war has cast a spotlight on European militaries and revealed many forces to be hollow. While there has been an awakening across the continent to the importance of defense and the need to rebuild European capabilities, there are also tremendous gaps after decades of neglect. Europe has surprised many by its firmness and unity throughout the war, exemplified by 11 rounds of EU sanctions packages and unprecedented military assistance. But as the war grinds on and as the Russian military is severely weakened, the sense of urgency to address Europe's many defense gaps is diminishing, especially the further a state is from the front line in Ukraine. There is a danger that Europe may struggle to turn this increasingly shared strategic outlook into military capabilities to match.

This chapter discusses how the war in Ukraine has impacted European threat perceptions and strategic outlooks. It assesses how the shift in threat perceptions will impact Europe's ability to expand defense cooperation and improve the interoperability of European forces. The lack of a common strategic culture is thought to be a major challenge to Europe cooperating and operating more closely. This chapter asks whether Europe can have such a culture and whether it has moved toward a common European set of shared interests.

European Threat Perceptions

While Europe is united in its perception of Russia as a threat, there are varying interpretations across the continent regarding its severity. Likewise, there are regional differences in threat perceptions and focus. For instance, France is still concerned about Africa, while the Baltics are not.

The European Union and NATO both play critically important roles in helping to harmonize threat perceptions across Europe. Both address urgent security priorities, with NATO focused more on the hard security dimension and the European Union focused more on the economic and social dimensions (e.g., sanctions, assistance, and refugees). Together, this prompts EU and NATO member states to not just align their views but to do so across government ministries. It is not simply that foreign and defense ministers at NATO discuss the war in Ukraine, for instance, but that these same ministers, along with finance, energy, and interior ministers, also hold discussions at the EU level. The NATO secretary general and the presidents of the European Commission and European Council also play an essential role in synthesizing and harmonizing views to create alignment within Europe. For instance, granting Ukraine EU candidate status was an issue on which not all EU member states agreed. However, European Commission president Ursula von der Leyen prioritized and elevated the issue, declaring that Ukraine's future belonged in the European Union.[8] Thus, EU members that were not enthusiastic about Ukraine's membership would have had to publicly object to offering Ukraine status; those EU members ended up relenting. EU and NATO heads therefore have an important agenda-setting role and can help elevate a topic through their actions.

Additionally, both NATO and the European Union help foster shared outlooks through efforts to formulate comprehensive strategy documents. NATO's Strategic Concept, which provides strategic direction for the alliance, is a critical exercise that involves intensive efforts by member states. Additionally, the European Union last year also released its own national security strategy equivalent, called the Strategic Compass. Although the language of these documents often represents the least common denominator of what member states can agree to publish, they are useful frameworks for assessing Europe-wide policy–and the process of developing them is itself a helpful forcing function that makes members sit down with one another and debate security priorities.

> *"Cooperation is the only way forward . . . there's only one way forward, and that's a common one."*
>
> *—General Chris Badia, Deputy Supreme Allied Commander Transformation, NATO; German Air Force, Panel 2*

Germany

Perhaps the most dramatic change in national-level threat perceptions toward Russia has transpired in the German public and political establishment. Since the end of the Cold War, Berlin's approach to Russia had been based on the assumption that increasing trade would induce political change and incentivize the Kremlin to adopt Western ideals of democracy and the rule of law. Known as the Wandel durch Handel policy, this notion was most clearly reflected in Berlin's growing reliance on inexpensive Russian gas and the development of the Nord Stream pipelines despite repeated warnings from Washington and Eastern European capitals. Russia had also become closely embedded in the German political elite, which contributed to a more accommodating policy toward Moscow.[9]

However, Russia's invasion shocked the German public and political establishment. Germany rapidly revised its security and defense policy and embraced a more assertive position in Europe's security order. In a speech to parliament mere days into the war, German chancellor Olaf Scholz announced his country's Zeitenwende, a new era characterized by a major transformation of Berlin's defense planning policy.[10] Scholz emphasized that Germany would permanently commit to spending 2 percent of GDP on defense, buoyed by an extraordinary €100 billion emergency fund to enhance the Bundeswehr—Germany's armed forces. Additionally, Germany upended its policy on refraining from sending lethal aid directly into conflict zones, thus shedding its long-standing pacifist foreign policy. From its own stockpiles, Germany initially delivered 1,000 anti-tank weapons and 500 Stinger anti-aircraft defense systems to Kyiv; as the war has progressed, this aid has steadily expanded into more advanced weapons systems, such as the Leopard main battle tank.[11] Germany has also been a significant contributor to the European Peace Facility (EPF), which has funneled €3.1 billion into arming Ukraine and has helped finance at least 325 tanks, 36 attack helicopters, and more than 200 Multiple-Launch Rocket Systems.[12] Germany's direct military aid to Ukraine totals €7.5 billion as of May 31, 2023, making it the second-largest national contributor, and its total bilateral support, including EU commitments, totals €18.1 billion, ranking only behind the United States.[13] Berlin has also taken steps to rapidly diversify its energy imports away from Russian supplies, which previously accounted for more than half of Germany's gas and around a third of its oil imports.[14] However, Germany has also had significant struggles. While Berlin has earmarked at least €30 billion of the 100 billion emergency fund to major weapons purchases, none of the funds have actually been spent.[15] There are immense bureaucratic issues within the German Ministry of Defense, and the governing coalition's first defense minister, Christine Lambrecht, was widely criticized and removed from her position in January 2023. Moreover, German reluctance to provide Leopard tanks to Ukraine and its insistence that the United States also provide Abrams tanks has roiled many allies, although Berlin eventually relented.

Nevertheless, a year into the war, the most recent Munich Security Index reflects that German respondents remain extremely concerned about Russia, attributing a higher risk score to the Russian threat than any other country surveyed except Ukraine.[16] A year prior, Russia ranked 18th among 32 potential risks; today, it is firmly considered the most pressing threat. Furthermore, 67 percent of German respondents feel the risk from Russia is imminent and 45 percent feel unprepared.

Defense Outlook 2030: Germany is beginning the process of a massive defense transformation. This will be a long and challenging effort, as the Bundeswehr is in a decrepit state after decades of underinvestment and poor management. Fortunately, this has become a national embarrassment, with considerable press attention and growing demands for faster action. There remain questions of how much Germany will actually invest in defense in the years ahead and whether it will reach the 2 percent target. Regardless, Germany will increase its defense spending and likely increase the readiness of its forces, as well as acquire significant military capabilities, whether in the form of F-35 fighter jets or air defense capabilities under the Sky Shield Initiative.

By 2030, the German military will be more capable as a result. However, because Germany is the largest and wealthiest country in Europe, it sets the tone for much of Western Europe, shielding others from scrutiny. There is therefore concern that the depletion of the Russian military in Ukraine will decrease the urgency and the investment needed to truly turn the Bundeswehr around.

France

France has long maintained a very professional military at a high state of readiness, matched with a political will to deploy. It has, for instance, maintained a substantial military presence in Africa, with several operations in the Sahel to counter rising Islamic terrorism. Although its defense spending has declined since the end of the Cold War, France has spent close to 2 percent of GDP on defense during the past two decades and maintained the European Union's sole nuclear deterrent.[17]

Nevertheless, the war in Ukraine has exposed France's lack of readiness for a major conventional war. France has provided significant assistance to Ukraine, including CAESAR artillery, SAMP/T air defense systems, and AMX-10 RC infantry fighting vehicles.[18] The provision of equipment to Ukraine has therefore created new acquisition requirements for the French military. France has also deployed brigades to Romania to lead this year's highest-readiness element of the NATO Response Force, a multinational force of 40,000 land, air, maritime, and special operations personnel that can be deployed at very short notice.[19]

In the context of depleting artillery and equipment stocks, Paris has taken steps to improve France's readiness. In 2023, French president Emmanuel Macron announced a new budget plan for the French military that would boost military spending by one-third between 2024 and 2030 and include €400 billion to modernize French forces.[20] By 2030, France's annual defense spending is expected to total €60 billion, nearly doubling from the €32 billion allocated in 2017. These investments intend to provide both additional munitions and weaponry following the return of high-intensity conflict to Europe as well as increased tensions in the Indo-Pacific.

France shares the concerns of its European allies about the Russian conventional military threat. French officials note that this will require a significant shift, as the French military was focused on out-of-area crisis management, peacekeeping, and counterterrorism operations for much of the past two decades, not on the need to prepare itself for conventional warfare. Yet France will not fully pivot away from out-of-area operations. While it will seek to bolster its conventional defense capabilities, it will have to maintain a balance. France will remain focused on the challenges of the Sahel and Middle East. It also maintains the largest exclusive economic zone in the world and will seek to strengthen its Indo-Pacific presence in French territories. Therefore, France faces a similar dilemma as the United Kingdom and will have to make hard trade-offs regarding defense planning while also balancing different geopolitical priorities. President Macron hinted as much on a recent state visit to China where he noted that Europe's policy toward Taiwan should be formed independent of China and the United States to avoid accelerating a crisis over the island.[21]

Defense Outlook 2030: Additional defense investments will maintain France's status as an elite European military. France will likely seek to increase investments, especially with European partners, in critical enabling capabilities to reduce dependence on the United States for tasks such as air lift and refueling. France will also likely bolster its maritime assets, making it the most important European partner, along with the United Kingdom, in the Indo-Pacific theater. While France will bolster its conventional capabilities and stockpiles and maintain a presence on NATO's eastern flank, its most significant added value to European security will continue to be its nuclear deterrent and its ability and willingness to deploy forces for missions across Europe's periphery.

"We [the European Union] need to be much more agile, flexible, and a quick responder to any strategic surprise. We have seen last year it happened. It would happen again, I think."

—Vice Admiral Hervé Bléjean, Director General of the European Union Military Staff, Panel 2

United Kingdom

Despite a year of tumultuous domestic politics, the United Kingdom has responded robustly to the war. Polling indicates that the British public are more likely than any other country to express the belief that doing nothing will encourage Russia to take future military action against other European countries in the future, with 79 percent saying so.[22] They are also the most likely population in the world to support the "most stringent" possible economic sanctions against Russia (70 percent). This has led to an abrupt shift in the United Kingdom, which had become a major hub for Russian money and influence. Public support has prompted and then empowered successive prime ministers–Boris Johnson, Liz Truss, and now Rishi Sunak–to take action.

As a result, the United Kingdom has provided the third-most absolute aid to Ukraine, behind the United States and EU institutions (although when measured as a share of GDP, the United Kingdom only ranks 16th).[23] According to an August 2023 report from UK House of Commons, the country has provided £2.3 billion in military assistance in 2022 and indicated it will do the same in 2023/2024.[24] It is also hosting an infantry training course for Ukrainian soldiers called Operation Interflex, which has reportedly trained 10,000 Ukrainian troops as of March, 2023.[25] The United Kingdom has played important roles in aid coordination bodies such as the International Donor Coordination Center and the Ukraine Defense Contact Group. It has also largely moved in lockstep with the United States and European Union on sanctions against Russia.[26]

With respect to its own defense and contributions to NATO, the United Kingdom has been active. In early 2023, the Sunak government released its "refresh" of the 2021 Integrated Review–an update, in other words, of the country's national defense strategy to account for the war. The document announced a commitment to boost the defense budget by £5 billion for the next two years (not counting aid to Ukraine).[27] The government's overall spending goal is to allocate 2.25 percent of GDP toward defense by 2025 and 2.5 percent within an unspecified time frame. This is actually a step backward in ambition from the prior government: former prime minister Liz Truss had committed during her brief tenure to reaching 3 percent by 2030.[28] Analysts note that there is a disconnect between the ambition of the "refresh" and what the budget will actually allow the British Armed Forces to deliver. With the new £5 billion in funding going toward the nuclear program and munitions stocks, there will need to be trade-offs in other areas of procurement.[29]

More broadly, the document emphasizes a prioritization of the Euro-Atlantic area. This includes many references to cooperation with European allies and partners, including the European Union. With respect to NATO, the United Kingdom is already the framework nation for the Enhanced Forward Presence battlegroup in Estonia.[30] When the new NATO Force Model is unveiled, presumably at the summit in Vilnius in July, the future scope of the United Kingdom's contributions on NATO's eastern flank should be clarified. Overall, the United Kingdom has demonstrated strong political will, but its rhetoric and ambition has somewhat outpaced its action. Nonetheless, in terms of its threat perception and strategic priorities, it is conceptually in harmony with the Baltic-Polish bloc.

Defense Outlook 2030: The United Kingdom faces the challenge of rebuilding its military capacity after a decade of austerity and with an economy that is struggling post-Brexit. The United Kingdom is struggling to match the demands of its global outlook with its present economic means and is strategically pulled in varying directions. On the one hand, the war has demonstrated the importance of European security and the United Kingdom has led in providing support to Ukraine as well as in the development of the Joint Expeditionary Force with Northern European countries. On the other hand, the United Kingdom is playing a pivotal role in AUKUS and wants to develop its presence in the Indo-Pacific. Thus, the challenge for the United Kingdom will be maintaining the significant increase in defense spending in order to meet its defense ambitions.

The Baltics and Poland

Unlike some Western, Southern, or Nordic European allies, Poland and the three Baltic countries—Estonia, Latvia, and Lithuania—did not need to dramatically rethink their strategic outlooks or threat perceptions vis-à-vis Russia following the 2022 invasion of Ukraine. In fact, these Eastern European countries have seen Russia's invasion as validating years of warnings. As a result, there has been no significant political handwringing regarding whether to respond robustly. Long wary of their large eastern neighbor, these countries have in fact responded more strongly relative to their smaller size than all other European countries—including by being outspoken publicly and behind closed doors to urge the European Union, NATO, and their member states to do more.

To start, the Baltics and Poland have been generous in their provision of lethal and non-lethal military aid to Ukraine. Estonia, for example, has given the equivalent of half of its defense budget in aid.[31] It has sent an array of weaponry, including anti-tank missiles, mortars and ammunition, vehicles, and other battlefield necessities such as helmets and food rations.[32] Lithuania was the first country to send the Stinger surface-to-air missile, which proved crucial to halting Russia's push toward Kyiv in initial phase of the conflict.[33] Poland has allowed its territory to be used as a staging ground for military equipment headed for Ukraine. Altogether, these countries are the top four for government support to Ukraine when measured by share of GDP.[34] The provision of aid extends even to civil society actors in these countries, demonstrating the strong solidarity their citizens feel toward the Ukrainian cause.[35] The countries have also been willing recipients of Ukrainian refugees—Poland in particular has taken in 974,060 Ukrainian refugees since the war began, the most in Europe as of March, 2023.[36] The Baltic states have also received 141,775 refugees, by the European Council's latest count, a disproportionate number relative to their small populations.[37] To date, there have been no significant debates in these countries' domestic political arenas regarding the sustainability of this policy. Finally, they have led the debate in the halls of Brussels' institutions. Estonian and Lithuanian foreign ministers were vocal, for example, in pushing their EU counterparts earlier in 2023 to endorse harsher sanctions against Russia and to continue pouring money into the European Peace Facility to aid Ukraine militarily.[38] Polish leaders have likewise played a role in pressuring Germany to approve the provision of German-made Polish tanks and also to provide their own.[39] However, Poland's support has not been unlimited, exemplified by Warsaw's decision to temporarily block imports of Ukrainian grain against EU rules to protect domestic producers.[40]

With respect to broader NATO efforts, these countries are significant. The Baltic countries, and Poland to a somewhat lesser extent, perceive that a more bellicose Russia may well turn its sights on their own countries next. NATO force planners seem to agree—these countries have already been playing host to NATO's Enhanced Forward Presence battlegroups, which were reinforced after the war and will likely further be strengthened to brigade size when NATO rolls out its new NATO Force Model sometime this year.[41] In addition to welcoming new NATO forces soon, these countries have also ramped up their own procurement and defense spending. Estonia, for example, intends to spend 3 percent of its GDP on defense for 2023 and has ordered six M142 High Mobility Artillery Rocket System (HIMARS) launchers.[42] Poland intends to increase defense spending to 4 percent of GDP and recently announced that it will purchase 1,400 Borsuk infantry fighting vehicles; this is in addition to a $4.75 billion agreement in 2022 to procure 250 U.S.-made M1A2 Abrams tanks.[43] Shortly after the war began, Lithuania allocated extra funds to its defense budget; later in the year, it signed a $495 million deal for eight HIMARS of its own.[44] The deal also included long-range Army Tactical Missile Systems (ATACMS). For its part, Latvia has ordered new Black Hawk helicopters and uncrewed aerial vehicles for reconnaissance.[45] Latvia's defense minister has also indicated that her country plans to purchase six HIMARS and the Naval Strike Missile, a long-range anti-ship missile, in the coming months.[46]

Defense Outlook 2030: Poland and the Baltic states are making major investments in their defense forces. Given the threat posed by Russia, these investments will prove durable over the longer term. All four countries will have to replace significant stocks of equipment that have been provided to Ukraine and are using this as an opportunity to modernize their military forces. These states will also likely invest significantly in their ability to host NATO forces. By 2030, these countries will likely possess some of the most capable militaries in Europe, with Poland likely having a military capacity among the strongest in Europe.

Hungary, Slovakia, Romania, the Czech Republic, Slovenia, and Bulgaria

In contrast to Poland and the Baltic states, many Central and Eastern European countries, have previously perceived Russia in less hostile terms. With the exception of Hungary, this no longer remains the case. Support for Ukraine is strong, and there is agreement on the need to focus on the conventional challenge posed by Russia. With Slovakia, Hungary, and Romania sharing borders with Ukraine, the worry of war spreading further into Europe's borders remains real. NATO has reinforced multinational battlegroups already stationed in Estonia, Latvia, Lithuania, and Poland with more troops and has created four more battlegroups, stationed in Bulgaria, Hungary, Romania, and Slovakia.[47] Additionally, President Biden announced last June at NATO's summit in Madrid that a new U.S. Army rotational brigade combat team would be headquartered in Romania.[48] Such efforts have required significant investment by these states toward improving and expanding facilities and bases to host NATO forces.

The war has also clarified a common threat. For instance, Slovakia has historically held a delicate strategic relationship with Russia built on the basis of a "Slavic brotherhood."[49] It was viewed as one of the most pro-Russia countries in the European Union. But since the war, Bratislava has provided substantial support to Ukraine and has had to actively counter hybrid threats.[50] The Czech Republic, similarly, has also had a mixed stance toward Russia, with former president Miloš Zeman adopting a softer line toward the Kremlin. However, the election in January of Petr Pavel, a former Czech army general who served in NATO, to be the next president, and his resounding defeat of former prime minister Andrej Babiš, who campaigned on decreasing support to Ukraine, is indicative of the shifting landscape. This trend is seen across Central Europe. (Even militarily neutral Austria has provided non-lethal aid through helmets, army stocks, and other gear.[51]) Collectively, Central European countries have allowed hundreds of thousands of Ukrainian refugees across their borders to escape the war.

In addition to Poland, many former Warsaw Pact states have divested considerable quantities of their old Soviet-era equipment by sending it to Ukraine. Since 2014, considerable attention has been paid to the problem of how several NATO countries have been reliant on maintaining Soviet-era equipment and therefore have been forced to do business with Russian defense industry, often potentially in violation of U.S. sanctions. Despite the urgency to rid their militaries of Soviet-era equipment, the cost of replacing this equipment has created a significant challenge.

Providing both lethal and non-lethal aid to Ukraine has been a central component in demonstrating Europe's solidarity with Ukraine—and Central European states have certainly played their part in Europe's strong response. For example, Romania has become a transit country for delivering Western aid to Ukraine. Additionally, Slovakia has given Ukraine its fleet of 13 Soviet-era MiG-29 fighter jets and donated its S-300 air defense system—something once thought unthinkable.[52] Slovenia has given 35 Yugoslav-era combat vehicles as well as 28 Soviet-era M-55S tanks under Germany's Ringtausch program, which encourages countries to shift older equipment to Ukraine in exchange for newer equipment from Germany.[53] As of late February 2023, the Czech Republic had provided T-72A main battle tanks and BVP-1 infantry fighting vehicles as well as 38 howitzers, 33 multiple rocket launchers, 4 helicopters, 6 air defense systems, and thousands of rounds of ammunition, in addition to agreeing to repair battle-weakened armored vehicles.[54]

The war has also prompted many of these states to significantly increase defense investments. Slovenia—a country that has historically had very low defense spending—is increasing both its overall defense spending and the percentage of defense funds spent on investment, going from spending 5 percent in 2020 to 17 percent in 2021 and 23 percent in 2023.[55] Romania has announced that it will increase its defense budget from 2 percent to 2.5 percent of GDP and has bolstered its armed forces with recent procurements of F-16s and Bayraktar TB2 drones.[56] Furthermore, Bucharest has demonstrated its willingness to modernize its forces and a willingness to work with neighbors in bolstering its presence in the Black Sea.[57] Notably, Bulgaria initially refrained from sending lethal aid to Ukraine due to its lack in capabilities and instead opted to upgrade its underfunded military through the procurement of new weapons, such as F-16s to replace Soviet MiG-29s.[58] Sofia has also committed to upgrading the avionics of its L-39 Albatros jet trainers, which once was the standard Soviet jet trainer, with Western technology.[59] Elsewhere, despite the Czech defense spending totaling only 1.52 percent of GDP in 2023, the country remains on track to reach NATO's 2 percent target by next year, thanks to a bill approved by the government in January.[60]

The exception to the united European front with regards to Ukraine is Hungary. Budapest has refused to send military aid or allow weapons to transit its territory to Ukraine, isolating itself from a Europe that has remained united in supporting Ukraine throughout the war.[61] Hungary has remained an irritant at the EU level, especially in relation to passing EU sanctions against Russia and vetoing EU aid to Ukraine. As a result of the European Union withholding funds for Hungary over rule of law concerns in December, Hungary vetoed an €18 billion aid package for Ukraine, causing a back and forth until the country finally relinquished its veto in exchange for some EU funding.[62] Additionally, Viktor Orbán's government has publicly denounced providing weapons to Ukraine on the argument that it will prolong or escalate the war.[63] Hungary has ultimately not stood in the way of EU action, knowing it would face tremendous blowback. However, it is modernizing its military, aiming to increase defense spending from 1.7 percent of GDP in 2022 to 2.4 percent in 2023. At the same time, it has become more isolated at NATO and has begun purging many of its professional NATO officers.[64] While Hungary remains the primary outlier among former Warsaw Pact states, the robust support for Ukraine shown by these countries is not without limits. Bulgaria, Romania, and Slovakia also joined Poland in temporarily blocking imports of Ukrainian grain, highlighting the economic costs incurred by these countries. Following Russia's decision to abandon a deal allowing Ukrainian grain to flow through the Black Sea, these countries have called for an extension to the ban on Ukrainian imports until the end of the year.[65]

Defense Outlook 2030: In addition to Poland, the rest of the former Warsaw Pact states have divested considerable stocks of Soviet-era equipment to Ukraine. They have also committed to increasing defense spending significantly, but their acquisition needs will be significant, as they will have to replace significant equipment stocks with more expensive, NATO-compatible equipment. While there has been a clear shift against Russia, that shift is not as significant as in the Baltics and Poland, though the investment needs are similar. A number of these countries will likely turn to the United States and European Union for financial support to make acquisitions and would benefit from joint acquisition efforts.

Nordics

Russia's invasion of Ukraine has led to a more unified security threat perception among Nordic countries. Despite close cultural and economic ties, the region's security infrastructure has been loosely integrated and coordinated with regards to hard security issues. Following World War II, Finland and Sweden maintained their neutrality, while the remaining Nordic states actively pursued defense integration with like-minded Western states. These differences have partly been reflected in different institutional affiliations, with Finland and Sweden outside of NATO but part of the European Union, Norway outside the European Union but part of NATO, and Denmark a member of both organizations but outside of EU defense efforts. Denmark maintained an opt-out of the European Union's Security and Defense Policy as part of four exceptions to EU policies granted to Copenhagen to facilitate the ratification of the 1992 Maastricht Treaty.

As a result, hard defense and security issues were not heavily featured on the agenda in debates over Nordic cooperation during the Cold War.[66] This is highlighted by the fact that the Helsinki Treaty, the basic charter for Nordic cooperation signed in 1962 and last amended in 1995, does not mention foreign and security policy.[67] For example, this means that neither the Nordic Council nor the Nordic Council of Ministers, founded in 1952 and 1972, respectively, have a mandate to discuss security matters. Cooperation in the security and defense realm increased moderately in the 1990s as various collaborative fora were formalized, for example, in the areas of military peace support and acquisition of material. This development culminated in 2009 with the establishment of NORDEFCO, which aimed to consolidate a number of these fora in order to explore synergies and facilitate efficient common solutions. Following Russia's annexation of Crimea in 2014, security cooperation slowly deepened further through a number of minilateral fora such as the Northern Group, the UK-led Joint Expeditionary Force, and NORDEFCO. In general, threat perceptions in the Nordics were shaped by a broad concept of security that included civil security, terror, cyber threats, climate change, and the Arctic region.[68] Although a changing threat perception manifested into incrementally closer defense cooperation over the past decade, Russia's full-scale invasion has brought a narrower hard security concept back to the forefront of Scandinavian defense planning.

Russia's invasion thus upended decades of conventional strategic thinking at both the national and regional levels. Sweden and Finland shed their long-standing neutrality and military non-alignment as the two applied jointly to NATO in May 2022.[69] Although Helsinki and Stockholm have maintained strong ties to NATO, enabling them to participate in NATO-led exercises, exchange information, and develop certain military capabilities, both countries are excluded from NATO's Article 5 security guarantee. While the two countries pledged to enter the alliance jointly, both Hungary and Turkey have hesitated to ratify their applications. Only Finland has formally joined the alliance, while Stockholm continues bilateral negotiations with Budapest and Ankara to secure its accession.[70]

Denmark has similarly undertaken a reassessment of its security and defense policy. Long staunchly committed to NATO and fairly skeptical of the European Union, Russia's invasion spurred Copenhagen to bolster its armed forces and embrace closer European defense integration. On March 6, 2022, a broad coalition of political parties announced a national agreement on Danish security policy which included an increase in defense spending to reach 2 percent of GDP, proposed ending the EU defense opt-out via referendum, and sought energy dependence from Russian gas.[71] In a referendum in June 2022, Danish voters abolished the opt-out, thus paving the way for Copenhagen to participate in the European Union's Common Security and Defense Policy.[72] Denmark has also delivered a significant amount of military aid to Ukraine and an advocate for transferring advanced systems, totaling kr.6.2 billion as of March 2023, making it a leading contributor in both per capita terms and relative to GDP.[73]

Norway's unique position as a major energy supplier to Europe has influenced its reaction to the invasion. Norway has profited tremendously from Europe's energy decoupling from Russia, becoming the continent's largest gas supplier, with inflows to the Norwegian sovereign wealth fund increasing by $108 billion in 2022 (nearly three times the previous record increase set in 2008).[74] This has made Norwegian energy infrastructure a potential target of Russian sabotage, especially following the explosions that damaged the Nord Stream pipelines in the Baltic Sea. In October 2022, Norwegian prime minister Jonas Gahr Stoere noted that the increased tensions made his country more exposed to threats, intelligence operations, and influence campaigns from Russia.[75] As a result, Norway's military has been put on heightened alert, focusing less on training and spending more time on active duty. Shortly after a number of prominent Norwegians urged the government to reallocate some of its energy profits to support Ukraine, Oslo committed to donating $7.4 billion, split evenly between humanitarian and military assistance, as part of a five-year package, making Norway one of the largest contributors of aid to Ukraine.[76]

At the Nordic level, the five NORDEFCO countries have also signaled their intention to cooperate more closely following the invasion. In a joint statement, the Nordic defense ministers stated that the NORDEDCO Vision 2025 will be updated to reflect the new strategic reality of NATO covering the entire Nordic region.[77] The NORDEFCO Vision 2025 was agreed to in 2018 and aims to make the forum "a platform for close political dialogue, information sharing, and, if possible, coordination of common Nordic positions on possible crisis situations."[78] Denmark, Sweden, Norway, and Finland have also agreed to significantly deepen cooperation between their air forces, which have a combined 250 fighter jets, in order to develop a strong regional air defense.[79]

Defense Outlook 2030: The most transformative impact of the war in terms of European defense is likely in the Nordic region of Europe. The war has created significant alignment, with Finland and Sweden applying to join NATO and Denmark joining EU military efforts. This will allow for greater defense planning and integration. The announcement that Nordic countries will operate a joint air force, bringing together 250 modern, frontline combat aircraft together, is very significant and likely a prelude of greater regional cooperation. Increasingly, the Nordic states may operate as one, cooperating seamlessly between and across nations. Additionally, given the financial strength of these countries, additional investments will also result in significant military capacity. Greater defense coordination by 2030 will likely also lead to greater defense industrial cooperation as well and efforts to align procurements and create more economies of scale, which will further increase interoperability. The greater focus on defense is also likely durable, as each of the Nordic countries is concerned about the threat posed by Russia. Even so, Spain's the uncertainty surrounding Spain's recent elections is not expected to have an effect on defense policy nor undermine Spain's very robust support for Ukraine.[80]

Spain

Across the NATO alliance, Spain is at the bottom of the table in terms of its defense spending, with a little over 1 percent of its GDP spent on defense, and next to Luxembourg, which is aiming to increase its spending to 0.72 percent by 2024.[81] Announced last June at NATO's Madrid summit, the country pledged to boost its spending to hit the 2 percent benchmark by 2029 to manage the continent's higher threat perception vis-à-vis Russia.[82] Shortly after, the Spanish government approved almost €1 billion in defense spending for 2022.[83] To reach NATO's desired spending target of 2 percent of GDP by 2029, Spain—which has a GDP of a little over €1.7 trillion—would have to double its defense budget from the current €13 billion to €26 billion within the next six years.[84] The announcement sparked a heated debate between the current government's coalition partners, with the coalition's junior party, far-left Unidas Podemos, opposing increased defense spending. This led to a delay in approving the country's 2023 budget, which caused the ruling Socialist Workers Party to concede to their junior partner and add a variety of social benefits alongside the increase in defense spending.[85]

Despite Spain's low defense spending and tensions among the current coalition, the government remains committed to affirming Ukraine in its fight against Russia and championing its future within the European community. The country's military support to Ukraine has included committing to send 10 Leopard 2A4 tanks following their refurbishment, 20 M113 armored personnel carriers, and 6 HAWK surface-to-air missile launchers.[86] Since the beginning of the invasion, Spain has been actively involved in NATO's Enhanced Forward Presence through the increase in Spanish troops to Ādaži Military Base in Latvia, in addition to its participation in the Baltic Air Policing mission and deployment of several Eurofighter Typhoons to Bulgaria as part of reinforcing NATO's eastern flank.[87]

Strategically, Spain remains most concerned about the stability of North Africa and security in the Mediterranean. Yet Spanish participation in deterrence and reassurance missions on the eastern flank demonstrates its commitment to the alliance and European security. The question is resources: Spain suffered a deep recession following the 2008 economic crisis and the Greek debt crisis, which took a toll on defense spending.

Defense Outlook 2030: With economic growth returning to Spain and with the government's commitment to double defense spending by 2030 and reach the 2 percent goal, Spain's military will likely be significantly stronger by the end of the decade. However, as with Germany, there are concerns that if attention shifts from the war, political momentum to reach the 2 percent target will diminish. Spain is the fourth-largest economy in the European Union, meaning a doubling of defense spending will significantly strengthen NATO, though Spain will face challenges between investing in readiness and making longer-term acquisitions. Even so, Spain's the uncertainty surrounding Spain's recent elections is not expected to have an effect on defense policy nor undermine Spain's very robust support for Ukraine.[88]

Italy

Italy's robust support for Ukraine reflects that Europe's broader change in threat perception vis-à-vis Russia has dampened the country's otherwise powerful pro-Russian voices. The past year of Italian politics has seen the formation of a new government, as Georgia Meloni of the Brothers of Italy party, which has its roots in Italy's far-right movement, rose to power and became prime minister. After former prime minister Mario Draghi's forceful condemnation of Russia's aggression and alignment with EU and NATO partners, there were worries within NATO that Meloni, like other Italian far-right voices, could strike an accommodating tone toward the Kremlin that could destabilize the West's unity and resolve. But Meloni's stance toward Russia has been surprisingly robust in emphasizing Italy's commitment to NATO, facilitating substantial military and financial aid to Ukraine, and defanging the most ardent anti-EU voices in her coalition. Rome has thus interpreted the invasion similarly to most of its European peers—as a direct threat to its core security interests—and acted accordingly.

Both Draghi and Meloni's governments have followed through on their tough rhetoric, including through six significant military aid packages to Kyiv. In the months after Russia's invasion, the previous Draghi administration announced its intention to boost defense spending from the current 1.4 percent of GDP to at least 2.0 percent by

2028, following a trend of growing defense budgets during Draghi's reign.[89] Spending grew from €26.0 billion in 2020 to €28.3 billion in 2021, while procurement spending grew from €5.5 billion to €6.8 billion during the same period. While not among the leading contributors of military aid to Ukraine, Italy has pledged €700 million through bilateral and EU aid, including the delivery of its SAMP/T air defense system, in collaboration with France.[90] Rome has also allocated over €800 million to take in approximately 168,000 Ukrainian refugees.[91]

While recent polls have shown that backing Ukraine is increasingly unpopular among Italians, Meloni has emphasized that she is committed to supporting Kyiv regardless of the negative effects on her government's approval rating.[92] On the international stage, Meloni has also taken a more assertive diplomatic role in pushing back against Russia, exemplified by recently urging her Indian counterpart to pressure Putin's regime.[93]

Defense Outlook 2030: Italy, like Spain, has faced major economic challenges since 2008. There remain concerns about the strength of the Italian economy and Italy's large debt burden. However, EU investments and positive economic growth will enable Italy to sustain growing defense investments. Italy, with the third-largest economy in the European Union, could therefore significantly bolster the alliance if it makes additional investments. Italy's strategic focus, like Spain, will often be southward.

The European Union

While the war has reinvigorated NATO, it has also stimulated EU defense efforts. NATO has played a critical role in deterring Russia and reassuring frontline states. But its role has been more curtailed when it comes to directly aiding Ukraine, in part to avoid playing into the Russian narrative that this is a war between Russia and NATO. This, however, has created space for the European Union to step up in providing substantial military aid to Ukraine. The European Union has spent more than €3.5 billion from the European Peace Facility, a new EU fund for providing security assistance to partners, to backfill member states providing military equipment to Ukraine. The European Union has trained 16,000 Ukrainians on Western equipment and is pushing forward new initiatives such as the European Defense Industry Reinforcement through Common Procurement Act (EDIRPA) to incentivize EU member states to make joint procurements. Likewise, it is also moving forward on an Estonian proposal to make a €1 billion joint procurement of 155-mm ammunition, which would be the first time the European Union has procured military equipment. These actions demonstrate the unity of effort within Europe and the potential ability for the European Union to access funding to incentivize collaboration, support partner countries, and help fill gaps in European security.

Defense Outlook 2030: The European Union has made major advances in defense over the last decade. The history of European integration has shown that once the European Union enters a sector, its role tends to grow. It will likely play an increasing role in joint procurements, research and development, and filling gaps in European defense. The next few years will be key, as the European Union begins to negotiate a new budget for 2027 to 2033. There will likely be significant efforts to increase the budget for EU security assistance (the European Peace Facility), EU training and security missions, and EU defense investment efforts. These efforts are exemplified by the recent proposal to provide an addition €20 billion in military assistance to Ukraine over 4 years via an expanded the European Peace Facility.[94]

Conclusion

Europe increasingly has a common outlook. While there are clear differences, especially in the intensity of concern about Russia or security challenges near Europe's southern flank, there is also a shared sense of solidarity. This has been formed both by working together in NATO and in the European Union, where there is often a shared concern about taking action to protect Europe, whether from Covid-19, a financial crisis, or a security threat.

Therefore, what Europe lacks is not so much a unified perspective or strategic outlook–Europe can indeed agree on what amounts to a collective threat to NATO and the European Union. Instead, it lacks the intensity of domestic effort needed to address these challenges. As a result, it suffers from a classic collective-action problem whereby there may be general agreement on a problem but a lack of political drive to take concerted action.[95] For instance, following Russia's 2022 invasion of Ukraine, there was renewed commitment to defense and the goal of spending 2 percent of GDP on defense. But the effort and time needed to reach this target varies greatly across Europe. Many Eastern European countries have already surpassed the 2 percent goal, while Spain and Denmark have committed to doing so by 2029 and 2030, respectively.[96] Currently, just 7 of NATO's 30 members meet the 2 percent target.[97]

To be sure, Europe has significantly increased its defense spending. While it is unlikely that every NATO member will follow through with their defense spending commitments, the shock caused by the war does make it likely that considerable investment will be made over the next few years. As the shock fades, however, and as new challenges and economic issues develop, there will inevitably be competing demands. The key variable is less threat perception and more likely economic growth. This is unlikely to be an era where countries seek a peace dividend. As such, as long as there is economic stability and growth, European defense spending increases will likely prove sustainable.

The key challenge will be to maximize additional spending to strengthen the alliance.[98] The disaggregated nature of European defense procurement and capability development means that European forces amount to less than the sum of their parts. Lack of coordination in procurement also means that European forces tend to operate different types of equipment, making it more difficult to deploy, operate, and fight together. This makes operating together difficult. Thus, the United States and NATO should make a major effort to encourage greater European defense cooperation and integration. European defense ministries struggle to work together when it comes to procurement and force integration, as there are strong vested and parochial interests involved.

NATO and the European Union have increasingly helped forge a common strategic outlook and shared threat perceptions. The next step is using that shared outlook and framework to overcome bureaucratic barriers to increase defense cooperation. The Nordic countries will likely lead the way in demonstrating the benefits of cooperation, especially regionally. The European Union will likely provide significant funding and attention for integrating defense industrial efforts that enhance interoperability and create greater economies of scale. This will hopefully mean the increase in defense investment will also give Europeans greater value for their defense spending, which should, by 2030, lead to a dramatically strengthened NATO alliance.

> *"The interesting thing in the context of the war against Ukraine is that we could have seen the temptation of most of the EU member states to focus on only their immediate neighborhood . . . [but] we have all those which are feeling the immediate danger from Russia—Baltic states, Poland, and so on—they are telling us also where we should not underestimate what's happening in the Global South."*
>
> *—Vice Admiral Hervé Bléjean, Director General of the European Union Military Staff, Panel 2*

3

NATO's Evolving Threat Landscape and Ability to Respond

Author: Mark F. Cancian

Russia's invasion of Ukraine has profoundly shaken European views of their security and engendered a series of evaluations regarding European defense capabilities. This paper explores five questions that drive these revised views and re-evaluations:

1. How has the Russian invasion of Ukraine affected the threat landscape in Europe?
2. Will NATO sustain a strengthened defense effort?
3. What are the main capability gaps for European militaries?
4. What types of military operations are European states able (and unable) to perform effectively independent of the United States?
5. How should the United States balance its interests in Europe with those in other regions, including the Indo-Pacific?

In conducting this assessment, the paper focuses on NATO, including prospective member state Sweden, since NATO now comprises nearly all of Europe outside the Russian Federation and its allies. Thus, except in specialized circumstances, non-NATO European countries can be excluded, being either neutral (Switzerland, Austria, and Ireland), weak and internally focused (Bosnia and Herzegovina, Moldova, and Kosovo), incompatible with NATO security policies (Belarus and Serbia), or at war (Ukraine).

1. **How has the Russian invasion of Ukraine affected the threat landscape in Europe?**

The Russian invasion of Ukraine has produced three changes in the threat landscape in Europe: (1) a psychological shock that war in Europe is possible, (2) a near-term scramble to reinforce NATO's eastern flank against possible Russian moves, and (3) a long-term effort to rebuild defenses.

PSYCHOLOGICAL SHOCK

"Only the dead have seen the end of war."

—Plato

It has been over 70 years since European powers have fought each other. Russia's invasion of Ukraine was thus a profound shock to a Europe that had come to believe that war was obsolete, irrational, and economically unsustainable. As Dakota Wood, a retired Marine lieutenant colonel and scholar at the Heritage Foundation put it, "In a violent refutation of aphorisms such as 'modern states don't make war on each other,' 'major countries are too economically interdependent to risk going to war,' and 'the costs of becoming an international pariah state are too high,' Russian president Vladimir Putin decided to invade Ukraine anyway."[99]

These dismissals of war have deep roots. For example, Norman Angell, an English journalist, argued before World War I that "[War] belongs to a stage of development out of which we have passed; that the commerce and industry of the people no longer depend upon the expansion of its political frontiers. . . . [I]n short, war, even when victorious, can no longer achieve those aims for which people strive."[100] Many have picked up this theme more recently. For example, President Obama often referred to the arc of history bending toward peace: "The trajectory of this planet overall is one toward less violence, more tolerance, less strife, less poverty."[101] The 2022 invasion of Ukraine reminded the world that states rarely go to war based solely on rational calculations of gain and loss. Instead, as Thucydides observed 2,500 years ago, they are driven by fear, honor, and interest.[102]

Finally, the end of the Cold War and the resulting Pax Americana produced great benefits for democratic governance and economic prosperity but dulled alertness about threats to peace. The stable national security environment seemed destined to continue indefinitely. However, as prolific scholar Richard Betts noted in his analysis of surprise attacks: "War involves discontinuity–an aberration or divergence from normal," so it is hard to imagine.[103]

NEAR-TERM REINFORCEMENT OF EUROPE'S EASTERN FLANK

As the war loomed, the Baltic and Eastern European countries were terrified that the Russians would roll through Ukraine and into their homelands. It had happened before–to Poland in 1920-1921 and to Poland, Romania, and the Baltic countries in 1939 and again in 1944. The United States and other NATO countries rushed 32,000 troops to the east in response.[104] Of these, the United States sent about 24,000 troops. These reinforcements added to U.S. forces already in Europe, bringing the total to 100,000 permanently stationed and rotational.[105] Though that number has declined over time, their presence continues.

The deployments have strengthened intentions to establish a permanent U.S. presence in Eastern Europe. A permanent presence would signal a long-term commitment, though the upfront costs of building a major base are high.

Other NATO countries have also reinforced the Eastern European members. The United Kingdom sent forces to Estonia and Poland, the French and Belgians sent forces to Romania, and the Germans sent a small force to Lithuania. Collectively, 22 NATO nations have sent 10,232 troops.[106] NATO activated defense plans for the NATO response force, but it did not deploy.[107]

LONG-TERM STRENGTHENING OF EUROPEAN DEFENSE

Regardless of how the war in Ukraine turns out, Russia's military forces have been badly damaged. Rebuilding this capability will take many years. As the annual threat assessment of Office of the Director of National Intelligence concludes, "Moscow's military forces have suffered losses during the Ukraine conflict that will require years of rebuilding and leave them less capable of posing a conventional military threat to European security, and operating as assertively in Eurasia and on the global stage."[108] This gives Europe a window of opportunity for making defense investments.

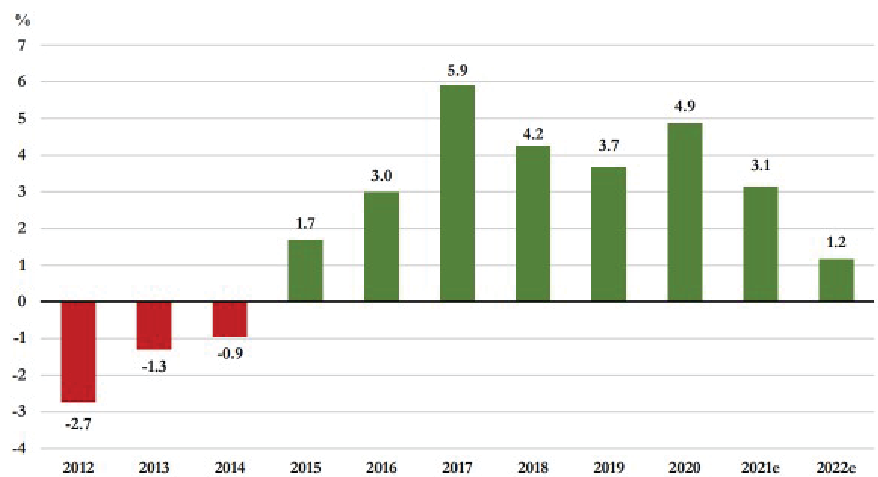
Many Central and Eastern European countries have begun rebuilding by shipping their old Soviet-era equipment to Ukraine and arranging to buy NATO-standard equipment as a replacement. This has been a win-win: Ukraine gets equipment it is familiar with, and the Eastern Europeans get equipment that is more capable and integrates them more fully into NATO. The United States is helping with the financing of this action. Although the new equipment will take years to arrive off production lines, the result will substantially modernize the Central and Eastern members of NATO.

2. **Will NATO sustain a strengthened defense effort?**

The defense rebuilding process is well underway but will need to be sustained for many years. That rebuilding began at the 2014 Wales summit, where NATO, impelled by Russian aggression in Crimea and Ukraine, set a goal of spending 2 percent of GDP on defense.[109] The declaration has had an effect, with overall alliance spending increasing steadily.

Figure 1: NATO, Europe, and Canada Total Defense Expenditures

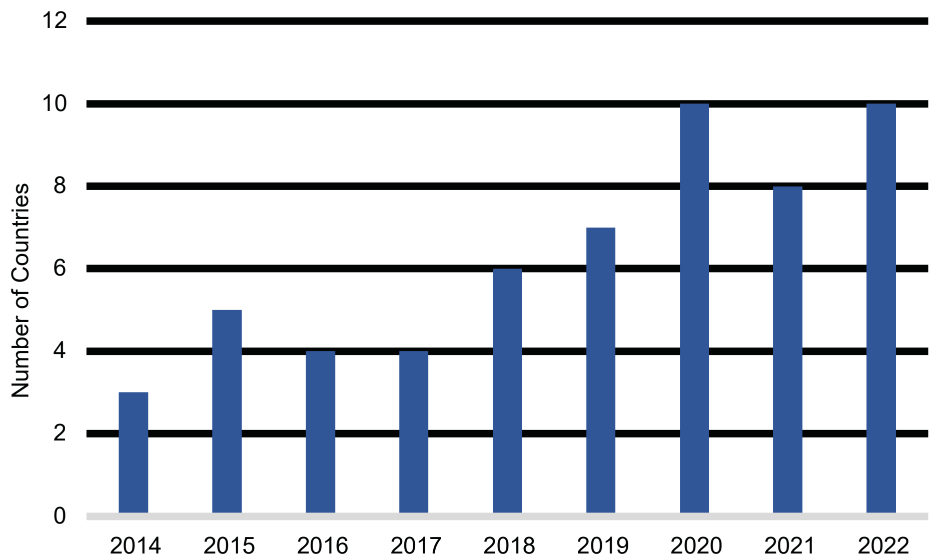
Annual Percentage Change



Source: Derived from NATO annual expenditure chart. Reported as percentages based on 2015 prices and exchange rates. NATO "Defense Expenditure of NATO Countries (2013-2020)," press release, June 27, 2022, https://www.nato.int/nato_static_fl2014/assets/pdf/2022/6/pdf/220627-def-exp-2022-en.pdf.

Ten states now meet the 2 percent target goal.[110] Member states on NATO's eastern flank, in particular—Estonia, Latvia, Lithuania, Poland, Romania, and Slovakia—have been aggressive in meeting and, in some cases, exceeding the goal. The United States, United Kingdom, Croatia, and Greece also meet the goal. Secretary General Stoltenberg has expressed confidence about future gains: "Nineteen allies have clear plans to reach it by 2024, and an additional five have concrete commitments to meet it, thereafter."[111] Still, two thirds of NATO members, 21 states, fall short of the goal.

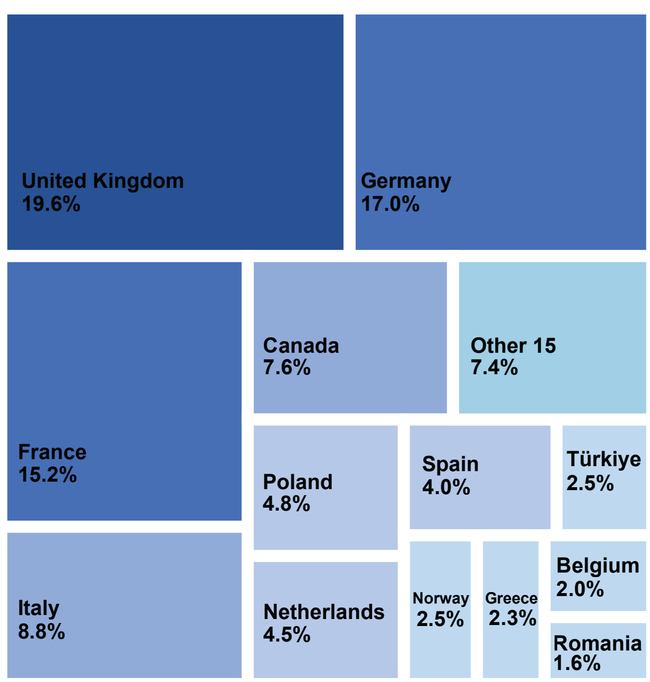
Figure 2: Number of Countries Meeting the NATO 2 Percent GDP Goal



Source: CSIS creation based on NATO, "Defence Expenditure of NATO Countries (2014-2022)."

The problem is that not all countries are equal in terms of military spending. As Figure 3 illustrates, the top three—the United Kingdom, Germany, and France—account for 52 percent of all non-U.S. NATO spending, so examining these three countries is key. All three have pledged to improve their military capabilities, though some of these improved capabilities will not appear until the 2030s or even the 2040s.

Figure 3: Relative Defense Budgets of European Members of NATO plus Canada



Source: CSIS creation based on NATO, "Defence Expenditure of NATO Countries (2014-2022)," The United Kingdom has announced a large budget increase of £5–6 billion over two years and an aspiration to spend 2.5 percent of GDP on defense.[112] This pledge falls under the Integrated Review Refresh 2023, a national defense strategy update commissioned to incorporate lessons learned from the war in Ukraine, revitalize security relations with Europe, and redefine how the United Kingdom should deal with the threat of China.[113] However, military budgets will need to compete with other UK priorities, such as climate change and international development, and the forces will get smaller, with the army declining to 72,500, according to the 2021 Integrated Review of Security, Defence, Development and Foreign Policy.[114]

Germany's defense effort has lagged since the end of the Cold War, amounting to about 1.2 percent of GDP during most of that period. In recent years, it has increased that percentage to 1.4 percent and its defense budget by 25 percent. Although 1.4 percent of GDP is low compared with other major NATO countries, the large size of Germany's economy means that this effort produces Europe's second-largest military budget. Thus, despite frustrations with perceived inadequacies of Germany's military efforts, Germany's national security policy matters a lot.

In March 2022, Germany announced that it would increase military spending to 2 percent of GDP, including creation of a €100 billion investment fund.[115] Although there is little change in the FY 2023 budget, the FY 2024 budget will reportedly include a €10 billion increase—a 20 percent jump, if implemented. However, turning dramatic announcements into budget realities is difficult in an environment of expensive domestic programs and after half a century of Ostpolitik—Germany's long-standing outreach to the east.[116]

France completed its Strategic Update 2021, which identifies three continuing threats: jihadist terrorism, proliferation of weapons of mass destruction and their delivery systems, and the return of strategic competition between great powers. It pledges continued increases in its defense budget consistent with the 2019–2025 Military Planning Law and scolds other nations for not spending enough on defense: "Were Europeans to make further major cutbacks in their budgets, they would deal a fatal blow to the most fragile militaries and to Europe's capacity for collective action."[117]

Spending has been fairly criticized as an inadequate indicator, leaving out important qualitative indicators such as military readiness and force deployability.[118] Nevertheless, military capabilities ultimately depend on resources and, hence, adequate budgets. With militaries, as with many other things in life, you get what you pay for, so discussion about capability must begin with resources.

> *"We backed ourselves into something that's a numerical target [spending 2 percent of GDP on defense] that I think is becoming increasingly weaponized as a way to say allies aren't worth it."*
>
> *—Heather A. Conley, President, German Marshall Fund of the United States, Panel 2*

3. What are the main capability gaps for European militaries?

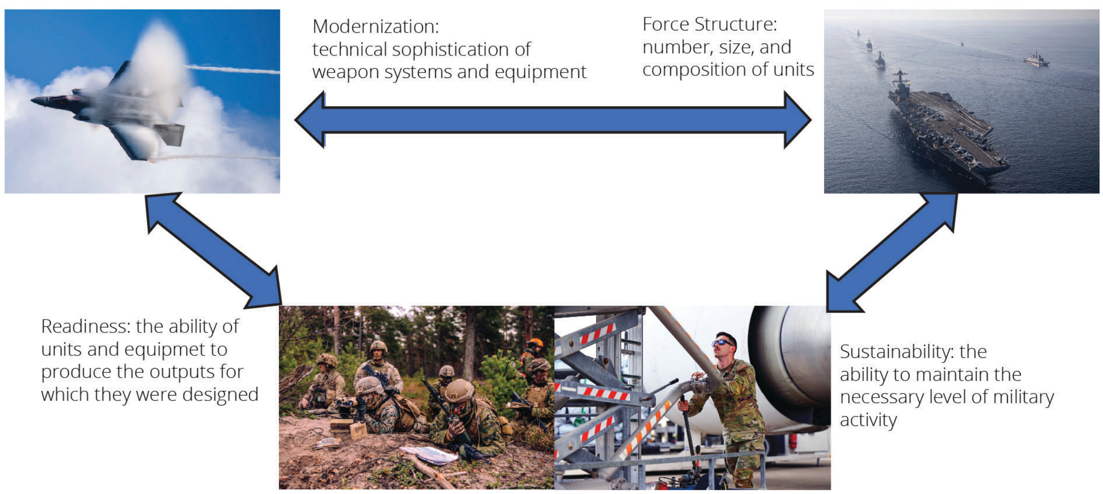
In general, Europe has all the military forces that it needs to provide for its own security, even without the United States. The challenge is low readiness and lagging modernization. As a result, European military capabilities are less than sheer numbers might suggest.

GENERATING MILITARY CAPABILITY

Figure 4 lays out the basic elements of military capability: force structure, modernization, and readiness. Effective militaries need to maintain all three.

Force structure is the size and composition of forces. Larger forces can handle more operations but are expensive to maintain because of personnel and operational costs. Readiness determines whether units can do what they were designed to do. For example, can artillery units move, shoot, and communicate? Readiness allows rapid and effective operations but is highly perishable because of troop turnover. Readiness must thus be rebuilt every year. Sustainability–the ability to operate effectively over a length of time–is typically rolled into readiness, though some analysts consider it separate. Modernization is the development and procurement of new equipment, which provides increased capabilities. It is easy to defer when money is tight, but doing so eventually results in an obsolescent military.[119]

Figure 4: The Components of Military Capability



Source: CSIS creation with DOD photos. Upper left-hand: Air Force Capt. Kippun Smner; upper right-hand: Navy Petty Officer 2nd Class Jacob Mattingly; lower left-hand: Marine Corps Cpl. Jackson Kirkiewicz; and lower right-hand: Air Force Airman 1st Class Jenna A. Bond.

Force Structure: Table 2 compares (1) European NATO, (2) European NATO plus members of the European Union who are not members of NATO, and (3) Russia, Europe's primary security challenge. The table uses personnel as an overall measure and one key measure for ground (tanks), air (fighter-attack aircraft), and naval forces (battle force ships). In every category, European NATO has overwhelming advantages compared to Russia, which has suffered large equipment losses in the last year.[120] Adding the non-NATO EU members provides a small amount of additional capability.

Table 1: Illustrative Comparison of European NATO, NATO and European Union, and Russian Forces

	European NATO	European NATO plus European Union	Russia
Personnel (active duty)	1,864,860	1,890,060	1,190,000
Tanks***	6,504	6,694	1,800
Fighter-attack aircraft**	2,191	2,219	1,004
Battle force ships*	141	141	31

*Using the Military Balance definition: "All surface ships designed for combat operations on the high seas, with an FLD [full load displacement] above 2200 tonnes. See Military Balance, 495.

** Fixed-wing fighter, fighter/ground attack, and attack aircraft.

*** Main battle tanks and light tanks.

Source: International Institute for Security Studies (IISS), *Military Balance 2023* (London: IISS, 2023).

This means that the 40 percent decline in NATO forces after the Cold War is not the primary impediment to European military operations. Europe has enough force size to provide substantial security if those forces were ready, modernized, and deployable.

Readiness: The United Kingdom and France maintain forces with relatively high readiness because of their global interests. Other NATO countries have maintained at least some force elements at relatively high readiness. Janes highlights the four Nordic countries–Denmark, Finland, Norway, and Sweden–as "well-equipped, highly professional, and [having] trained citizen reserve forces that are capable of short-notice mobilization and integration with regular forces."[121]

The key problem is that readiness is difficult to measure. Experts in the United States have debated for decades about whether to take a resources approach (e.g., do units have all the equipment and personnel they need?) or a capability approach (e.g., can the unit do its wartime mission?). In theory, capability is best since it captures output, but it is difficult to measure consistently, continuously, and across the entire institution. As a result, the U.S. readiness measurement system, called the Defense Readiness Reporting System, focuses on resources.

Unlike for budgets and modernization, NATO has no formal system for measuring readiness either by resources or by mission capability. Nevertheless, various studies and analyses have provided important insights. For example, FOI, a Swedish think tank, assessed the readiness of NATO forces and found deficiencies in command relationships, transportation, and strategic mobility.[122]

Increased spending might ease some of the problems identified in the Swedish report, but others are less susceptible to financial fixes. For example, physically moving forces around Europe is difficult: existing road and rail infrastructure is not sufficient to support the weight of heavy military equipment, and there are legal and bureaucratic impediments to moving military equipment with respect to diplomatic clearance, transportation safety regulations, and differing ammunition transport standards between countries.

A 2017 US Army study lamented that the "reality is that it is extremely difficult to provide sustainment to exercises and forces deployed into Eastern Europe and the Baltic regions due to cumbersome and time-consuming requirements to gain diplomatic and security clearances for convoys."[123] The report estimates that it takes two months for deployment from Fort Riley, Kansas, to Zagan, Poland, and five weeks for equipment to travel from Fort Bliss, Texas, to Drawsko Pomorskie, Poland.

Anecdotes abound about the readiness, frequently the low readiness, of NATO military forces. For example, in 2001, the EU Court of Justice ruled that militaries must abide by civilian workforce rules that limit workweeks to 35 hours when conducting peacetime training. Some countries, such as Germany, already apply such rules. While such rules may enhance servicemember protection, they reflect a lack of urgency and constitute major barriers to achieving high readiness.[124]

Germany's problems are particularly severe. Helmut Kohl captured the national mood in 1997 when he said, "For the first time, Germany is surrounded only by friends and partners at all its borders. The peace of our country is more secure than ever."[125]

As a result, Germany has in effect built a mobilization military that requires 6 to 12 months to be ready for any major operation. For example, only 130 of its 300 Leopard tanks are operational. Its army chief of staff complained publicly about the lack of readiness when Germany had to deploy forces at the beginning of the war.[126] The report by FOI noted that Germany suffers from a lack of equipment. Its capability to "marshal and deploy heavy . . . formations of brigade size [is] low."[127] Movement of the German Very High-Readiness Joint Task Force brigade from Munster to Zagan, Poland, takes approximately 10 days.

Germany's readiness challenges are not the most serious in NATO, as many other countries have severe readiness problems. However, because Germany's forces are the third-largest (behind France and Turkey), the unreadiness of its armed forces is a major challenge for European security.

Modernization: NATO has taken a budget approach to measuring modernization, setting a goal at the 2014 Wales summit that modernization spending should be at least 20 percent of a nation's military budget. The idea is that personnel and operations costs should not squeeze out modernization.

Twenty-four European NATO countries now meet this goal, up from seven in 2014. Eastern European countries in particular have been on a procurement binge. Poland has signed billions of dollars' worth of contracts for tanks, fighters, artillery, munitions, and air defense from the United States and South Korea.[128]

Although there are many challenges for European defense industry, including small production lots and inefficiency, the increased spending is a positive step that, over time, will ease the problem of obsolescence in European NATO militaries.

4. **What types of military operations are European states able (and unable) to perform effectively independently of the United States?**

As noted earlier, non-U.S. NATO countries have enough forces to conduct independent operations, and though budgets are still recovering from post-Cold War lows, they are nevertheless substantial. The challenges are leadership and capability. The bottom line is that Europeans are severely constrained without the United States but can do a lot with U.S. support.

Leadership: Since the beginning of the alliance, there has been tension between the United States, the largest and most powerful NATO member, and the Europeans, who collectively are as wealthy and field large military forces. The compromise has been that a U.S. officer commands NATO forces as the supreme allied commander, while a European heads the political side as secretary general.

The French, in particular, have never been comfortable with this arrangement, constantly looking for structures that would exclude the United States and give Europeans, especially France, a larger role. However, the Europeans have never been able to step up to major combat operations without U.S. leadership. Operations such as support to Libyan rebels (Unified Protector) offered an opportunity for the Europeans to lead. The level of combat was low, the adversary was weak, and the area of operations was nearby, yet this still required U.S. and NATO leadership.

CSIS scholar Max Bergmann argues that the war in Ukraine should be Europe's moment to come together on defense, but he concludes, "The United States has demonstrated its indispensability to European security and confirmed Europe's dependence on Washington. European leaders have seemingly accepted this as the natural state of affairs."[129]

This is, then, a fact of life: the United States, alone or through NATO, will lead any major military operation. The good news is that with that leadership, Europe can execute a wide variety of operations, such as counterinsurgency and peacekeeping in Iraq and Afghanistan; peace support operations in Bosnia and Herzegovina, North Macedonia, and Kosovo; counter-piracy operations in the Indian Ocean; counterterrorism in the Mediterranean; operations to protect civilians and counter the Ghaddafi regime in Libya; and, recently, the wide variety of deterrence measures in Eastern Europe.[130]

Military Capabilities: The second problem is a lack of relevant military capabilities. The non-U.S. NATO members produce good capabilities for crisis response, small contingencies, and security cooperation, conducting many such missions since the end of the Cold War. Many countries sent forces to Bosnia, Kosovo, Iraq, and Afghanistan for peacekeeping.

However, capabilities are severely limited for large-scale operations. One limitation comes from the low level of past modernization. The United States has forces that are survivable in high-threat environments and the command-and-control mechanisms to lead complex, multi-domain, and widely dispersed operations.

NATO has recognized these limitations and sought to overcome them, for example, with the NATO Readiness Initiative, which sets a goal of "four 30s"—30 infantry battalions, 30 air squadrons, and 30 naval ships, all available in 30 days.[131] In June 2022, NATO laid out a new force model, over 100,000 troops in up to 10 days, 200,000 troops in 10 to 30 days, and at least 500,000 troops between 30 and 180 days.[132]

Nevertheless, for many years NATO has had difficulty deploying even small forces. For example, NATO, which fielded 40 divisions (about 360 combat battalions) in Northern Europe during the Cold War, strained to stand up four battlegroups in the Baltic states.[133] As a CSIS study on NATO concluded, "We assess that European states are likely to face significant challenges conducting large-scale combat missions, particularly in such areas as heavy maneuver forces, naval combatants, and support capabilities like logistics and fire support."[134]

A related problem is that more distant occur from NATO territory, the more difficult they are. The United Kingdom and France maintain some expeditionary capabilities because of their continuing global interests. However, the United States' capability for expeditionary operations dwarfs those of non-U.S. NATO members. Table 3 compares airlift capabilities, which is a useful indicator of the ability to deploy and sustain forces for expeditionary operations. The systems counted are heavy and medium cargo aircraft that can transport troops and matériel over long distances.

Table 2: Strategic and Tactical Airlift

	United States	Non-U.S. NATO Countries
Strategic airlift aircraft (e.g., C-17s)	365	145
Tactical airlift aircraft (e.g., C-130s)	483	171

Notes: Strategic airlift includes heavy transport and large tanker/transport aircraft (e.g., C-17, A400), while tactical airlift includes medium transport and tanker transport/aircraft (e.g., C-130, C-27).

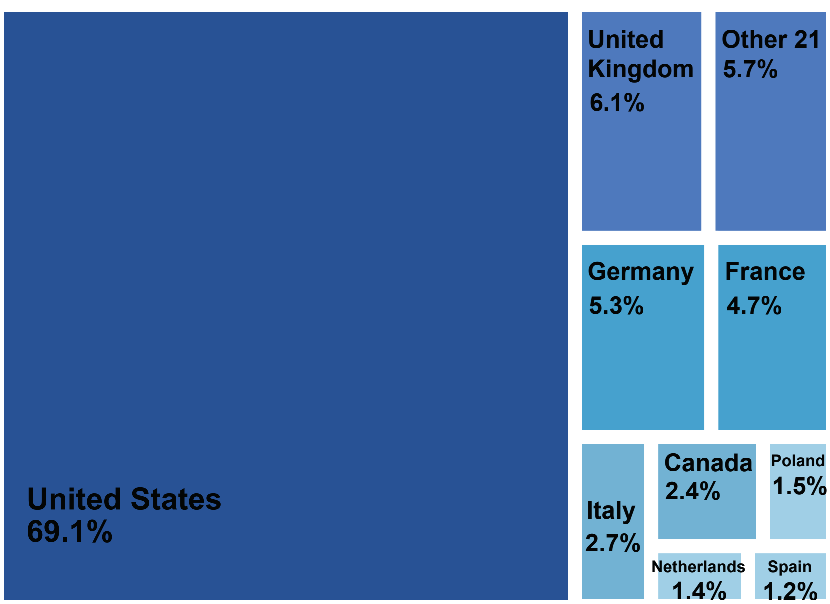
Source: IISS, *Military Balance 2023*.

The United States' substantial advantage here is not surprising given that it must cross oceans and typically travel thousands of miles to reach areas of operations. Nevertheless, the fact remains that the United States will have major capabilities in an area where Europeans will struggle.

The good news is that the United States has used these strategic mobility capabilities to support other NATO countries when needed. Thus, U.S. aircraft have moved allied troops to participate in operations in places from Bosnia to Afghanistan. While Europe's capabilities may be severely limited without the United States, they can bring substantial capabilities to bear with U.S. support.

Figure 5 illustrates the bad news. The Europeans might have as much funding collectively as the United States, but no state individually can come close to the U.S. budget and all the different capabilities that budget can buy. Unless the Europeans fully integrate their defense effort and operate as a single entity, they will never be able to match the breadth and depth of U.S. capabilities. Although operating as a single entity sounds attractive in theory, it means that each country's military will be unsuited for national policy purposes and only viable in the context of international operations. That represents a loss of sovereignty that few countries will be willing to accept.

Figure 5: NATO Military Expenditures by Country



Source: CSIS creation based on NATO, "Defence Expenditure of NATO Countries (2014-2022)."

5. **How should the United States balance its interests in Europe and those in other regions, including the Indo-Pacific?**

This is a major strategic debate in the United States. On the one hand, the National Security Strategy (NSS) and National Defense Strategy (NDS) seek to focus U.S. attention on the Pacific. They identify China as the "pacing" challenge, which implies prioritization over other regions. As the 2022 NDS says, "the most comprehensive and serious challenge to U.S. national security is the PRC's coercive and increasingly aggressive endeavor to refashion the Indo-Pacific region in the international system to suit its interests in authoritarian preferences."[135]

On the one hand, these same documents recognize broader challenges. The NSS states:

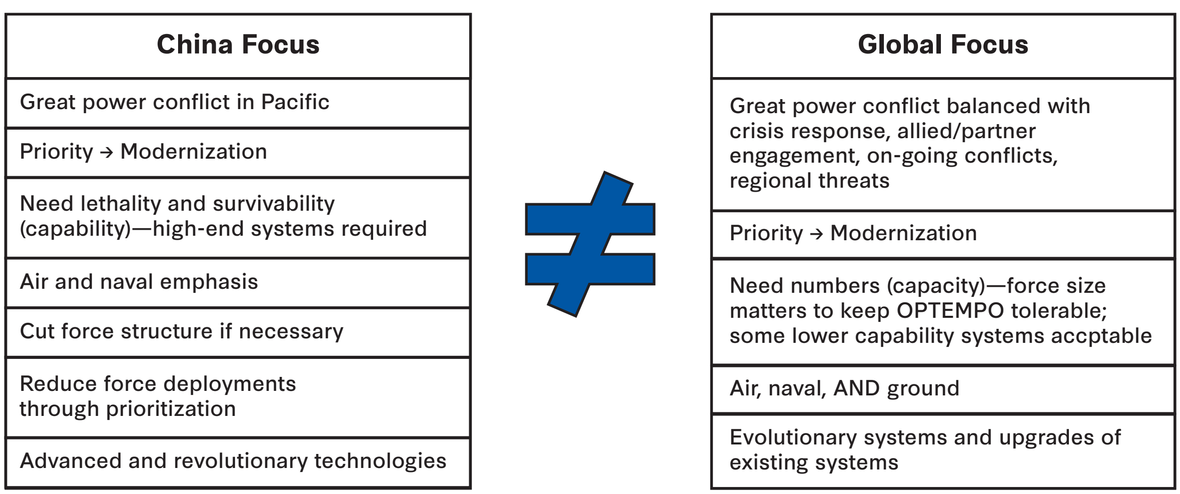
> Russia poses an immediate and ongoing threat to the regional security order in Europe, and it is a source of disruption and instability globally. . . . Iran interferes in the internal affairs of neighbors, proliferates missiles and drones through proxies, is plotting to harm Americans, including former officials. . . . The Democratic People's Republic of Korea (DPRK) continues to expand its illicit nuclear weapons and missile programs.[136]

Both documents link U.S. security to allies and partners. The NDS is emphatic, "Close collaboration with Allies and partners is foundational for U.S. security interests."[137]

A rising defense budget might accomplish both goals–a focus on China and global commitments–but neither the Trump administration in its later years nor the Biden administration have been willing to make that commitment. In every year since 2018, including the recently released FY 2024 budget proposal, administrations have projected flat constant dollar budgets into the future.

That forces trade-offs, as illustrated in Figure 6. A force focused on a great power conflict with China will have different characteristics than one focused on global commitments.

Figure 6: Characteristics of China-Focused and Global-Focused Forces



Source: CSIS research and analysis.

Both the Trump and Biden administrations have ignored this tension. They have articulated robust strategies without the resources to fully implement them and thus allowed a strategy-resources gap to open up–"a troubling disconnect between the administration's stated priorities and its conduct," argues Kori Schake, a director at the American Enterprise Institute.[138]

Some strategists, such as Elbridge Colby, former deputy assistant secretary of defense, would shrink the strategy to fit the resources. He unabashedly calls for focus on the Pacific and leaving Europe, including Ukraine, to the Europeans.[139] Others, particularly conservative commentators, would increase resources to meet the strategy. Thus, John Ferrari, Elaine McCusker, and Mackenzie Eaglen from the American Enterprise Institute and Tom Spoehr from the Heritage Foundation call for higher defense budgets.[140]

Defense hawks have been winning the budget battle for the last several years. In the FY 2023 budget, they added $45 billion above what the administration requested. There were similarly large congressional increases in FY 2020 to FY 2022. Whether this will continue is unclear. Deficit hawks in the Republican Party have regained strength and, with the Republicans now a majority in the House, may be able to push budget policy in that direction. This would return the national security budget environment to the days of sequestration, where efforts by deficit hawks to cut government spending entailed deep defense cuts as well.

There are also fundamental disagreements about strategy. the progressive left and populist right have embraced versions of a national security concept called "restraint." As Professor Barry Posen of MIT describes it in his seminal book, *Restraint*, the United States should "focus on a small number of threats and approach these threats with subtlety and moderation. . . . The United States will need to give up some objectives. The relationship with Europe must be transformed entirely." Posen concludes that, after decades of "cheap riding," the Europeans should take charge of their own security.[141]

These differing viewpoints will play out in the FY 2024 budget deliberations. If defense hawks can continue their large defense budget increases, then the strategy-resources gap will shrink and the U.S. role in the world will continue. However, if populist forces in the House can use the unstable Republican majority to their advantage, then the current strategy may become untenable. In this case, many strategists would likely push to cut forces and resources dedicated to Europe, the Middle East, and elsewhere in order to focus on the Pacific.

"In Asia they are watching this [war in Ukraine] very carefully; not just the Chinese but our partners in Asia, and we certainly cannot engage effectively in the Indo-Pacific region without a European... force multiplier."

—John McLaughlin, Former Acting and Deputy Director of Central Intelligence, Panel 1

4

Pivoting to Production? Europe's Defense Industrial Opportunity

Authors: Greg Sanders and Nicholas Velazquez

Contributing Authors: Alexander Holderness, Katy Buda, Jsamine Phillips, and Henry Carroll

Russia's invasion of Ukraine and the subsequent transfers of a variety of military capabilities in support of Ukraine's defense have severely taxed the inventories of the transatlantic alliance. The need to recapitalize inventories has presented challenges in the United States, with the munitions supply chain challenge being identified as a concern even before the start of the war.[142] For European NATO countries, this challenge is compounded by the difficulty of giving a clear demand signal to a fragmented industrial base as well as disagreements between major producers and frontline states.[143] However, the legacy of fragmentation also provides an opportunity. The European industrial base has suffered from underinvestment but does have slack capacity that, if faced with a clear demand signal and if resilience can be added to supply chains, could increase alliance production capacity. This potential leads to an important policy question: to what extent are EU institutions and coordination efforts a desirable and viable way to increase production?

The United States has sought to increase the capability European NATO members can contribute by promoting greater spending by European powers, building interoperability through NATO, expanding arms exports, and encouraging bilateral or multilateral collaboration. EU policies toward the United States are informed by concerns of ensuring strategic autonomy as an alliance, which can mean that close allies such as the United States, Norway, and a post-Brexit United Kingdom are excluded from institutional initiatives. To cast light on these issues, this chapter examines data on defense production budgets, collaboration, and arms trade among EU and European NATO members to address the following questions about whether the EU pivot to production may provide a useful, complementary role to NATO:

1. To what extent did EU countries build production capability after Russia's annexation of Crimea, and what limitations did European defense integration still face at the onset of Russia's 2022 invasion of Ukraine?

2. To what extent have EU institutions, in cooperation with NATO, overcome these limitations?
3. In what sectors are EU and European NATO countries capable of producing exports today and to what extent is the trade within the European Union and NATO?
4. Would a greater EU role in production be a desirable and viable way to support transatlantic security needs?
5. How does the U.S. role in European security factor into European defense integration?

These questions are salient because Russia's invasion of Ukraine and the subsequent war have strengthened concerns about supply chain health and production capacity. For the European Union, pivoting to a growing emphasis on collaborative production will be politically challenging. However, the necessary work to overcome these challenges is justified by the need to defend against a diminished but still dangerous Russia that has exacerbated legitimate security concerns across the continent. A long-term agenda of collaborative projects will take decades to deliver and must be balanced against cooperative efforts that address near-term security gaps collectively identified by EU and NATO nations, which further complicates cooperation.

Several NATO member states are seeking to recapitalize all manner of military platforms donated to Ukraine.[144] Answering this demand signal will be difficult because the production timeline for new systems can be more than a year. European NATO members are seeking to rebuild arsenals with interoperable systems to deter or effectively handle future conflict.

Even on these time frames, building additional capacity is expensive, especially for an industrial base, such as in the United States, where slack has been squeezed out of the system to save costs.[145] Europe's industrial base is robust enough to produce capabilities in a variety of sectors for the export market. However, this often results in skipping past the expanding needs of the European market. At the margins, the most affordable place to bolster production capacity for meeting the range of transatlantic needs will often be beyond U.S. borders.

However, the European Defense Agency (EDA) has identified industrial fragmentation as a major problem in European defense, shown by a proliferation in the number of systems.[146] A 2017 McKinsey analysis based on reporting from the International Institute for Strategic Studies found that in selected categories EDA members had 178 different versions of weapons systems, compared to only 30 variations in the United States.[147] This trend is consistent when applied to main battle tanks, destroyers and frigates, and fighter planes, where the duplication of EU systems is far more prevalent than in the United States.[148] Such variation poses a variety of logistics, industrial, and operational challenges for both European governments and industry. Speaking at the 2023 Global Security Conference at CSIS, Vice Admiral Hervé Bléjean, director general of the EU Military Staff, referenced the diverse nature of EU systems, stating "it's not a good business model."

Even within systems compatible with NATO standardization agreements, this leads to logistic and sustainment costs and challenges and can pose interoperability burdens.[149] A key factor behind this variety is that the European defense industrial base has a significant role for firms that serve as "national champions"—a prime firm with significant market share and that is central to that nation's defense industrial base. These national champions produce distinct product lines for their respective states for similar capabilities. The home markets for these national champions, even when augmented by exports, are shaped by national defense budgets that often order insufficient unit counts to move down the learning curve and achieve the economies of scale seen in the integrated United States.[150] Collaborative programs offer a possible solution to this problem by pooling resources for larger orders but are often stymied when workshare is primarily allotted by national cost share and not industrial efficiency considerations. However, consortiums such as Airbus and MBDA Incorporated can mitigate these challenges.[151]

European integration is required to achieve efficiencies in developing economies of scale in defense industrial production as well as addressing the challenges of supporting Ukraine, which has developed a force with a variety of platforms where interchangeability is a challenge for both former Soviet and Western equipment. The importance of production is by no means exclusive to the European theater. The vision of production diplomacy put forward by U.S. DOD under secretary for defense acquisition and sustainment Bill LaPlante encompasses the occasionally competing needs of the Indo-Pacific region raised in Figure 6. However, U.S. policy has been ambiguous toward EU ambitions to become a locus of production and interchangeability, and skeptics raise reasonable questions about the feasibility of further progress.[152]

This chapter will explore the potential for greater EU-NATO complementarity as a partial answer to these problems and to address where a pivot to production could have the necessary preconditions. This chapter's analysis will largely focus on the interplay between the EU and NATO on revitalizing Europe's defense industrial base through an exploration of the EU's efforts to develop European defense industrial collaboration through several union-level initiatives. As a result, this analysis will not deeply discuss the role of non-EU European states such as the United Kingdom or Norway. Within the context of EU initiatives, these states are treated on a case-by-case basis owing to these states' relations with Brussels. The United Kingdom, second only to the United States in its security assistance to Ukraine, remains an important pillar of European security whose role in European defense integration merits unique analysis.

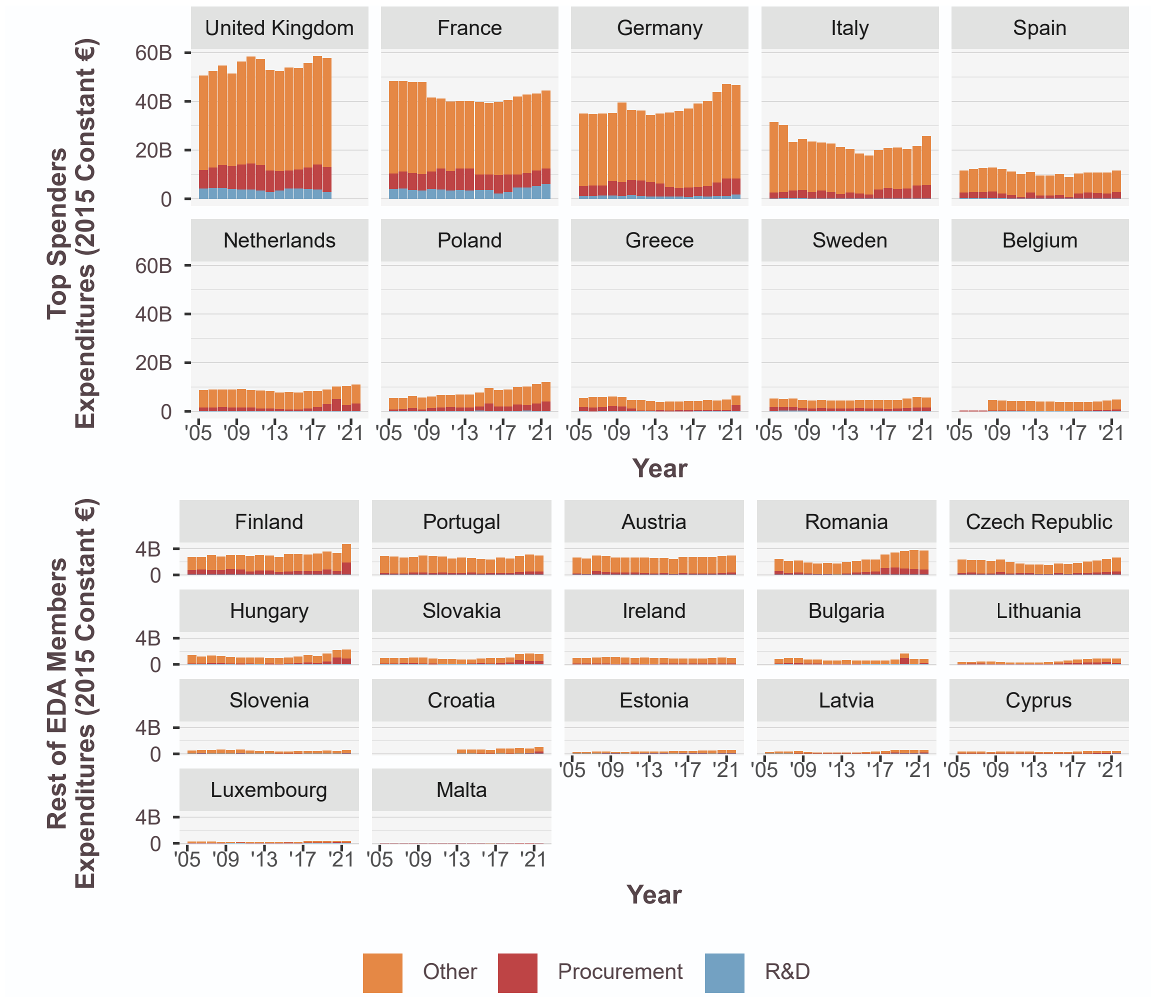
The extent of recapitalization that is necessary puts an emphasis on ensuring that funds expended yield the greatest payoff possible. Increased integration of requirements and production would mean that learning-curve efficiencies in manufacturing would yield greater outputs for investments than separate requirements and production approaches.

In a time of rising budgets, what European national champions and multinational consortiums can achieve within Europe or with the United States drives the politics behind European defense integration. A simple comparison of U.S. defense research and development (R&D) spending, approaching €90 billion, with EDA members' cumulative R&D spending, €9 billion, demonstrates that Europe will have to strategically allocate resources to keep pace with the United States.[153] For example, Europe is more focused on investing in production; EDA members spent little over €39 billion in procurement, compared to €119.0 billion for the United States.[154]

1. **How and to what extent did EU countries build defense capability after Russia's annexation of Crimea, and what limitations did European defense integration still face at the onset of Russia's 2022 invasion of Ukraine?**

The clearest source of evidence for Europe's increased contribution to alliance production is the rising defense spending seen in the period after Russia's invasion of Crimea in 2014, as shown in Figure 7. Every country in the EDA increased its spending from 2014 to 2021 in real terms (Figures 7, 8, and 11 are in 2015 constant euros). Lithuania, Latvia, Hungary, and Slovakia grew by double-digit compound annual growth rates (CAGRs). The largest gains in constant 2015 absolute spending were in Germany (€11.2 billion), Italy (€7.2 billion), France (€4.9 billion), and Poland (€4.3 billion). Baltic nations and Central and Eastern Europe grew fastest, with CAGRs of 12 percent and 9 percent, respectively. However, while those countries closer to Russia were the biggest drivers of new spending, it was a notable shift that all of Europe was now moving in the same direction.

Figure 7: European Defense Agency Members Defense Spending and Investment Portions, 2005–2021



Note: The 'Other' category captures personnel, sustainment, construction, and other miscellaneous overhead costs.

Source: "DataWeb," European Defence Agency (EDA), April 2023, https://eda.europa.eu/publications-and-data/defence-data; and CSIS analysis.

As indicated by the cessation of reporting for the United Kingdom in Figure 2, Brexit, which was formally completed in 2020, was a complicating factor in the post-2014 period. The United Kingdom remains a central player in NATO but has exited the key EU institutions discussed below and has yet to complete a larger agreement on security with the European Union that will shape its future cooperation.[155] Although it has left the European Union, the United Kingdom remains a force for transatlantic cooperation (see Figure 9) and has further expanded its relationship with the United States by entering the AUKUS treaty, which includes Australia. While Brexit resulted in the United Kingdom's departure from the European Union Common Security and Defence Policy, it has also meant that European defense does not have to contend with UK vetoes on institutional initiatives.[156] This departure may have contributed to the flurry of institutional activity described below. According to NATO data, in constant 2015 pounds, UK defense spending grew from £40.1 billion in 2014 to an estimated £46 billion in 2021, a CAGR of 2.0 percent. This growth in constant pounds continued to an estimated nearly £46.8 billion in 2022.[157]

This increase in EDA member spending was accompanied by EU members building institutions to encourage greater collaboration. The EU processes at the forefront of European defense integration are the Permanent Structured Cooperation (PESCO) program and the European Defence Fund (EDF). These programs made considerable progress in the post-2014 period but have not yet bent the curve on procurement collaboration.

PESCO: BINDING DEFENSE COOPERATION

PESCO is a framework that was formed in December 2017 to foster defense cooperation among participating EU member states and further Europe's strategic autonomy.[158] Though EU member states can either opt in or out of PESCO, the states which signed onto the framework are bound to the institution's commitments. PESCO's ratification in 2017 followed concern in Europe, specifically in France and Germany, that the United States' consistency as a security guarantor may be shaken due to domestic U.S. politics.[159] As a result, PESCO reflects Europe's drive to pursue strategic autonomy by spending more and with fewer redundancies.[160] The 2008 Treaty on European Union legally enshrined permanent structured cooperation for European defense, with the vision for each member state to "proceed more intensively to develop its defense capacities" and demonstrate the ability to sustain armed forces which can act on a national or a multinational level.[161]

To achieve these objectives, the 2008 Treaty on European Union urged member states to "bring their defense apparatus into line with each other," to "take concrete measures to enhance the availability, interoperability, flexibility and deployability of their forces," and to participate in the "development of major bilateral or European equipment programmes."[162] These goals would eventually form the basis of PESCO nearly a decade after the objectives were legally articulated.

PESCO's authorities have been expanded to include non-EU members due to the transatlantic implications of PESCO's military mobility project. Interest from Canada, Norway, the United Kingdom, and the United States eventually culminated in the European Union amending PESCO's regulations to allow non-EU states to participate in select projects.[163] Gradually, these non-EU states were admitted into the military mobility project, with the United Kingdom's inclusion announced in November 2022.[164] The participation of the United States in this PESCO project was a victory for EU-NATO cooperation, but it also introduced delays due to the challenges of an internal framework being applied to outsiders, especially the United States, which required an administrative agreement. Furthermore, Washington's alliances across EU member states did not negate concerns that an increase in U.S. involvement could lead to U.S. defense industry prime contractors playing a dominant role later on.[165]

In practice, PESCO pursues its objectives and mandates by managing joint European defense projects that complement existing efforts across the European defense ecosystem, including the EDF and the Coordinated Annual Review on Defence. Specifically, PESCO projects are financed by the EDF, whose FY 2021–FY 2027 budget amounts to €7.9 billion.[166] Though PESCO predates the EDF, its projects were always meant to be funded by the EDF. However, member states also play a significant role in financing these projects.[167]

The European Defence Fund: Mitigating Risk in Collaborative European R&D

Fostering and sustaining an indigenous defense innovation ecosystem in Europe is a strategic imperative for the European Union. The European Commission established the EDF on April 29, 2021, to integrate Europe's defense market by financing investments in the joint R&D of defense products.[168] In its establishment of the EDF, the European Commission argued that the rising costs of defense products should be addressed at the EU level to increase defense cooperation between member states.[169]

The EDF is backed by an €8 billion budget from 2021 to 2027 and is explicitly meant to support select multinational European programs through the R&D phase of defense contracting. In parallel, the current focus of NATO collaborative efforts is the Defense Innovation Accelerator for the North Atlantic (DIANA) initiative, which was founded in 2021 to help the alliance solve emerging technology challenges through alliance-wide competition programs. DIANA declared its initial operating capability at NATO's Vilnius summit in July 2023. However, the focus of DIANA is developing emerging technologies, ranging from artificial intelligence to quantum-enabled technology, that will lay the groundwork for future innovation but that are less relevant to the present procurement problem.

While focused on R&D, the EDF supports later stages of development than DIANA and has greater funding than the NATO-managed $1 billion innovation fund.[170] Within this €8 billion budget, the EDF spent €1.2 billion and €924 million in 2021 and 2022, respectively.[171] The EDF will finance up to 80 percent of R&D and technology finalization expenses for select European defense programs as well as maintain flexibility to finance indirect costs.[172] This financing mechanism is aimed at minimizing contractor risk and addressing suboptimal investment challenges within the European defense industrial base.

Qualifying for the EDF requires applicants to meet specific requirements. The most important disclaimer is that the EDF will only finance consortiums consisting of at least three independent European defense firms operating in at least three different member states.[173] As a result, the EDF is intended to encourage competition within the European defense industrial base—but also may deter consolidation.

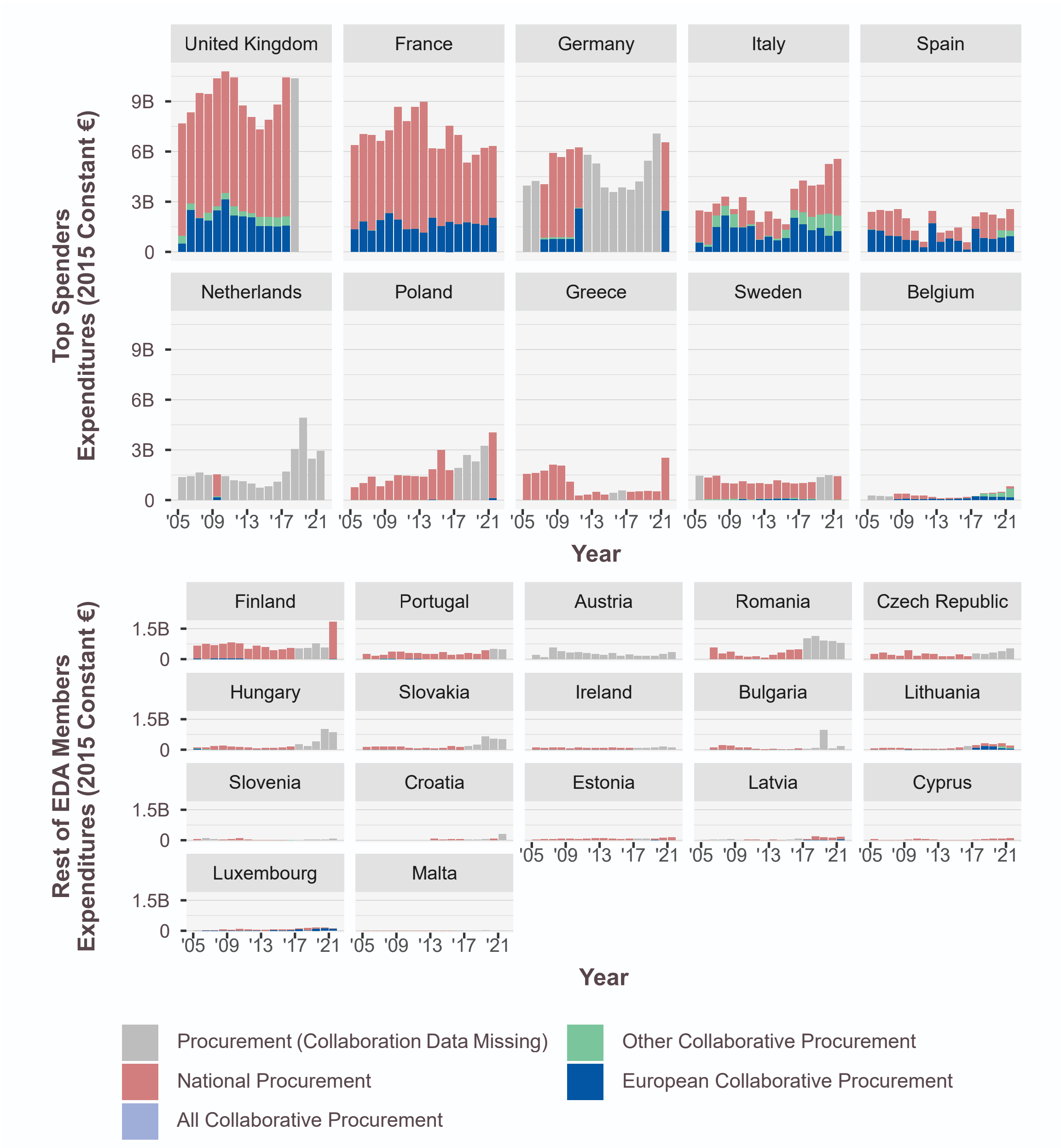
Strategically, the European Commission argues that the EDF will "contribute to the Union's strategic autonomy by supporting cross-border cooperation between Member-States." As a result, in the legislation establishing the EDF, there are provisions to restrict the financing of projects which fall under foreign export controls in a bid to maintain Brussels' fiscal control over these projects. The EDF will only finance actions where information "needed to carry out the action is not subject to any restriction by a non-associated third country."[174]

This presents a strategic challenge for several EU member states that are attempting to align their national defense industrial needs with the U.S. defense industrial base or other non-EU states such as Norway and the United Kingdom. Eastern European member states remain interested in divesting legacy Soviet-era equipment by transferring it to Ukraine. The United States has offered some aid for countries replacing such equipment with U.S. systems, and countries on NATO's eastern flank are highly motivated to reinforce U.S. engagement.[175]

THE DIFFICULTY OF TRANSLATING FUNDING INTO COLLABORATIVE OUTCOMES

The European Union's "2022 Coordinated Annual Review on Defence" acknowledged that only "modest" progress on defense collaboration has been observed.[176] The bigger picture for budgets within EDA nations has been one of growth since 2014 for procurement spending but stagnation for R&D when considered in constant euros. The EDA's focus has traditionally been on the early stages of projects, in part because collaboration is easier to initiate at the front end and can have spending implications for many years thereafter.[177]

Figure 8: Procurement Spending and Collaboration of European Defense Agency Members, 2005–2021



Note: Polish reporting of 100 percent collaborative procurement in 2017–2020 is treated as unlabeled.
Source: "DataWeb," EDA.

As shown in Figure 8, procurement spending by EDA nations grew dramatically from 2014 to 2021, increasing in 2015 constant euros from €26.9 billion to €39.4 billion, a CAGR of 5.6 percent. The CAGR increases to 11 percent if it excludes the departing United Kingdom. Across the seven years, all countries in the EDA increased their individual procurement spending, with France responsible for the smallest increase, only 0.3 percent CAGR.

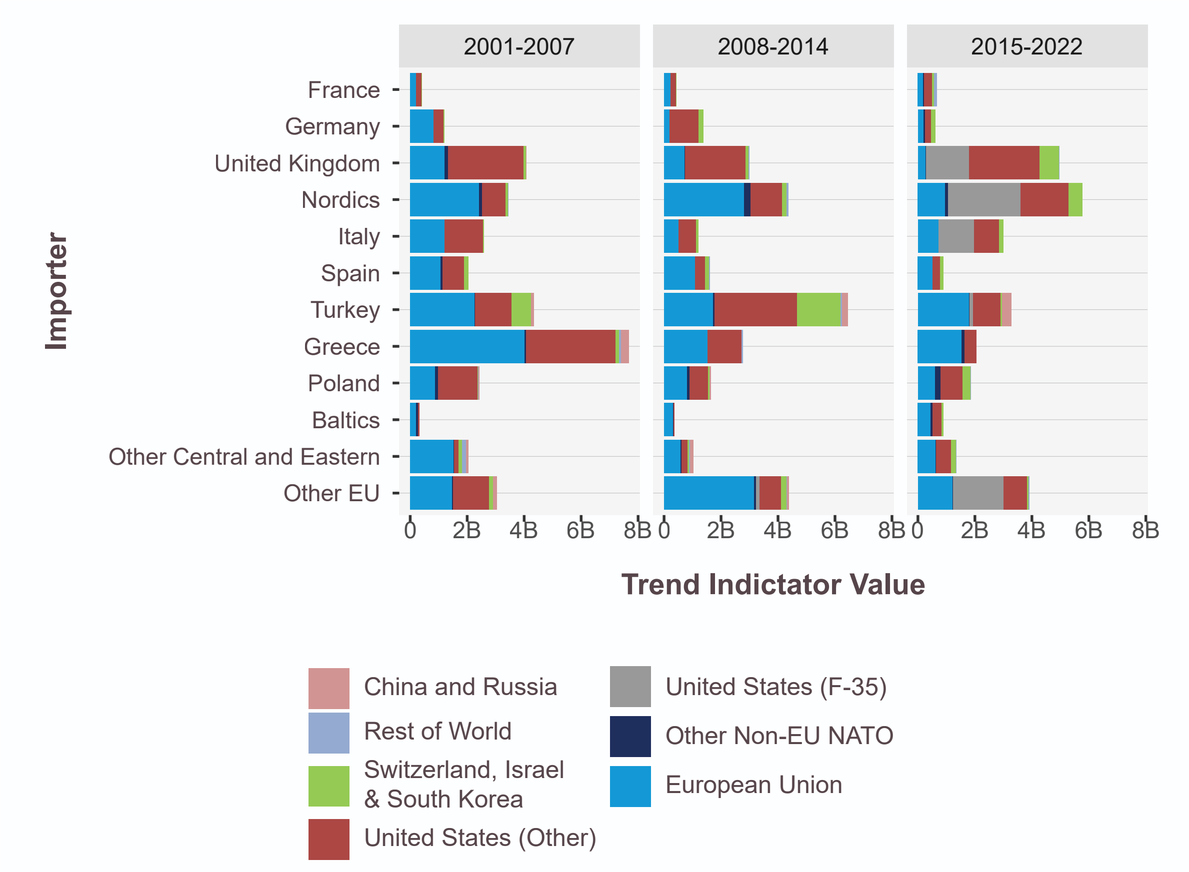
Characterizing the change in collaborative spending is a more difficult endeavor due to data quality challenges. Only 17 of the 27 EDA countries engaged in collaborative spending that they reported from 2005 to 2021. Furthermore, from 2018 to 2021, EDA data on procurement spending does not include the United Kingdom, following their departure from the European Union. Missing data on collaboration, shown in the gray bars in Figure 8, has been a widespread problem, although one that was ameliorated as four major procurement spenders began reporting again in 2021.[178] Starting in 2011, before the gap in German reporting, total EDA collaborative spending in constant 2015 euros grew from €8.8 billion to €9.0 billion, a 0.3 percent CAGR or a 4 percent CAGR if excluding the United Kingdom. Spain, Belgium, Italy, and France had the largest growth in collaborative spending in absolute terms, and with the exception of France, much of this growth occurred in non-EU nations.

Collaboration within the European Union fell slightly between 2011 and 2021, decreasing by a 1.2 percent CAGR, though this rises to an increasing 2.0 percent CAGR if one excludes the United Kingdom. This fall may be reversed as EDF programs make their way into procurement. However, it is a disappointing outcome, as even with PESCO's encouragement, collaborative spending did not keep up with overall procurement and in some cases sunk.

For R&D, France and the United Kingdom were the two highest spenders between 2005 and 2017, but their spending on collaborative programs was vastly different.[179] In constant 2015 euros, France spent €110.8 million on collaborative research and technology (R&T) in 2017, while the United Kingdom only spent €0.5 million.[180] The EDA only tracks collaboration spending within R&T, which for France and the United Kingdom only includes 20.1 and 17.1 percent of their R&D spending, respectively. When excluding the United Kingdom and Germany for inconsistent data, total EDA collaborative R&T spending in constant 2015 euros rose from €185 million in 2014 to €224 million in 2021, a CAGR of 2.8 percent, which is a steady pace of growth but slower than the 10.3 percent CAGR for R&T overall. Unlike procurement, less than 10 percent of this collaboration takes place with countries outside of Europe. For comparison, the CAGR for all R&T spending for 2014 to 2021 was 3.9 percent, excluding Germany and the United Kingdom. Beyond the top spending nations, Poland, whose growing defense capabilities have been a focus of this paper, experienced a 30 percent CAGR in R&T collaboration between 2014 and 2021. Estonia increased its spending on collaborative R&T in constant 2015 euros from €180,000 in 2014 to €580,000 in 2021, a 17 percent CAGR, though from an admittedly low baseline.

In addition to R&T collaboration, European states further cooperate through arms sales. As a result, imports, shown in Figure 9, can be an important signal of the shape and level of cooperation and can be used to identify opportunities for industrial integration. Importing from the United States can be a sign of transatlantic cooperation, while importing from the European Union can be a step toward closer European integration. Other NATO members include the United Kingdom (post-Brexit), Norway, Turkey, and Canada, though the first two have a notable but complicated role in European industrial integration discussions. Europe also buys from international producers, which complicates painting a simple picture of competition between U.S.-led and European-led efforts.

Figure 9: Arms Imports to European Union and European NATO Countries by Seller



Note: The dataset does not assign shared credit for joint programs and the lead country thus receives exclusive credit for any trade. SIPRI data on arms transfers is denoted in trend-indicator value, an indicator meant to display military capability, not financial value. TIV is useful for understanding the general value of weapons platforms transferred between countries but cannot be directly compared to the monetary cost of weapons systems. analysis. "Nordics" includes Denmark, Sweden, Norway, Finland, and Iceland; "Other Central and Eastern Europe" includes Albania, Bulgaria, Czechia, Croatia, Hungary, Montenegro, North Macedonia, Romania, Slovakia, Slovenia; "Other European Union" includes Austria, Belgium, Cyprus, Ireland, Luxembourg, Malta, the Netherlands, and Portugal. In the legend, "Other Non-EU NATO" includes Albania, Canada, Iceland, Montenegro, North Macedonia, the United Kingdom, Turkey, and Norway.

Source: "SIPRI Arms Transfers Database," Stockholm International Peace Research Institute, March 2023, https://www.sipri.org/databases/armstransfers; and CSIS analysis.

As depicted in Figure 9, since Russia's 2014 annexation of Crimea, buying from the United States has become increasingly popular in Europe as countries seek to build their military capacities and bind themselves closer to the United States. For Poland, for example, purchasing high-tech and expensive U.S. equipment also reinforces the security relationship with the United States. Polish officials have defended this choice by arguing "Europe didn't have what we need. There is an absolute shortage of spare parts for the systems we do have."[181] As Figure 9 shows, the United States' share of EU and European NATO arms imports has risen over the past two decades. From 2015 to 2022, the U.S. defense industry was the source of 53 percent of total EU or European NATO arms imports. In contrast, the U.S. share of arms sales to Europe was 46 percent between 2008 and 2015 and 40 percent from 2001 to 2008. The data demonstrate that Poland is not alone in its strategic thinking.

At the same time, the growing export success of Switzerland, Israel, and South Korea shows that European arms imports are not solely based on existing security relationships but also on the cost and speed of arms sales. The above countries generally have the capacity to sell arms at a lower price and on a faster timeline than the United States.[182] As shown in Figure 9, the share of arms sales for Switzerland, Israel, and South Korea as a group has risen to 8 percent between 2015 and 2022 from 4 percent between 2001 and 2008, though this is slightly lower than the 9 percent seen from 2008 to 2014. Much of the growth of these non-NATO countries' exports is in their sales to Poland, Italy, the United Kingdom, and the Nordic states. Poland and the Nordic states have been especially motivated to buy from non-NATO countries such as South Korea to fill capability gaps quickly and relatively cheaply.[183]

Some countries, such as France, have followed a deliberate policy of buying domestically, which has resulted in stronger domestic arms industries. These countries will likely continue to maintain their own industries by buying domestically and will endeavor to advocate for their domestic industries on the international market and within multinational initiatives. French proposals for greater European integration are linked with the country's advocacy for French defense exports. Toward this end, countries such as France must offer a good bargain for other countries with defense industries that would assume a lower tier or supportive role in a more integrated European defense industrial base. This can be difficult, as all countries would naturally like to see their defense spending bear fruit within their own countries. There are also inherent challenges to coordinating defense policy as a larger bloc. Reflecting its own strategic considerations, the United Kingdom has become even more U.S. focused following Brexit, purchasing 80 percent of its arms imports from the United States between 2015 and 2022, compared to 70 percent between 2008 and 2015 and 65 percent between 2001 and 2008. These kinds of diverging national interests offer a persistent challenge to cooperation and the integration of Europe's defense industrial base.

In summary, in the post-2014 period, defense budgets and procurement spending specifically increased across the EDA, even when accounting for the loss of the United Kingdom's participation. However, collaborative projects have not kept pace with this growth despite the introduction of EU institutions and funding to support greater collaboration. Instead, European states chose to import platforms from the United States or from their respective defense industries as opposed to pursuing intra-EU collaboration. This analysis confirms the 2022 EDA's self-critique that "no improved coherence of the EU defence landscape has yet been observed."[184]

2. **To what extent have EU institutions, in cooperation with NATO, overcome these challenges?**

After Russia's February 2022 attempt to conquer Ukraine, concrete steps to deepen defense-industrial collaboration proved immediately relevant to the crisis. The Kiel Institute for the World Economy analyzes aid provided to Ukraine by other nations, with a close focus on the United States and European Union and offers useful insight. Per their data as of January 2023, the European Union–including member states, the European Commission, and the European Council–promised approximately €55 billion to Ukraine over the course of 2022, while the United States made a separate commitment of €73 billion to Ukraine. Aid was committed in three forms: financial, military, and humanitarian.[185]

While these figures show that the United States is the largest individual military and financial contributor to Ukraine, other nations also made very substantial contributions.[186] National aid figures do not include the resources provided by the European Union as a collective organization, nor do they include the costs paid to host and support refugees. The data show that Poland and Germany have spent the most in managing the influx of Ukrainians taken in as refugees, while Poland and the Czech Republic have faced the highest costs in relation to their GDP.[187] Poland's overall bilateral commitments of financial, humanitarian, and military aid, in addition to the costs its undertaken in hosting refugees, totals €11.9 billion, which constitutes 2.1 percent of its GDP.[188]

A key opportunity and test for NATO and the European Union will be whether they can channel diverse national investments toward a Europe capable of meeting its security needs. The European Peace Facility (EPF) has been a crucial indicator of Europe's potential to rise to this test in a unified manner.

The European Peace Facility: The Potential Future of European Power Projection

A key opportunity and test for NATO and the European Union will be whether they can channel diverse national investments toward a Europe capable of meeting its security needs. The EPF has been a crucial indicator of Europe's potential to rise to this test in a unified manner.

The EPF is an off-budget joint procurement and financing mechanism meant to purchase military equipment for states partnered with the European Union.[189] The EPF's status as an "off-budget" tool allows Brussels to retain flexibility in refreshing the fund without having to go through the European Parliament. The EPF, at the time of its ratification in March 2021, was meant to strengthen support for African partners and develop capabilities to respond to crises in Europe's strategic south.[190] The EPF was able to provide a critical service by funding support for Ukraine without involving NATO in the conflict in a potentially escalatory manner.[191]

NATO secretary general Jens Stoltenberg welcomed the EPF in 2021 and urged that the mechanism complement existing transatlantic institutions and processes.[192] The EPF has provided over €2.5 billion in security assistance to Ukraine.[193] The EPF is now evolving, as the mechanism will begin replenishing member states' stocks of select munitions sent to Ukraine—effectively organizing a multinational procurement effort valued at €1 billion.[194] That said, as the EPF evolves it will feel the pressure of its original mission especially as Brussels considers investing €20 billion into the fund over the next four years to support Ukraine in the long-term.[195] Vice Admiral Hervé Bléjean, director general of the EU Military Staff, states "the challenge with this use of the EPF, which is exploding towards a focus on Ukraine, is that the member states are remembering why it's a global instrument." Part of the EPF's strategic value is aiding European partners to meet their security needs and, in turn, supporting European defense exports, which serves as a return on investment for R&D efforts.

Another emerging mechanism focused on addressing shared European defense needs and addressing critical defense industrial base gaps is the European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA). The act was proposed on July 19, 2022, as a short-term European procurement mechanism valued at €500 million that would address "the most urgent and critical defence capability gaps" and "incentivise the EU Member States to procure defence products jointly."[196] The EPF evolved through improvisation to address the present moment, and EDIRPA is a purpose-built tool, though still far too small for the magnitude of Europe's need. However, taken together, both institutions have the chance to support a pivot to production that is relevant to Europe's near-term security needs. Collaboration on R&D is valuable, especially over longer time scales, but common production that advances interchangeability is key to the present moment of recapitalization.

Despite significant differences between all of the defense collaboration mechanisms discussed, the principal driver of successful European defense collaboration and integration is a shared need and sufficient incentives.

3. **What sectors are most promising for greater collaboration and integration for EU and European NATO nations?**

The problem of supporting Ukraine and recapitalizing requires attention because scaling up production is a historically difficult problem. As Adam Saxton and Mark Cancian note, "The experiences of mobilization in World War I and World War II do not provide reasons for optimism. U.S. industrial mobilization in World War I generally began at the onset of the war and was unable to produce sufficient equipment until the very last months of the conflict."[197] Under most acquisition systems, potential surge capacity will lose out to considerations about cost, driven by government, and profitability, driven by shareholders. Industry is clear that an explicit and steady demand signal is the most powerful incentive to build more capacity, but there is a range of practical constraints even in the presence of a demand signal. Adding shifts and improving processes is often possible using existing factories but may run up against workforce limitations, especially in a competitive job market. However, for a factory already running three shifts at maximum efficiency, significantly increasing throughput may require expanded or even new facilities. For munitions in particular, the nature of the chemicals and final products employed can raise environmental and safety concerns for the surrounding area. As an added complication, production facilities are dependent on key inputs, and the lower rungs of the supply chain may have choke points that can prevent taking advantage of existing capabilities.[198]

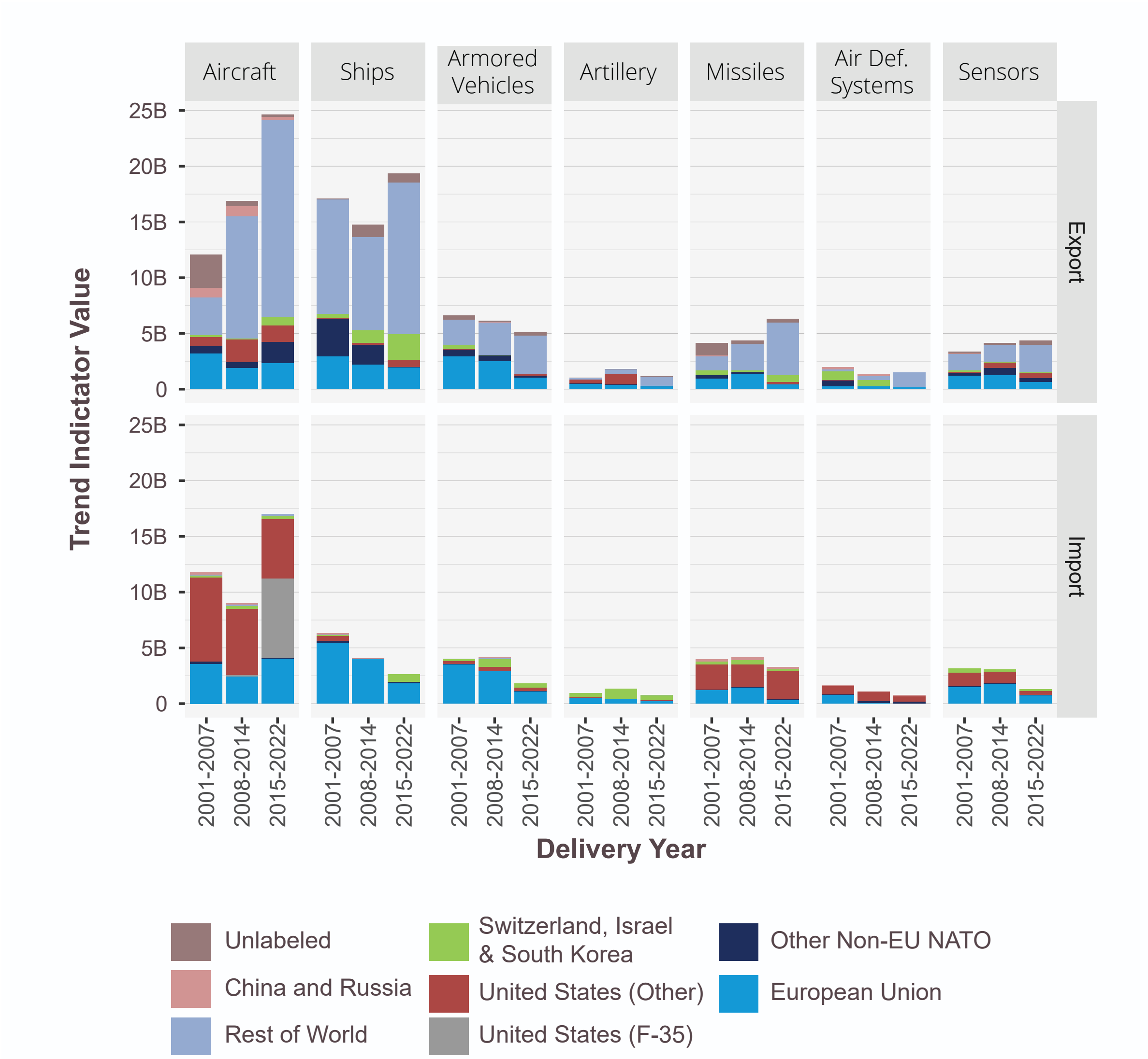
The fragmentation of the European industrial base also provides an opportunity. In favoring national production, Europe built an industrial base with a very different set of incentives than the lean U.S. industrial base, where unit cost considerations incentivized running three shifts where possible and minimizing slack capacity. However, exploiting that potential in greater production using existing facilities will require a clear demand signal, cross-border coordination, and significant investments. This section looks at existing trade and transfer data to assess this and shows that there is some existing European defense coordination. It also seeks to help identify which sectors may be ripe for greater cooperation.

Breaking down trade by sector, as shown in Figure 10, reveals that the disproportionate growth in European arms imports from the United States since 2014 has been driven by the aircraft sector. Between 2015 and 2022, the European Union and European NATO imported approximately 12 billion trend-indicator value (TIV) of U.S. aircraft, double the 6 billion TIV of imports of U.S. aircraft between 2008 and 2015, with much of this increase driven by the F-35.

The United States' effort to include international partners in the F-35 program, the country's premier cooperative program, led to significant export success within Europe between 2015 and 2022.[199] Indicated in gray in Figure 10, sales of the F-35 were a major driver of the increase in the value of European imports of aircraft. F-35 imports constituted 42 percent of total European aircraft imports, weighted by TIV, between 2015 and 2022, demonstrating U.S. growth in Europe's aerospace sector. Especially notable buyers of the F-35 include Norway, the Netherlands, the United Kingdom, and Italy. An F-35 final assembly facility, one of only three worldwide, is located in Italy. This may help explain the high level of Italian spending on collaborative procurement with countries beyond the European Union, shown in Figure 6.[200] Additionally, France's low level of imports reflects its preference to leverage its national defense industrial base across nearly all sectors.

European fighter jets, such as the Rafale, Eurofighter, and Gripen, face a powerful system competitor in the F-35. That said, when looking at European exports, France, Italy, Spain, and the United Kingdom have all experienced growth in their own aircraft exports, rising from a collective 1.7 billion to 2.7 billion average annual TIV between 2015 and 2022. This growth is all the more remarkable for Italy and the United Kingdom, as the Stockholm International Peace Research Institute (SIPRI) exclusively credits the F-35 to the United States. This contributed to an overall growth in EU and European NATO exports from 7.5 billion to 8.1 billion average annual TIV between the 2008–2015 period and the 2015–2022 period. France has been the largest source of export growth, with its average annual exports increasing by 67 percent. As this and other sectors show, countries have reason to consider prioritizing selling to the larger world rather than focusing on the needs of the European market.

Figure 10: Distribution of Trade Flow for European Union and European NATO Members for Selected Portfolios

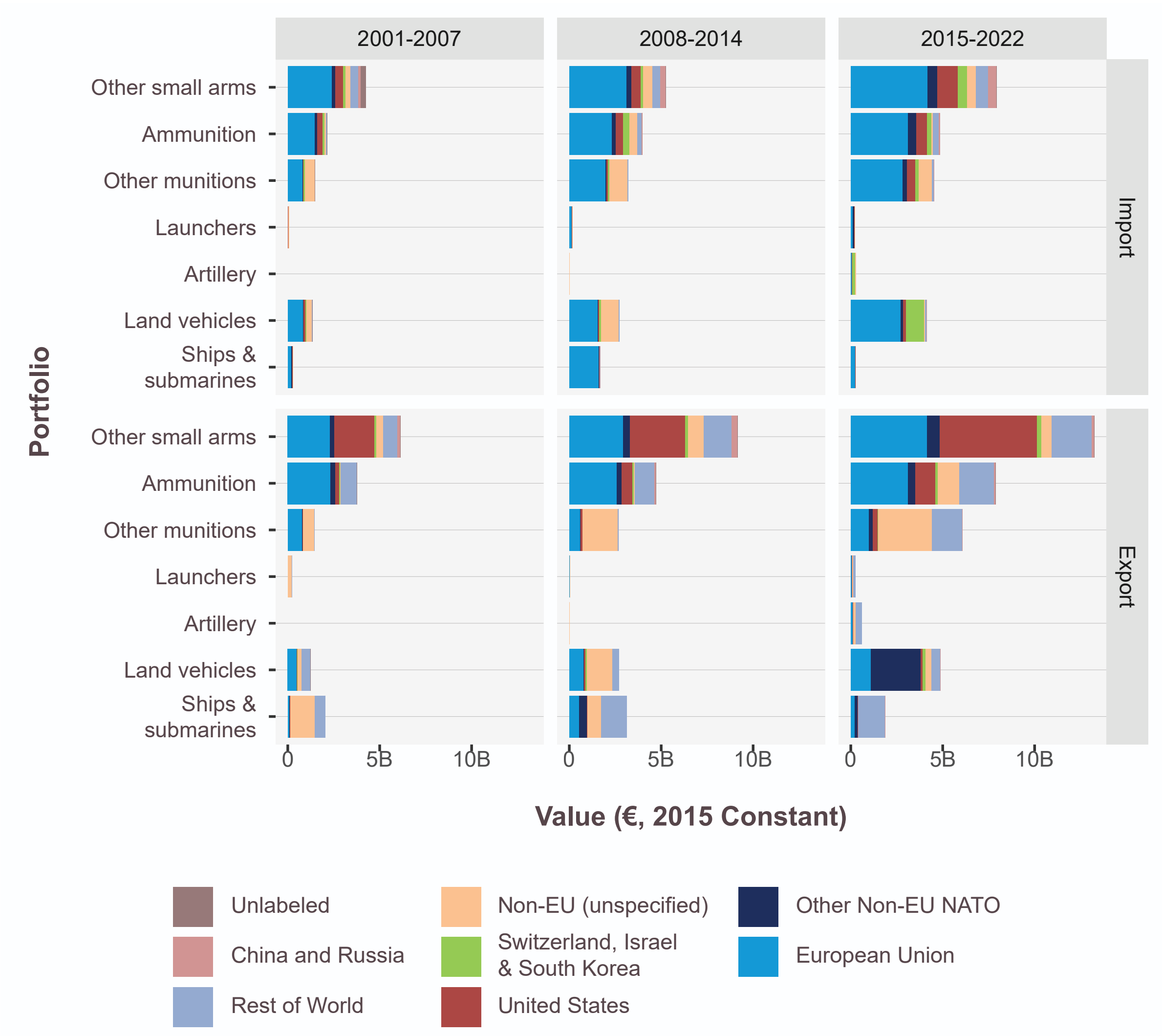


Note: The dataset does assign shared credit for joint programs and the lead country thus receives exclusive credit for any trade. SIPRI data on arms transfers is denoted in trend-indicator value, an indicator meant to display military capability, not financial value. TIV is useful for understanding the general value of weapons platforms transferred between countries but cannot be directly compared to the monetary cost of weapons systems. analysis. In the legend, “Other Non-EU NATO” includes Albania, Canada, Iceland, Montenegro, North Macedonia, the United Kingdom, Turkey, and Norway.

Source: “SIPRI Arms Transfers Database,” Stockholm International Peace Research Institute, March 2023, https://www.sipri.org/databases/armstransfers; and CSIS analysis.

European missile exports remain strong abroad, though European purchases of European-made missiles have fallen from 1.3 billion TIV between 2008 and 2015 to 440 million TIV between 2015 and 2022, largely giving way to growth in U.S. missile exports to the continent. Europe’s shipbuilding industry is a standout sector for the continent and also features extensive collaboration. In total, 70 percent of European ship imports came from within the European Union between 2015 and 2022. Europe exported 17.3 billion TIV of ships over the same period, up from 12.5 billion TIV between 2008 and 2015. Armored vehicles have also been a European export success story, as the European Union and European NATO exported 502 million annual average TIV of armored vehicles between 2015 and 2022, consistent with the 515 million annual average TIV exported outside of Europe from 2008 to 2015. Intra-European imports of armored vehicles have also remained strong, as 61 percent of EU and European NATO armored vehicle imports came from within the European Union between 2015 and 2022.

Figure 11: Eurozone Imports and Exports for Labeled Arms



Note: "Other Non-EU NATO" includes Albania, Canada, Iceland, Montenegro, North Macedonia, the United Kingdom, Turkey, and Norway.

Source: "Data – International Trade in Goods - Eurostat," Eurostat, April 2023, https://ec.europa.eu/eurostat/web/international-trade-in-goods/data; and CSIS analysis.

Trade data can provide a more complete picture of defense industrial base integration, help identify transfers within consortiums, and unpack the complexities hidden when a collaborative project, such as the F-35, is attributed to only a single nation. Eurostat data tracks imports to and exports from EU members and can supplement SIPRI reporting. While Eurostat data does not reliably differentiate between civilian and military platforms in major sectors such as aerospace, it is useful for trends in those sectors it does cover.[201] In addition to European shipbuilding success, the Eurostat data shows the growth of intra-European arms imports after the 2014 invasion of Crimea. Figure 7 shows that as overall European defense spending rose after Russia's 2014 invasion of Crimea, imports from within Europe rose as well, with munitions accounting for a sizable portion of European imports and exports. Between 2008 and 2015, the eurozone, composed of 20 European states that use the euro as either their primary or sole currency, imported €105.3 million (denoted in 2015 constant euros) worth of arms of the above categories from within the European Union.[202] Between 2015 and 2022, eurozone imports of EU arms in the labeled categories rose to €130.1 million (denoted in 2015 constant euros). Even as the amount of intra-European arms sales grew, however, the eurozone's imports of EU arms fell as a share of overall imports, from 62 percent between 2008 and 2015 to 59 percent between 2015 and 2022.

Collectively, the data suggest that the plausibility and form of progress on European collaboration is not an "all or nothing" proposition but will instead vary based on sector. The F-35 does indeed have a dominant role in European aerospace imports and has shaped the overall arms trade. This is a success for the collaborative fifth-generation industrial base strategy behind the fighter. (The situation for 4.5-generation fighters and the remainder of aerospace is more complicated and beyond the scope of this report.) In other sectors, including ships and armored vehicles, Europe has successfully pursued collaboration and intra-European purchases. To build more integrated sectors, European institutions and major arms producers may need to take further steps to incentivize collaboration among states that feel a sense of acquisition urgency or develop a short list of common European systems. In those sectors where imports from beyond the continent are more prominent, such as aerospace and artillery, there may also be interesting opportunities for collaboration that leverage comparative advantages across the U.S. alliance network.[203]

The munition and missile sectors are especially urgent priorities for current production. Europe's ability to coordinate a sustained demand signal to help industry understand the extent of the market even after the Russo-Ukrainian War ends will be pivotal to the continent's long-term security. Deborah Rosenblum, assistant secretary of defense for nuclear, chemical, and biological defense programs, explains that the investment in munitions needs to be understood as a long-term shift, stating "I think the feast and famine approach that we've taken historically to munitions or other key elements . . . is not an approach that is going to serve us well over the longer term."

To this end, the EDA announced a 23-country initiative on March 20, 2023, to pursue common procurement of munitions, with a focus on fast-tracking 155-milimeter procurement through the auspices of the EPF. The EDA indicated that the multilateral effort would aggregate demand, quickly move to 155-milimeter collaborative procurement, and ramp up the manufacturing capacity of the European munitions industrial base.

4. **Would a greater EU role in production be a viable way to support transatlantic security needs?**

The strategic desirability of a more self-reliant EU role in European defense is a longstanding topic of debate that involves a range of considerations and priorities beyond the scope of this paper.[204] Instead, this paper will focus on whether a greater EU role in defense industrial integration is like to develop at the present moment. The first differentiator from the past is that the substantial shifts taken after Russia's 2022 invasion of Ukraine have offered a much firmer foundation for cooperation. While the eastern frontline states feel the threat most acutely and have been leading aid in proportional terms, support from France, Germany, and other Western European states to Ukraine has been critical to its self-defense.

The second promising shift is that EU institutions have begun to pivot from an excessive focus on collaboration to a broader concept of cooperation that includes production directly and not as the eventual consequence of collaborative programs. The use of the EPF and EDIRPA are timely precedents indicating the direction European nations should move to be better able to meet their own collective needs. Figure 8 shows the slow pace of collaboration initiatives, but that must be balanced with the fact that buying off the shelf is often a more affordable and faster way to address pressing security needs. If EU cross-subsidization or addressing supply chain obstacles causes multiple countries to place matching orders with minimal customization, that serves operational concerns and interchangeability just as surely as those countries engaging in a co-development project. Efforts such as EDIRPA are still inadequately sized but are focused on the right problem and should be further encouraged.

As Figure 10 shows, EU and European NATO countries are already effectively responding to the continent's demand in some sectors. The extent of EU and European NATO exports of missiles suggests that Europe faces an opportunity to build collective capacity for the transatlantic alliance in this sector at a time when U.S. supply chains are strained. Though Eastern European states have historically been skeptical of EU approaches to defense due to strategic differences between it and its Western counterparts, there are signs that these differences can be addressed. On May 31, 2023, French president Emmanuel Macron admitted that France "lost opportunities to listen to" Central and Eastern European countries regarding the threat that Russia poses, as well as that Europe should not be divided over these issues.[205] EU common procurement efforts will need to negotiate to include the concerns of frontline states, but the United States should welcome these initiatives and push for greater funding.

Investing in the future of European defense is a long-term endeavor that requires more than the difficult steps European nations have already taken to respond to Russia's invasion of Ukraine. Given the challenges with readiness and modernization identified in Chapter 3 of this report, pivoting to production while political will is present offers a valuable opportunity. European defense historically has been largely fragmented. For the best chance of meeting current needs, European and transatlantic processes must work in tandem to leverage their resources to cover identified capability gaps.

Moving forward, a clearer division of labor between the institutional functions of the European Union and NATO could make progress against inefficiencies within the European defense ecosystem. EU funding mechanisms are a contribution to the NATO alliance if they address critical gaps identified by transatlantic institutions. These gaps are identified in the NATO Defence Planning Process, which could provide valuable direction to expanded versions of EDIRPA and build trust in Eastern European states that their concerns about collective security threats are respected.[206]

The premises of EU efforts to encourage cooperation and collaboration among its members focus on the presence of European capability gaps, an aversion to redundancy in capability, and a desire for strategic autonomy. There is an inherent conflict between these premises and the nature of NATO, a military alliance dominated by the United States. However, as an institution, the European Union is better suited to financing European production initiatives than NATO. Additionally, EU member states comprise the majority of NATO's members. The current strategic environment requires both institutions to complement each other in the short and long term in a bid to maximize resources.

"It's not a beauty contest between NATO and EU. It's a joint venture. And it's the interest of NATO to have as many of the allied nations being part of the EU, and vice versa."

-General Chris Badia, NATO's Deputy Supreme Allied Commander Transformation, Panel 2

"There cannot be any competition . . . it's all the same single set of forces."

—Vice Admiral Hervé Bléjean, Director General of the EU Military Staff, Panel 2

"For a European pillar of NATO to really come into its own, Europe has to have a bigger chunk of enablers so they're doing this by themselves. It does not require the United States to be that framing logistics."

—Heather Conley, President of the German Marshall Fund of the United States, Panel 2

5. How does the U.S. role in European security factor into European defense integration?

Historically, the United States has harbored skepticism concerning EU-led European defense integration and prefers for its European allies to integrate through the auspices of NATO. Conversely, EU-led defense initiatives often have an aspect of "strategic autonomy" for Europe and are skeptical of affording NATO a monopoly on European defense integration due to the United States' leading role in the transatlantic organization.

However, even if the United States became more comfortable with EU defense mechanisms or expanded bilateral transatlantic licensing or coproduction, U.S. regulations could make greater European integration in production difficult.[207] In a report for the Armament Industry European Research Group titled *Defense Industrial Links Between the EU and the US*, Jean Belin and his coauthors critique the way that U.S. bilateral cooperation can undermine partnerships with third countries in Europe: "Often, these specific bilateral collaborations subsequently prevent the Europeans from cooperating among themselves the fields of cooperation that are becoming "US eyes only."[208] Though Washington has several reasons to not treat all EU countries equally, the steady addition of new F-35 partners shows that the United States can construct collaborative programs involving industrial contributions from multiple European countries.

Furthermore, the United States' export control systems create substantial friction that can challenge partner nations' abilities to collaborate with the United States and each other. As a result, EU decisionmakers will likely continue to develop their defense cooperation mechanisms and institutions with safeguards to protect against EU-financed projects falling to third-party states' regulations. Steps that would grant regulatory relief, such as open general licenses for selected technologies and trusted companies within the European Union or moving arms that no longer have sensitive technology to the Commerce Control List, would help the United States nurture rather than inhibit integrated European production capacity.

European decisionmakers harbor a range of views on the United States' role in integrating European defense. For example, states such as Poland are interested in deepening U.S. involvement in a bid to secure deeper security guarantees. On the opposite end of the spectrum, France would prefer to strengthen EU approaches in R&D and in procurement to pursue the goal of "strategic autonomy" as well as to support the commercial interests of its domestic defense industrial base.

For the United States, the goals of achieving interchangeability and furthering production diplomacy would benefit from better leveraging EU capacities in those sectors where European nations have existing strengths, including in export markets. The missile sector may require the strongest push, as transfers within Europe have faltered, according to SIPRI data, and as the United States has been greatly concerned about its own industrial base. A buildup of licensed, coproduced, and purely European models would be beneficial but require the leaders of the European Union and major weapons-producing states to increase their focus on

European markets. European defense officials will need to make sure that U.S. export control and defense industry promotion efforts do not get in the way of Europe revitalizing an independent capability that can complement U.S. production and address supply chain chokepoints that have been an obstacle to full-rate production in multiple countries at once. European nations have invested in production capacity in ways that are not always sufficient, but providing a consistent demand signal could go a long way to rationalizing this capacity and building up Europe's ability to act as its own arsenal of democracy.

5

The Way Forward

Authors: Nicholas Velazquez and Cynthia R. Cook

European decisionmakers can pursue several avenues to rethink their continent's security architecture. National and regional industrial and political interests in the European Union and in NATO have historically been a barrier to European defense integration. However, the uniqueness of the present moment, with threat perceptions largely aligned regarding Russia, presents European states with several opportunities. Beyond improving readiness and aligning threat perceptions, a clear articulation of the roles and responsibilities between the European Union and NATO can further the process of rethinking and reconstructing European defense.[209]

At the CSIS Global Security Forum, two senior European military officers, German general Chris Badia, NATO's deputy supreme allied commander for transformation, and vice admiral Hervé Bléjean, director general of the EU Military Staff, respectively argued respectively that NATO's defense planning process should identify capability gaps and that the European Union should incentivize European industry to meet those demands. A promising means of synthesizing these two perspective would be for Brussels to seek to address NATO identified capability gaps by investing more in a way that improves incentives.

Given the need for action in both institutions, the alignment of threat perceptions and strategic outlooks across Europe becomes a prerequisite for continental action and autonomy. Among the European NATO members, only 10 states meet the 2 percent goal. 7 of these states are located in Eastern Europe. The Poland and the Baltic States are now working to exceed this goal due to threat perceptions that exceed those in Western Europe.[210] On April 5, 2023, Poland's ambassador to the United States, Marek Magierowski, said that Poland was going to increase its military budget to upward of 4 percent of GDP in a "few years' time" to eventually transition to "a new role as a net provider of security" for Europe.[211] Given the proximity of Europe's eastern states to Russia, their defense investments largely reflect seeing their long-standing fears made concrete by Russia's invasion.

Another challenge for European defense rationalization is the need to identify and agree on strategic challenges and develop a strategy for confronting them. European threat perceptions regarding Russia are increasingly aligned. Nonetheless, differences in strategic outlook and culture largely drive the intensity of their response. European nations face a complex collective-action problem where they generally identify Russia as the continent's primary threat but lack consensus on how to act and which states should do what. Historically, this challenge can largely be traced to the distance between Western Europe's cities and where the front line would be in a hypothetical conflict with Russia.[212] Specifically, it is highly unlikely Russia could ever drive to Berlin or Paris, so those states' invest relatively less are understandable.

Though Europe's opportunity to rethink its security architecture has the potential to be transformative, the moment is not permanent. It is unlikely that Western Europeans will begin developing their national armed forces with the same zeal as Poland or other Eastern European states. The threat perceptions of these states, though aligned now, will continue to change due to different strategic priorities, as outlined in Chapter 2 of this report.

Europe's collective-action problem plays out across all levels of the European security space, from the continent's fragmented defense industry to its commitments in Ukraine. For example, as of May 2023, Poland's €2.4 billion military commitments to Ukraine exceed France's €0.45 billion, despite France having a GDP more than €2 trillion higher than Poland.[213] This gap can at least in part be explained by the differences in threat perceptions between the two countries.[214]

Within the European Union, even the desire for European strategic autonomy will likely divide the continent. While all nations want their defense investments to benefit domestic industry, France's "buy European" approach may ring hollow in eastern states who either want to procure capabilities quickly or desire a deepened relationship with the United States.[215] For example, France recently criticized Germany's Sky Shield Initiative, a joint procurement effort comprised of 14 European states aiming to acquire U.S. and Israeli air defense systems, on the basis that Europeans should not rely on the United States for its air defense platforms.

From a European perspective, the ability of Europe's defense industrial base to meet Europe's demand for defense products during the ongoing crisis will be a key metric to assess the continent's strategic autonomy. As Assistant Secretary of Defense Deborah Rosenblum said on April 5, 2023, we are "in a period with our allies of getting back to basics."[216] As she highlighted, both the United States and its allies are working on the fundamentals of understanding their supply bases and what it takes to boost production. As a result, Europe faces a critical juncture that could serve to reframe European and transatlantic defense cooperation. This reframing could seize on ideas such as former under secretary of defense for acquisition and sustainment Ellen Lord's suggestion that the United States and Europe "pick a couple things and have a clear demand signal and get contracts flowing" in order to drive meaningful cooperation. European defense leaders can identify and address certain European capability gaps on a continental basis while cooperating with the United States in other sectors.

Europe's collective action problem is not insurmountable. Historically, NATO and the European Union, two consensus-based institutions, have served as the main avenues to strengthen European defense collaboration.[217] Within the European Union, there are promising legislative and budgetary developments that herald a new era of deepened European defense collaboration, outlined in Chapter 4 of this report. These developments are largely tied to Europe's collective shock regarding Russia's invasion of Ukraine. The sustainability of this progress will be proportionate to the degree that European leaders mitigate Europe's historic collective action problem.

European decisionmakers can begin this process by evolving the roles of NATO and the European Union in fostering defense collaboration within Europe and across the Atlantic while minimizing unnecessary redundancies in those respective institutions. Additionally, while European political will is strong, European decisionmakers should allocate their respective national resources now for the future. The allocation of resources, contracts, and commitments is essential to establishing a clear demand signal.

While the United States' commitment to Europe and NATO is "rock solid," in the words of the vice chairman of the Joint Chiefs of Staff, Admiral Christopher W. Grady, the future of European security will be strengthened if European states can undertake consistent investment in their own defense. To this end, European decisionmakers should leverage the current moment to overcome long-standing obstacles and pursue emerging opportunities to strengthen Europe's defensive capabilities and readiness. Europe's current progress on these issues provides good reason for national governments, international institutions, and defense industry strive to achieve a new era for European defense.

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CSIS Global Security Forum

Agenda

Wednesday, April 5, 2023

9:00 a.m.–9:15 a.m. | Introduction and Welcome Remarks

Dr. John J. Hamre, *CSIS President and CEO*

Mr. Alessandro Profumo (virtual), *CEO, Leonardo S.p.A.*

9:15 a.m.–10:15 a.m. | Panel 1: The Evolving Threat Landscape in Europe

His Excellency Marek Magierowski, *Ambassador of the Republic of Poland to the United States*

Mr. John McLaughlin, *Former Acting and Deputy Director of Central Intelligence*

Rear Admiral Tim Woods, *Defense Attaché, British Embassy Washington*

Ms. Emily Harding (Moderator), *CSIS Senior Fellow and Deputy Director, International Security Program*

10:15 a.m.–10:30 a.m. | Break

10:30 a.m.–11:30 a.m. | Keynote Discussion

Admiral Christopher W. Grady, *Vice Chairman of the Joint Chiefs of Staff*

Dr. Seth G. Jones, *CSIS Senior Vice President and Director, International Security Program*

11:30 a.m.–12:30 p.m. | Lunch

12:30 p.m.–1:30 p.m. | Panel 2: Challenges in European Defense

General Chris Badia, *Deputy Supreme Allied Commander Transformation, NATO; German Air Force*

Vice Admiral Hervé Bléjean, *Director General of the European Union Military Staff*

Ms. Heather A. Conley, *President, German Marshall Fund of the United States*

Mr. Max Bergmann (Moderator), *Director, CSIS Stuart Center and Europe, Russia, and Eurasia Program*

1:30 p.m.–1:45 p.m. | Break

1:45 p.m.–2:45 p.m. | Panel 3: Opportunities for Defense Collaboration

The Honorable Deborah G. Rosenblum, *Assistant Secretary of Defense for Nuclear, Chemical, and Biological Defense Programs, and Performing the Duties of Assistant Secretary of Defense for Industrial Base Policy*

Hon. Ellen Lord, *Former Under Secretary of Defense for Acquisition and Sustainment*

Hon. William J. Lynn III, *Chief Executive Officer, Leonardo DRS; Former Deputy Secretary of Defense*

Dr. Cynthia Cook (Moderator), *CSIS Senior Fellow and Director, Defense-Industrial Initiatives Group*

2:45 p.m.–3:00 p.m. | Closing Remarks

Dr. Seth G. Jones, *CSIS Senior Vice President and Director, International Security Program*

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