

JUNE 2023

Transforming European Defense

A New Focus on Integration

AUTHORS

Max Bergmann

Otto Svendsen

A Report of the CSIS Europe, Russia, and Eurasia Program

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INTERNATIONAL STUDIES

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About the Project

This report is part of the CSIS project Transforming European Defense led by the CSIS Europe, Russia, and Eurasia program and the CSIS Defense-Industrial Initiatives Group. The goal of the project is to leverage the strengths of CSIS in political-military analysis and defense industrial engagement to create a plan of action to rationalize European defense. It will develop specific recommendations for European policymakers to reduce inefficiencies and seek creative joint endeavors for European security. The project also develops recommendations for actionable initiatives that U.S. policymakers can engage with and push European allies to implement. This project thus seeks to impact policy on both sides of the Atlantic.

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Executive Summary

European defense is in a decrepit state. While the war in Ukraine has increased the continent's focus on defense, Europe has not fundamentally addressed its deeper structural issues, namely the deeply fragmented and disorganized manner in which Europeans generate their forces. As such, Europe, despite having a robust political and economic union in the European Union, an economy equivalent in size to the United States or China, a population of 450 million, and collectively spending more than \$200 billion annually on defense, is almost wholly reliant on the United States for deterrence and collective defense.

The fundamental question for European defense over the next decade is whether European NATO members can rebuild their military capacity. Europeans are pledging to spend significantly more on defense and it is crucial that these investments have a transformative impact on European defense. That will require deep cooperation and integration of European efforts. The alternative, investing marginally more but in an uncoordinated manner, will only marginally improve the status quo. Yet, that is the current trajectory: more spending, but limited impact.

NATO has not proven capable of getting its member states to either spend adequately or coordinate and integrate their defense investment efforts. Indeed, European defense cooperation has declined over the last decade and the issue of European defense cooperation was not even highlighted in the alliance's 2022 Strategic Concept. The challenge for NATO is that it has successfully solved the security dilemmas for many European states. For most Europeans the critical threats they face are not to *their* nation, but to *their* Europe. Yet defense spending is dictated at the national level. This has created vast discrepancies across the alliance in terms of focus and funding allocated to

national defense and created gaps in capabilities needed for collective European defense. NATO, a multilateral, state-based organization, has fundamentally failed at overcoming this dilemma. The result is that the United States remains indispensable to European security.

This report outlines a critical role for the European Union to play in helping to coordinate and integrate European defense efforts. To realize a transformation in European defense requires not just more spending but deeper European defense cooperation, coordination, and integration. U.S. policy should focus as much energy on encouraging Europeans to coordinate and integrate their spending efforts as it does on encouraging more spending.

The European Union has a demonstrated capacity to integrate policy sectors and, critically, has funding and financing mechanisms to incentivize cooperation and fill capability gaps. It can help integrate European defense from the bottom up, complementing NATO's efforts. Instead of the United States and NATO boxing out the European Union in defense, as it has for the past generation, the European Union can play a pivotal defense role and should be pressed to do more.

Integrating European defense will be a long slog, requiring continued U.S. engagement. It is a generational effort, one that should have started a generation ago. The goal should not be to create a European army or single force. The European Union will not and cannot replace NATO. But the European Union could play a crucial role in helping forge a European pillar within NATO.

Introduction and Context

The conundrum of European defense has vexed U.S. and transatlantic policymakers for decades. Despite its vast wealth, size, technological sophistication, and military assets, Europe is militarily dependent on the United States for its security. With war raging in Europe, a rising superpower threat in the Indo-Pacific, and growing ambivalence toward NATO and transatlantic relations in the United States, it is time for a reassessment.

European defense appears at a crossroads. The war in Ukraine has changed Europe. Yet the extent of the transformation is also in question. Will the return of war to the European continent galvanize Europe to strengthen its defense and security? Or is this another false dawn where initiatives fall short of what the transatlantic alliance needs? There are reasons for both optimism and pessimism.

On the one hand, Russia's invasion of Ukraine has shocked Europe and brought clearly into focus the importance of defense and security. Europe has responded in unprecedented ways, maintained its unity, and surprised many inside Europe and beyond with the strength of its response. European states have committed to spending substantially more on defense. The war has focused NATO on its original core task—deterring Russia and preparing for conventional warfare. Finland and Sweden made the historic choice to join the NATO alliance. The European Union has transformed into an important defense actor, providing security assistance to Ukraine, training Ukrainian forces, and providing funding to ramp up ammunition production. Europe as a whole is now more focused on its own security than at any time since the Cold War. Thus, the continent could be entering a transformational period where European countries are at the beginning stages of a massive period of investment in defense. Europe by 2030 will likely have stronger and more capable militaries, strengthening the NATO alliance.

Yet, on the other hand, the war has exposed the dire state of European defense. The need to support Ukraine has further depleted European forces, with huge quantities of equipment being sent to Ukraine. The Ukraine support effort has also revealed that European militaries are in even worse shape than previously believed, as much of the equipment that existed on paper is in such disrepair it cannot even be donated to a desperate Kyiv. Now, as Europe turns to replace its equipment, it is finding that its defense industrial capacity is not able to ramp up to meet demand, leaving Europeans torn between buying outside of Europe or accepting long delays to buy European and boost their own defense industrial capacity.

One clear way forward is for Europeans to work more together, to cooperate more, and integrate their defense efforts further. While the war in Ukraine has prompted Brussels to undertake important new defense tasks, such as providing equipment and training to Ukrainian forces, the bloc has scarcely coordinated its defense policy in terms of joint procurement efforts or defense industrial integration. In fact, defense cooperation has actually declined over the last decade. As Europeans have spent more over the past decade, they have been cooperating less. The lack of cooperation increases costs, creates gaps in capabilities, and makes it harder for European forces to operate together, ensuring their dependence on U.S. forces. Without greater cooperation, marginal increases in defense spending spread across more than 27 different European nations have only had marginal impacts on European defense. European nations are now pledging to spend significantly more on defense, but they are currently on course to do so in an uncoordinated manner, with each nation going their own way. European defense is thus likely to strengthen, but likely only marginally so.

It also is not a given that all the promised spending will materialize. The war in Ukraine has reinforced European dependence on the United States. The United States has once again played an indispensable role in European security, through reassuring allies, deterring Russia, and coordinating and leading assistance to Kyiv. Furthermore, Russia's military, Europe's main conventional foe, has been ravaged by the war. A recent CSIS report found that with Russian wartime losses including hundreds of thousands of soldiers and more than 10,000 pieces of military equipment and technology, it will likely take the Kremlin many years to reconstitute its military and repair the economic damage incurred by Western sanctions and decoupling.¹ With Russia down and the United States seemingly back, European countries' interest in addressing their defense deficits may wane. After all, Europe has committed to spending more in the past and not followed through or not gotten much for what it spent. Europe's determined focus on defense may therefore diminish the more time passes from Russia's full-scale invasion. There are already signs of this trend. An economic shift within the European Union toward deficit reduction, which is currently being promoted by Germany in Brussels, would likely prevent many NATO members from increasing defense spending at all, let alone reaching 2 percent of GDP. Thus, it is quite possible Europe will miss the moment.

Yet frustration is building within the United States about the state of the alliance. One argument growing in prominence is that the only way to get Europe to be serious about its own security is for the United States to step back and reduce its forces and involvement in NATO and Europe. As

long as the United States is there, so the argument goes, European countries have little reason to drastically strengthen themselves militarily.² In addition, with growing demands on the U.S. military in the Indo-Pacific, it is time for the United States to pull back from Europe. This argument has gained currency among a prominent group of foreign policy experts advocating for greater restraint in U.S. foreign policy, as well as among notable China hawks on the political right.³

There is also strong pushback against this line of thinking.⁴ Pulling back from Europe will undermine transatlantic relations that provide immense diplomatic benefit to the United States. European security, after all, should not be taken for granted, as it has been the predominant focus of U.S. foreign policy since the United States' founding. European weakness can also be overstated. While Europe is not as strong as it could be, it still possesses significant military capabilities, making it a critical global partner. Washington's unparalleled clout in an institution designed to support U.S. security objectives renders NATO a remarkable geopolitical bargain.⁵ Indeed, NATO's development since the end of the Cold War has facilitated Europe's security and contributed to the European Union's enlargement and economic prosperity. This development has also been a boon to the United States, as it has solidified Europe's ties to the United States. In that sense, the status quo, while not ideal, may not be so bad.

There is merit to both perspectives. Preserving, protecting, and strengthening NATO is fundamental to U.S. interests and European security. Yet it is also the case that something remains fundamentally broken about the current status quo. The United States may derive immense benefits from NATO, but it would also benefit significantly more from a stronger, more capable Europe, including in the Indo-Pacific. The current course is therefore not working and yet the alliance remains deeply adverse to change, fearing that any altering of the status quo could lead to transatlantic divorce.

This report starts with a section asking the basic questions: What does the United States want from Europe, and what does it want Europe to become? While seemingly straightforward questions, Washington has not seriously reckoned with these questions since before 9/11, which turned the nation's attention away from Europe and its future. The United States is critical to any new direction for European security. It has tremendous influence and a privileged position within Europe, perhaps more so than in any other region of the world. Yet the United States does not articulate what it wants from Europe. Rhetorically, it decries European weakness, but in practice it craves being indispensable to European security and the influence it derives from this position. U.S. policy has sought to have it both ways: to maintain the United States' indispensable role and benefit from strong European allies able to share more of the United States' security burden. Thus, the United States would call the shots and Europe would align in support, bringing strong, capable, forces to advance largely U.S. policy objectives. This has left both sides of the Atlantic frustrated: Washington by Europeans' lack of capacity and the constant need to provide reassurance of U.S. commitment, and Europe by being taken for granted. The United States needs to decide if the goal of U.S. policy is to preserve the centrality of its role in European security or to push Europe to become less dependent and a more capable global security actor.

For decades, U.S. policymakers have insisted that the solution to Europe's security woes was simply more European defense spending. But what this ignored is that Europe's problem is not just an

issue of national defense spending. The defense expenditure of participating member states in the European Union's European Defence Agency (EDA) reached €214 billion (\$229 billion) in 2021, an all-time high and 6 percent growth from the previous year, marking the first time the bloc has clipped the €200 billion mark.⁶ More spending is no doubt necessary, but hardly sufficient, as a decade of defense investment has shown. At the core of Europe's defense dilemma is the simple fact that *Europe* does not do defense. Its nation-states do. Yet the threat to most European states is no longer to the nation, but to Europe.

The result is a scattered defense landscape, with more than 27 European countries inevitably developing different strategic outlooks, priorities, and capabilities. The problem of European defense fragmentation has been treated as practically unsolvable. Yet this is the very challenge the European Union has successfully overcome in sector after sector.

But the European Union, Europe's lead political and economic actor, has been relegated to a peripheral defense role, despite strong public support across Europe for greater EU defense efforts and the European Union playing a larger global role. Instead of leveraging the integrative power of the European Union, NATO and the United States have been engaged in a persistent bureaucratic struggle to box out the European Union from defense for more than two decades. They have largely succeeded. Concerns about the European Union potentially duplicating NATO's role ignore that a major challenge for NATO is the fragmentation, duplication, and lack of coordination between its member states. The result is that there is no unified European pillar of NATO, but rather disparate contributions that amount to less than the sum of Europe's collective parts. Effectively this means that Europe's defense is not provided by Europe, but by the United States, who serves as the critical military backbone of NATO.

Rebuilding Europe's militaries is the critical military issue for NATO and for European security. Yet NATO is not up to the task. NATO excels at coordinating and integrating the forces and capabilities at its disposal into a cohesive fighting force. However, as the last two decades demonstrate, NATO has not excelled at figuring out how to get its member states to generate those forces and capabilities.⁷ As Slovak politician Tomas Valasek succinctly noted more than a decade ago, "there is a great contrast between the co-operative way in which European countries fight wars, and the insular manner in which most prepare for them."⁸ Europe does not build their forces as Europeans but as separate nations, even though the critical security challenge for most Europeans is not any threat to *their* nation but to *their* Europe.

This report argues that a new focus is needed by the United States, NATO, and the European Union on fostering European defense integration. U.S. policy should seek to reduce European reliance on the United States and to encourage Europe to become a stronger global actor. However, to achieve this requires not a U.S. withdrawal from Europe but renewed U.S. engagement. The United States should diplomatically insist that Europeans increase cooperation as much as it insists on more defense spending. This includes adopting a new policy toward the European Union that, instead of actively opposing, actively promotes and encourages the European Union to play a more ambitious defense role.

Europe does not build their forces as Europeans but as separate nations, even though the critical security challenge for most Europeans is not any threat to their nation but to their Europe.

To be clear, the European Union does not have a magic elixir that will suddenly solve Europe's many deep-rooted defense-related problems. Instead, there is a clear complementary role for the European Union to play in integrating European forces from the bottom up, incentivizing joint procurements, breaking down the bureaucratic barriers between national ministries, and filling gaps in European capabilities. This will necessitate the European Union leveraging its enormous financial and fiscal potential to overcome the deeply entrenched obstacles to greater cooperation. Empowering the European Union as a defense actor is also the card that has not yet been played on European defense.

Integrating European defense will be a slog. It will be a slow laborious process and a generational effort. The goal is not to reach a predetermined end state, such as a single European army or military. Instead, the objective is to enable Europe to fight and operate cohesively. For the European Union, this will start with addressing tangible problems and clear gaps in European capabilities rather than pursuing any grandiose vision.

NATO, as the central player in European security, must also place renewed emphasis on defense cooperation. Unlike the 2022 EU Strategic Compass and the Versailles declaration adopted by EU leaders after Russia's 2022 invasion of Ukraine, neither the new NATO Strategic Concept nor the 2022 Madrid summit declaration explicitly mention cooperation among members as a central priority.⁹ This omission stands in stark contrast to NATO's first strategic concept from 1949, which explicitly mentioned cooperative measures among allies as a prerequisite for the successful implementation of collective defense planning.¹⁰ NATO could spur European force integration by leveraging its New Force Model (NFM) to encourage Europeans to integrate their efforts. Additionally, NATO should emphasize the need for Europeans to develop key capabilities that reduce dependence on U.S. assets, particularly those that may be in short supply or needed in the Indo-Pacific.

The goal of prioritizing defense cooperation is not to push NATO aside but to enable Europe to form a European pillar within NATO that reduces the burdens on the United States. This does not mean the decoupling of the alliance or the end of national defense forces. What it means is moving toward a situation where Europeans increasingly can act more capably within and outside of NATO in situations where threats pertain narrowly to Europe rather than to the alliance as a whole.

This is increasingly essential because the strategic landscape has changed. While NATO in the 1990s believed that it either went "out of area or out of business," it has now refocused on the core task of defending Europe.¹¹ However, the need for the European Union to be able to conduct out-of-area operations has not gone away. But with the United States focused less on the Middle East and North Africa, the European Union may see the need to conduct military operations in its neighboring

regions, as it has repeatedly and with great difficulty attempted to do over the past two decades. But it is uncertain, and perhaps unlikely, that the United States will be there to support Europe in these operations.

There remains deep-seated skepticism of the European Union—both in Washington and in many European capitals. Existing EU defense initiatives have had only a marginal impact and have been scarcely resourced. However, the European Union is also not a static entity. It is constantly evolving and integrating in new ways. In recent decades, the bloc has developed a currency, the capacity to borrow, a growing common budget, and is acting more and more “state-like.” Moreover, the return of great power competition has also thrust the European Union, with an economy equivalent to the United States or China and enormous economic and regulatory clout, into an increasingly prominent geopolitical role. Where the European Union is today is not where it will be in 10 or 20 years, especially as a new generation takes power that has grown up only as citizens of the European Union.

Crucially, the European Union will not become a defense actor without the strong backing and cajoling of the United States. The United States was once the strongest backer of European integration in Europe, including on defense. Secretary of State John Foster Dulles promised an “agonizing reappraisal” of U.S. commitment to Europe should European leaders not create a European Defense Community—a de facto European army (the French parliament ultimately voted it down).¹² A new approach will require similar U.S. engagement and for the European Union to embrace an ambitious defense role that pushes new boundaries.

Yet, while there is an urgent need to seize this moment and transform Europe’s approach to defense, without a more ambitious vision for European defense and security, the transatlantic alliance could very well be having the same conversation a decade from now about how to address the woeful state of European defense. Indeed, this report is in many ways in conversation with a 2005 CSIS report by current U.S. ambassador to NATO Julianne Smith and former under secretary of defense for policy Michèle Flournoy, titled *European Defense Integration: Bridging the Gap between Strategy and Capabilities*, in which they warn that “the gap between European security strategy and military capabilities threatens to widen.”¹³ Smith and Flournoy further posited that Europe needed enhanced capabilities to combat a changing threat landscape, that pursuing a greater degree of European defense integration was imperative, and that sticking to the status quo was a recipe for disaster. Sentiments such as those expressed by Flournoy and Smith two decades ago remain emblematic of the transatlantic security discourse to this day. The danger for the transatlantic alliance is thus that the status quo prevails.

This report will begin with an assessment of the transatlantic strategic landscape, including U.S. defense strategy toward Europe and whether Washington should seek to preserve its indispensable role in European security or support a more autonomous European defense capacity. It will then outline the anemic state of European defense and why previous efforts to spur cooperation and bridge capability gaps have failed. Finally, it will chart a path forward for European and transatlantic defense by suggesting a renewed push for European defense integration fully supported by Washington.

The Transatlantic Strategic Landscape

What Does the United States Want from Europe?

Starting a report on European security with a discussion of U.S. policy toward Europe may seem an odd diversion. But in order to develop a new approach to strengthen European security, it is necessary to ask whether the current status quo serves the interests of the United States. On the one hand, U.S. policymakers and political leaders are clearly not content with the present dynamic. Europe's dependence on the U.S. military and the lack of European defense capabilities is decried by both sides of the political aisle in Washington. On the other hand, the U.S. government greatly enjoys the indispensable role it plays in European security and craves the appreciation and immense influence this gives the United States in European affairs. As much as the United States complains publicly, U.S. officials are, in practice, ardent defenders of the status quo.

The core of the issue is that the United States has not decided whether it wants to remain indispensable to European security or whether it wants to reduce Europe's dependence and see its transatlantic allies take greater charge of their own security. Both lead to very different policy choices. Should Washington support European defense integration, it may spur the development of more capable European militaries and a more robust defense industrial base that may come at the cost of ceding decisionmaking influence and market access for its domestic defense industry. Alternatively, if Washington accepts that European defense will remain anemic and reliant on the United States, it will enable the United States to maintain its unparalleled clout in the transatlantic alliance and a dominant position for U.S. defense companies.

Washington is thus deeply frustrated by both European weakness and by European initiative. The contradictory nature of U.S. policy has been abundantly clear to many European officials who have faced opposition from Washington any time they attempt to “get their act together.” Former NATO secretary general and former EU high representative Javier Solana has noted that “Paradoxically, while his [Trump’s] administration demands that we Europeans take charge of our security, it consistently strives to undermine every joint defense project that we pursue. Such prejudice and shortsightedness with respect to European security cooperation is not new.”¹⁴

The crux of the problem is that Washington lacks a clear strategic vision for Europe and what it wants Europe’s role in world affairs to be. The future direction of Europe has not been a major topic of Washington discussion since the 1990s. The priority for U.S. administrations has been to maintain strong transatlantic relations, preserve NATO’s central role, and get Europeans to contribute to or support U.S. policy. U.S. policy, in practice though not in rhetoric, is very wary of changes in European defense because the current dynamic, while at times frustrating, has clear benefits to the United States. European nations turn to the United States for leadership and guidance on all security and defense issues. U.S. bases in Europe are well supported and positioned. The weak and fragmented state of the European defense market and the strength of U.S. influence are boons to the U.S. defense industry and U.S. arms sales. The de facto U.S. policy toward Europe for the past generation has been to protect U.S. primacy while engaging European countries bilaterally and through NATO to at least try to strengthen their militaries. However, the United States has not emphasized that Europeans should invest in capabilities that reduce their dependence on the United States. While European countries are making new spending commitments, few are allocating funding to procure many of the critical systems that might reduce dependence. The goal of U.S. officials is thus for Europe to meet its NATO capability targets and commitments, which are essentially premised on operating with the United States.

As a result, U.S. policy has scarcely changed since the end of the Cold War and has effectively sought to maintain the United States’ indispensable role in Europe through NATO. When NATO’s future was being discussed in the 1990s, the United States saw NATO’s expansion as critical to ensuring European security. But the United States was also very wary of changes occurring within Europe potentially eroding the United States’ influential role. This was exemplified in 1998 in a historic declaration at St. Malo, when UK prime minister Tony Blair and French president Jacques Chirac agreed to the formation of a 60,000-strong EU Rapid Reaction Force, largely a reaction to Europe’s poor performance during and after the Yugoslav Wars in the Balkans and a sign of the United Kingdom’s commitment to the European Union.¹⁵ Days later, U.S. secretary of state Madeleine Albright practically declared her opposition to these EU defense efforts with her insistence that the European Union not “duplicate” NATO.¹⁶ The opposition to an EU defense role became U.S. doctrine and created little space for the European Union to contribute to improving European defense. Since the 9/11 terrorist attacks, there has been little reassessment of the United States’ approach.

Given U.S. influence in Europe, especially among security-conscious partners in Eastern Europe, U.S. opposition to EU efforts has been extremely effective in stunting the development of EU

defense initiatives. For example, the United States has vigorously opposed European defense industrial efforts, branding them as protectionist and discriminatory.¹⁷ Nick Witney, former chief executive of the EDA and now at the European Council on Foreign Relations, points out that the United States “aggressively lobbied against Europeans’ efforts to develop their defence industrial and technological base.”¹⁸ Despite the evolution and expansion of EU defense efforts, U.S. and NATO efforts have succeeded in curtailing these efforts, lowering the European Union’s defense ambitions, and ensuring it remains only a peripheral defense actor.

There is also deep pessimism about Europe’s ability “to get its act together” and a skepticism that new approaches that alter the current structures could make things even worse. According to this view, EU defense could prove just as inept, simply create more headaches for NATO, and make it harder for the alliance to deploy forces as it further saps the limited forces available for the alliance. Worse, it is believed that successful EU defense integration could lead to rifts in the transatlantic alliance, with Europe increasingly going its own way. In this view, the only thing worse than European dependence is European independence or autonomy.

Yet if maintaining an indispensable role is the United States’ guiding objective, U.S. leaders should dial down their rhetorical frustration decrying European weakness and dependence and recognize that this is the desired policy outcome. Without a major change in approach, dependence on the United States to ensure European security is a given.

However, a policy geared toward preserving U.S. primacy in Europe is shortsighted. The main drawback is that a weakened Europe puts more strain on the U.S. military and deprives the United States of potentially strong and unified European allies. It inhibits Europe from playing a stronger role in global affairs and sharing more of the global security burden. Additionally, it holds real dangers for the alliance and Europe as a new generation of U.S. leadership, not consumed by the travails of European security during the Cold War, feel less attached to the alliance and more frustrated by European dependence, creating the potential for a sudden rupture. The status quo may not be sustainable and could grow increasingly unstable as Washington continues its pivot to the Indo-Pacific.

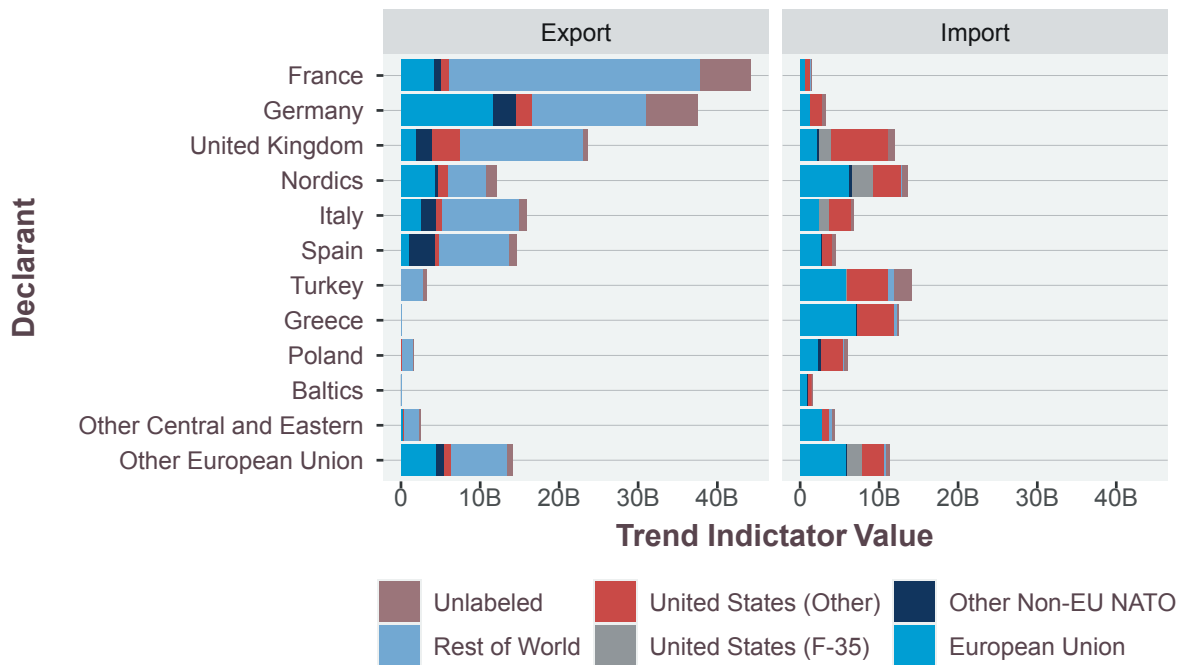
This is the worrying current path the United States is unconsciously headed down, despite some statements to the contrary. The Biden administration has recognized the growing importance of the European Union as a global actor, building a strong relationship with European Commission president Ursula von der Leyen. President Biden has also declared “the importance of a stronger and more capable European defense that contributes positively to transatlantic and global security” in joint statements with French president Emmanuel Macron.¹⁹ Yet despite a seemingly new U.S. approach to the European Union, there has not yet been a discernable shift in U.S. policy on EU defense, reflecting the tremendous bureaucratic inertia within the U.S. Department of State, U.S. Department of Defense, and U.S. embassies throughout Europe. One particular obstacle to a new approach is the current transatlantic defense industrial dynamic.

THE DEFENSE INDUSTRIAL DILEMMA

For many Europeans, U.S. policy toward European defense appears narrowly driven by defense industrial interests. There is a clear structural disconnect when it comes to transatlantic defense

industrial relations, namely that while the U.S. defense market remains relatively closed, Europe’s remains relatively open. Hence, the United States sells significantly more to Europe than European defense firms sell to the United States. But this status quo has contributed to a hollow European defense industrial base. Not only is European spending low, limiting acquisitions, but when Europe does buy, it often buys American, not European. Over the past two decades, arms transfers from the United States represents a majority of the value of imports for several European countries, including the Nordic states collectively, Italy, Germany, and the United Kingdom. Meanwhile, European exporters have scarcely made reciprocal inroads in the U.S. market, as the value of arms transfers to the United States represents only a small share of European exports during the same period.

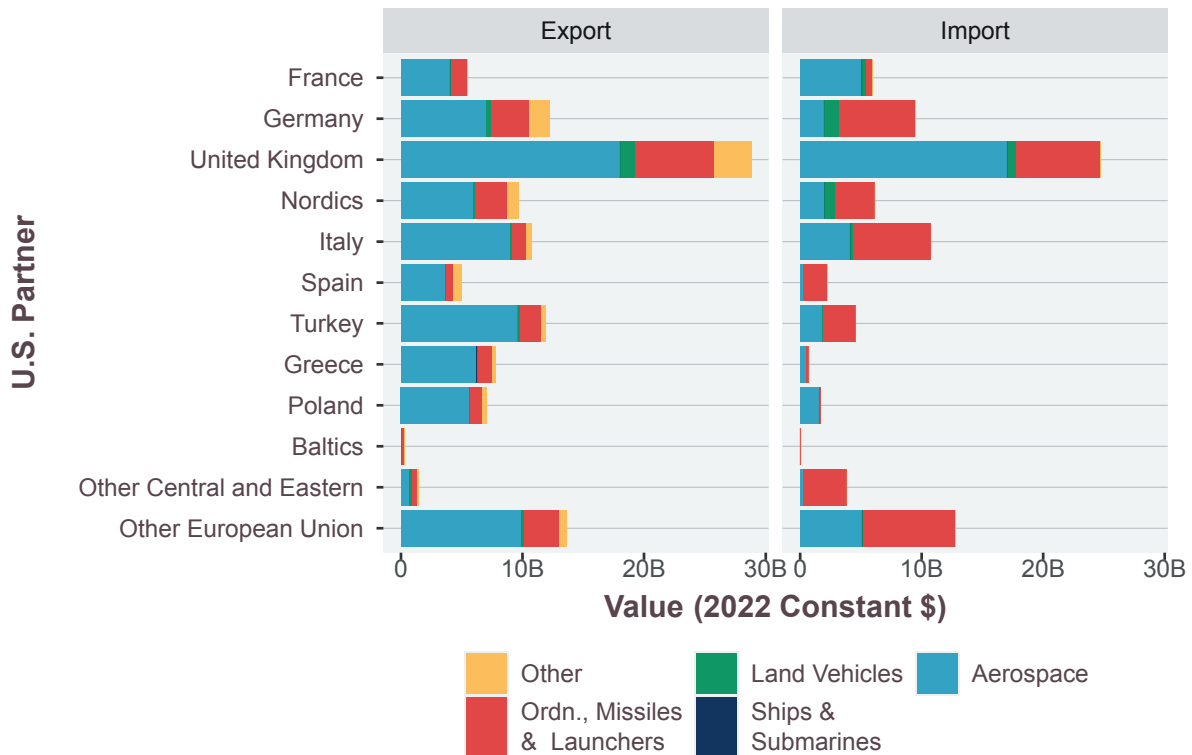
Figure 1: Arms Transfer to and from EU and NATO Nations, 2001–2022



Note: The data set does not account for joint programs and thus the lead country receives exclusive credit for any trade. “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, Turkey, and Norway.

Source: “SIPRI Arms Transfers Database,” SIPRI, March 2023, <https://www.spri.org/databases/armstransfers>; CSIS analysis.

Figure 2: Exports from and Imports to the United States by Arms, 2001–2022



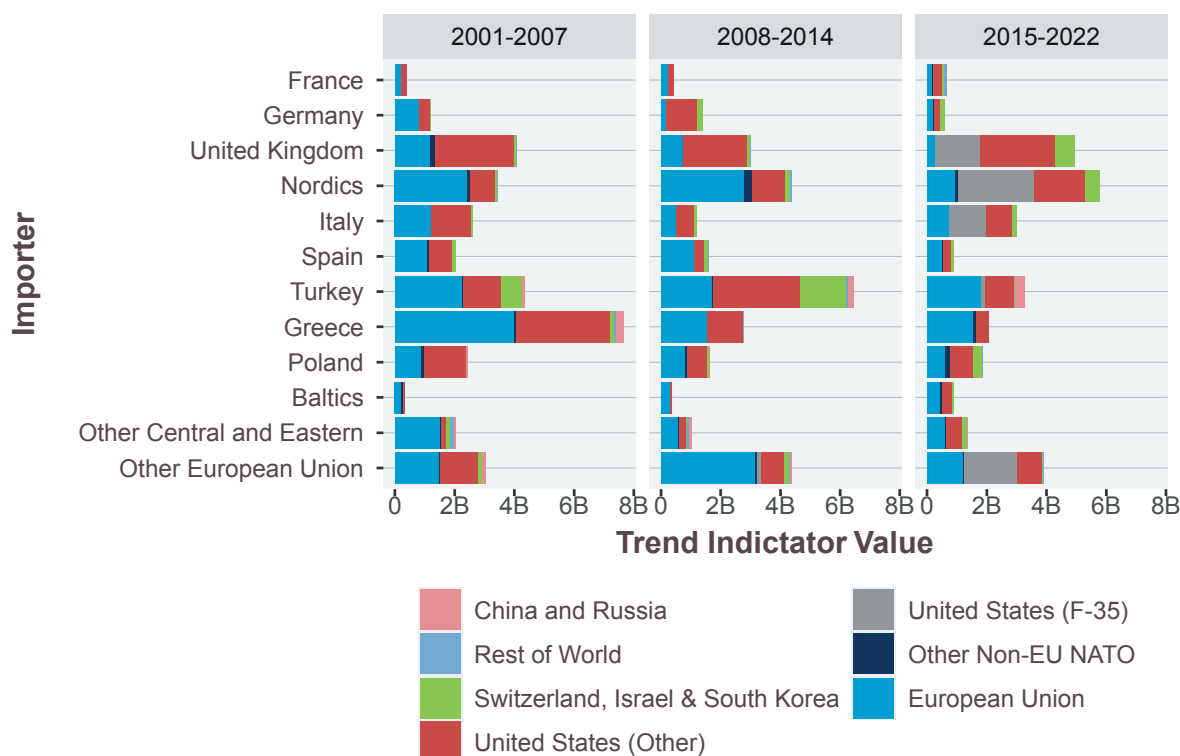
Note: The data set does not account for reexported arms or joint programs, which may inflate values in certain categories. “Nordics” includes Denmark, Sweden, Norway, Finland, and Iceland; “Other Central and Eastern Europe” includes Albania, Bulgaria, Czechia, Croatia, Hungary, Montenegro, North Macedonia, Romania, Slovakia, Slovenia; “Other European Union” includes Austria, Belgium, Cyprus, Ireland, Luxembourg, Malta, the Netherlands, and Portugal.

Source: “DataWeb,” USITC, June 5, 2023, <https://dataweb.usitc.gov>; CSIS analysis.

The openness of the European defense market has certainly been beneficial for the United States, and especially for U.S. defense companies. Indeed, a core priority for U.S. administrations has been to maintain its existing access to the European defense market. This is in part because the European market is far more straightforward than other global markets. When it comes to approving foreign arms sales, the United States aggressively limits technology transfers and often holds back sales due to foreign policy concerns. Industry and foreign governments constantly complain about U.S. constraints and challenges in selling abroad and adhering to the International Traffic in Arms Regulations regime.²⁰ Yet when it comes to Europe, the United States is far less restrictive than with other regions of the world because European states are trusted democratic allies.²¹ Selling to wealthy democratic allies that are trusted with technology lends itself to a direct approval process. Unfettered access to the European defense market also creates economies of scale for U.S. defense firms, resulting in greater profits and a more robust U.S. defense industrial base, which in turn creates jobs and reduces costs for U.S. taxpayers. Successive U.S. administrations have therefore been strong supporters of U.S. arms sales to Europe. Indeed, U.S. equipment has maintained a strong foothold among European importers over the past two decades as U.S. manufacturers have significantly increased their share of European imports in key markets,

such as Italy and the Nordic countries. U.S. dominance on the European arms market is particularly evident for big-ticket items, such as the F-35 multirole combat aircraft, which represented a significant share of the total value of arms imports in the United Kingdom, the Nordic countries, and Italy from 2015 to 2022.

Figure 3: Shift in European Arms Imports over Time



Note: The data set does not account for reexported or joint programs, which may inflate values in certain categories. “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, Turkey, and Norway.

Source: “SIPRI Arms Transfers Database,” SIPRI, March 2023, <https://www.sipri.org/databases/armstransfers>; CSIS analysis.

As a result, the United States has looked with hostility toward EU efforts to integrate and strengthen the European defense industrial base. In simple terms, if the European Union spends more money on defense, it will undoubtedly privilege European defense companies just as the United States privileges U.S. companies. For example, the European Union’s launch of the Permanent Structured Cooperation (PESCO) in 2019, and specifically the limitations on involvement of non-EU countries, was described as a “poison pill” to the transatlantic relationship by the U.S. government.²² These criticisms have been levied at EU defense initiatives even though the United States has not engaged the European Union directly on reciprocal terms and has set terms on bilateral cooperation that impair cooperation between European countries. According to a 2017 report from the France-based Armament Industry European Research Group, this imbalance concerns areas such as rules governing investment in U.S. and European companies.²³ The Biden administration, and previously

the Trump administration, has also insisted on the European Union agreeing to an administrative arrangement with the EDA that would potentially make U.S. companies eligible for the European Union's relatively paltry defense funds.²⁴

However, the foreign policy benefits of arms sales to Europe for the United States, the lens through which arms transfers are approved at the Department of State, are not extensive. There is little doubt that the diplomatic benefits of foreign arms sales can be tremendous and can help cement and undergird strong diplomatic partnerships. However, Europe and the United States have already been treaty allies for decades and operate together in a robust military alliance. Thus, it is hard to argue that U.S. arms sales to Europe, unlike to Southeast or South Asia, for instance, significantly strengthen the already solid diplomatic relations between the United States and its European allies. While the United States will diplomatically advocate for sales by touting the broader benefits of strengthening relations—an argument that has real weight the closer a country is to Russia—the actual diplomatic benefit does not match the rhetoric. The United States' Article 5 commitment through NATO does not become more ironclad because a partner buys a U.S. platform.

Currently, when weighing arms sales decisions, the Department of State does not consider the impacts of its sales on the alliance's defense industrial base. For instance, the Swedish company Saab, which produces the Gripen fighter jet, has struggled to sell its aircraft to European countries eager to partner with the United States. Thus, despite producing an excellent fighter jet that the Royal United Services Institute deemed the most suitable short-term option for Ukraine, European countries simply have very few Gripen fighter jets, in part because it has lost European market share to U.S. competitors.²⁵

That said, the main reason to buy U.S. weapons systems is because they are often the best available, have been combat tested, and are in use by the U.S. military. For example, the fourth-generation Gripen cannot compete with the fifth-generation F-35 in terms of capability. As Europe grapples with the most significant armed conflict on the continent since World War II, the impulse to “buy European” should likely not trump immediate defense needs that can more easily be filled through U.S. arms sales.²⁶ Yet, it is also clear that U.S. arms sales in Europe deprive European defense companies of their own market and therefore weaken and undercut the European defense industrial base in the longer term. When Europeans buy a U.S. weapons platform, they are depriving European defense companies of reliable revenue streams from their home market. The current weakness of the European defense industrial base has meant that European defense companies are unable to meet the demand and deliver systems in a prompt manner. European companies are unable to build munitions or tanks fast enough. Many advanced systems are often still in prototype, and European companies would require many years to build and deliver new systems. Thus, European countries, especially those in Eastern Europe, such as Poland, are turning away from European suppliers to companies and countries that can more urgently meet their more pressing defense needs. Poland has thus sought to procure South Korean tanks and artillery. Additionally, the European Union's efforts to bolster Ukraine by providing 155 mm artillery is running into a debate about whether the European Union should buy from outside Europe or use its €1 billion fund to buy from the European defense industry, which may entail a longer lead time.²⁷ This is a true dilemma for European leaders and

requires weighing the costs and benefits of faster delivery against the need to revive Europe's defense industrial base. Ideally, Europe would be able to do both—buy urgently needed items from whichever manufacturers are most suitable while also bolstering investment in its defense industrial base.

Critically, buying outside of Europe also means that European defense spending creates fewer jobs for Europeans and weakens political support in Europe for defense spending. A key factor for the United States in terms of its ability to maintain its robust defense budget is that defense spending sustains significant employment throughout the United States. U.S. defense companies often intentionally and strategically build weapons systems in many different locations across the United States to maximize political support in congress. The employment implications are an important factor in maintaining such robust support. For Americans, defense spending supports domestic jobs and helps provide economic stimulus. For Europeans, with few jobs on the line, defense spending is often just a cost that can be cut.

The lack of significant economic benefit in turn likely erodes political and public support within Europe for defense spending. It also reduces the economic stimulus to European economies. Now, U.S. defense companies often include “offsets” or coproduction agreements with companies within Europe to successfully win a major sale. Yet while these offsets ensure some economic benefit to the purchasing nation, much of the funding leaves Europe. Therefore, the benefits of arms sales must be weighed against the potential negative impacts to the European defense industrial base.

The weakness of the European defense industrial base has now emerged as a real problem for the NATO alliance. Europe's defense industrial base, in short, is not fit for purpose. This has been recognized as a problem on both sides of the Atlantic. At a recent event at the Center for New American Security, Assistant Secretary of Defense Celeste Wallander noted that Europe having a strong defense industrial base, reinforced by common transatlantic standards, is in the interest of both the United States and the NATO alliance.²⁸ Yet there have been only very limited initiatives to address this issue. Efforts to spur greater coordination at NATO through the Conference of National Armaments Directors, where allies gather to discuss major armaments projects, are useful but are unlikely to address the structural deficiencies plaguing the European defense industrial base.

What has not occurred since the outbreak of war in Ukraine, however, is any reassessment of the U.S. approach. Instead, the United States still lobbies behind the scenes against EU defense spending initiatives. The United States can and should continue to sell to European countries, given the capabilities it has to offer, but it should be cognizant of the costs and factor in the impact on Europe's defense industrial base. However, the development of a stronger, more integrated European defense industrial base raises questions about Europe's future direction.

THE MUDDLED AUTONOMY DEBATE

Europe becoming less militarily reliant on the United States raises the question of whether a stronger and more independent Europe would potentially undermine NATO, with Europe becoming more confident in pursuing its own foreign policy path, at times diverging from that of the United States.

Several European leaders, most prominently President Macron, have pushed for the development of European “strategic autonomy.”²⁹ This has resulted in a deeply confused debate over what strategic autonomy for Europe means. On the one hand, strategic autonomy merely implies Europeans developing their capacity to act independently of the United States, thus reducing their dependence. Autonomy would not mean decoupling from the United States or undermining NATO or broader transatlantic relations. It simply means Europe having the capacity to act. This is a vision of strategic autonomy that should hardly be contested within the transatlantic alliance and is one that could advance U.S. interests. On the other hand, there is also a malign vision of strategic autonomy, at least from Washington’s perspective, which strives to reduce dependence on the United States so that Europe can decouple from it and pursue its own path. This more Gaullist vision could potentially undermine the transatlantic alliance and NATO.

However, while France rhetorically oscillates between the two different visions and thereby muddles the wider debate, most European states reject any concept that could appear as a call to decouple. Concerns about a perceived French-led decoupling overstate French influence, underappreciate U.S. influence in Europe, and disregard other strongly Atlanticist members of the European Union and NATO. France, despite often being treated as a leader of Europe, does not dictate Europe’s course. Europe as a whole, often including France, greatly values the transatlantic alliance, and many countries would block efforts to decouple from the United States. The United States has immense influence and close relationships with EU member states, particularly in the east, and therefore retains an ability to check efforts that truly seek to rupture the alliance.

As such, while the United States has little to be concerned about when it comes to the concept of strategic autonomy, it remains highly paranoid about European intentions. In 2000, Lord Robertson, then secretary general of NATO, noted that the United States “suffers from a sort of schizophrenia,” as “on one hand, the Americans say ‘You Europeans have got to carry more of the burden.’ And then when Europeans say ‘Okay, we will carry more of the burden,’ the Americans say, ‘Well, wait a minute, are you trying to tell us to go home?’”³⁰ Two decades later, a senior U.S. defense official reflected this sentiment exactly when explaining how the United States interpreted Europe’s discussions over strategic autonomy: “I told my wife this morning that I wanted more strategic autonomy and tonight I am staying in a hotel.”³¹ In other words, Europe working to reduce dependence on the United States instinctively raises U.S. concerns of a transatlantic divorce.

But the transatlantic relationship runs incredibly deep. Fears that a militarily capable and therefore potentially autonomous Europe would prompt transatlantic decoupling by extension assumes that the alliance itself relies on Europe remaining militarily weak and dependent. Yet it is this very weakness that could prompt future U.S. administrations to rupture ties. A stronger Europe, and therefore European Union, will not make NATO obsolete. Instead, it will make NATO even more important to the United States, as it will be the venue and vehicle to coordinate militarily with a stronger and more powerful Europe. Additionally, the potential for Europe to realize a decoupling would require a dramatic increase in defense spending and would take years, if not decades, to achieve. In fact, if a decoupling ever took place, it would more likely be initiated by Washington than Europe.

Instead of rejecting the concept of strategic autonomy, the United States should articulate the autonomy it wants Europe to develop. Ambassador Sandy Vershbow and Hans Binnendijk have argued, for instance, that “the United States should drop its objections” and “agree with its European allies on how to ensure that strategic autonomy results in greater European strategic responsibility.”³² Rather than splitting the transatlantic bond, this would also entail more, not less, transatlantic coordination on political-military issues.

Instead of rejecting the concept of strategic autonomy, the United States should articulate the autonomy it wants Europe to develop.

This would also involve moving beyond the counterproductive bureaucratic competition between NATO and the European Union. The two share virtually the same membership, especially given Finland’s recent NATO accession and Sweden’s pending application to join the alliance. Of the EU 27 member states, only four smaller EU countries (Malta, Ireland, Austria, and Cyprus) are not NATO members. About 97 percent of the European Union’s population is in NATO. At the root of the tension are concerns about NATO and the European Union duplicating efforts. But nervousness about overlap has become overwrought, treated as insurmountable, and discussed as if it was of the gravest strategic importance. Fears of duplication mask the broader strategic fears of the United States losing influence, as it provides practical grounds for the United States to object to EU defense policies without actually articulating a rationale to oppose EU efforts.

Instead, the United States should embrace a vision of strategic autonomy that seeks to reduce Europe’s dependence on the United States and actively pushes Europe to develop military capabilities that allow it to act in the world without relying on the United States. Moreover, the United States should want to see Europe play a stronger role in global affairs, whether through individual European states, such as the United Kingdom and France, or increasingly through the European Union.

Grappling with Europe’s Political Evolution

There is increasingly a disconnect between Europe’s military weakness and its growing internal cohesion and global presence. The European Union has long been a global economic power and has used its clout to promote open markets and unfettered globalization. But with the return of geopolitical competition, the European Union’s economic and regulatory strength has given it significant geopolitical weight as well. With a common market equivalent in size to the United States or China, and with the European Union empowered to act on behalf of its member states—unlike in the defense realm—Europe has become a major global player. Recognizing this shift, Ursula von der Leyen, the president of the European Commission, declared upon taking office that she would lead a “geopolitical Commission” and has pushed the European Union to play a more prominent role on the world stage.³³ This makes strengthening and deepening the NATO-EU relationship vital.

Despite high-profile spats involving member states, the European Union is increasingly coordinating and integrating European foreign policy. It is supporting Ukraine, both economically and militarily, and sanctioning Russia in unprecedented ways. EU sanctions against Russia, as well as Iran and China, have real impact. While EU foreign policy is still cacophonous on China policy, the European Union is helping forge a common EU approach, in part because it has the power or “competences” to act on behalf of the European Union on economic, trade, and technology policy.

The Biden administration has taken note and has prioritized elevating the U.S.-EU relationship through mechanisms such as the U.S.-EU Trade and Technology Council. In general, there is currently an unprecedented level of engagement between the United States and European Union, as both entities grapple with a similar set of global challenges. President von der Leyen’s March 2023 speech on China policy highlighted the concept of economic “de-risking” with China, which was adopted by National Security Advisor Jake Sullivan when he recently outlined the Biden administration’s economic agenda.³⁴ In response to China’s targeting of Lithuania for its support for Taiwan, the European Union has also developed a new “anti-coercion” instrument to enable it to protect its member states by responding with reciprocal sanctions.³⁵ The fact that Brussels developed an anti-coercion instrument specifically to counter Washington’s biggest geopolitical rival at a time when the Biden administration is increasingly wielding similar coercive economic measures should be seen as a prime example that European empowerment need not undermine U.S. foreign policy goals.³⁶ The European Union’s economic might and increasingly assertive foreign policy make it a critical geopolitical actor and partner to the United States.

The European Union has also emerged stronger after a decade of crises that threatened its survival. U.S. and NATO skepticism toward the European Union since the end of the Cold War has in many respects been understandable. During the 1990s and 2000s, the European Union was a nascent, internally focused actor consumed by the effort to enlarge its borders, with its foreign and security policy capabilities heavily curtailed. That began to shift with the 2007 Lisbon Treaty, the creation of a high representative for foreign and security policy, and the formation of an EU diplomatic service. Then, the European Union was almost immediately plunged into a decade of crises that almost destroyed the bloc. The ensuing eurozone crisis, migration crisis, Brexit, and the Covid-19 pandemic all posed deep systemic risks to the bloc. Yet in each case, the European Union survived and often adopted measures that sought to address its limitations and made the European Union stronger. While it may have been sensible to be deeply skeptical about the European Union’s future then, today such an outlook is likely misguided. It has survived and shown its mettle. The ambivalence and skepticism that the United States and NATO have had toward EU defense similarly should be reassessed.

It is therefore critical for the future of the transatlantic alliance to reconcile NATO, and its role as the transatlantic security guarantor, with the reality of a stronger, more globally relevant European Union. The development of the European Union highlights a deeper structural issue that plagues European defense: for many Europeans, defense is not thought of as an important national responsibility because their security threats pertain not just to the nation but to Europe as a whole.

NATO is a victim of its own success and has in effect “solved” the security dilemmas for many European states. By locking European countries together in NATO and the European Union, countries such

as Belgium, for instance, are no longer worried about potential invasion from its French, German, or Dutch neighbors. European countries that have invested significantly in defense therefore have largely done so for their own national reasons. The United Kingdom and France, for instance, have global obligations and concerns as well as great power ambitions. The Greeks and Turks, despite being allies, are nervous of each other's intentions. Eastern European states bordering Russia have a major security threat on their border. NATO states know that if a crisis occurs, they are in an alliance with the United States and others that must come to their aid. The United States' role in NATO therefore gives the Europeans reassurance about their security even if they themselves cannot provide for it. This challenge can be viewed as a deep-rooted collective action problem in which European countries are disincentivized from investing in their national defense because of the strong credibility of the U.S. security guarantee, even if it leads to a more precarious situation for all involved parties.³⁷

This makes it difficult for many European states to prioritize investment in defense, and for many states it remains a peripheral concern. The motivation and rationale to invest in defense therefore is justified domestically by invoking a much broader conception of national interests that includes solidarity with the alliance and recognizing the importance of collective security and defending European interests. These are important concerns, but they also only go so far. Politicians are inevitably inclined to prioritize tangible national priorities, such as health and education, over more conceptual interests such as broader European security, especially in lean economic times.

There has long been an assumption that European publics would resist Europeanizing defense, seeing national militaries as core to their national identities and sovereignty. But this is simply not the case. There is in fact deep, widespread public support for EU defense efforts. According to a February 2023 Eurobarometer poll, 77 percent of EU respondents are in favor of a common defense and security policy among member states, 80 percent believe that the purchasing of military equipment should be better coordinated between member states, and 69 percent believe that the European Union needs to improve its capacity to produce military equipment.³⁸ Academic scholars examining European public opinion have also found that “the European public supports EU defence policy, it has for decades, and citizens hold consistent and well-developed attitudes on the topic.” They likewise found that “pooling national sovereignty over defence is more popular over time than any other EU-level policy.”³⁹ This is significant because it implies a wide latitude for the European Union in developing potentially bold defense initiatives.

Moreover, there have been tangible examples of shifting European attitudes toward the European Union's role in defense after Russia's 2022 invasion of Ukraine. When Denmark voted to ratify the Maastricht Treaty in 1992, it rejected the treaty by a slim margin.⁴⁰ To facilitate a second referendum, Copenhagen insisted on four opt-outs from EU policy areas, including EU defense policy, after which the treaty was endorsed by a comfortable margin. But in the wake of Russia's invasion, the Danish government held a referendum on joining EU defense institutions, to much less fanfare than Sweden and Finland's NATO applications. Danish voters, historically skeptical of most EU integration, voted in May 2022 to abolish its opt-out from participating in EU security and defense policy, with an overwhelming 67 percent of the vote on 66 percent turnout.⁴¹

Furthermore, European publics also appear inclined to support an ambitious new defense policy direction for the European Union. A new research paper from academics from the University of Amsterdam, which conducted a survey of Western Europeans that asked respondents not just whether they support EU defense but also to identify their policy preferences, found widespread support for ambitious proposals. According to the study, “European citizens are willing to support the creation of joint institutions and policies to face issues of common concern, and therefore indicating that major crises open important windows of opportunity to re-shape EU-level policies and institutions.”⁴² Importantly, it found that

respondents prefer ambitious packages at EU level, larger in size, with joint weapons procurement, council-level or even federal governance, and financing provided either by repurposing existing expenditure (hence, moving national expenditure on military matters, or perhaps even directly moving some military units at EU level) or increasing taxation following a progressive tax increase formula. Respondents are quite negative when it comes to allowing country opt-outs, and are indifferent vis à vis expanding the EU’s borrowing capacity. . . . All in all, respondents are much more likely to prefer ambitious packages over non-ambitious ones.⁴³

There is therefore a clear window with the war in Ukraine for the European Union to push for an ambitious new direction in defense policy. There is also clearly an internal demand to ensure European security. Given the bloc’s growing geopolitical role, its strong resolve in supporting Ukraine militarily and financially, and its evolving fiscal capacity, the European Union will likely grow its defense role as well.

Europe’s Strategic Outlook

Collectively, Europe increasingly has the strategic dilemmas of a superpower yet lacks the military forces to match its strategic interests.

Russia’s invasion of Ukraine has made clear that Russia is Europe’s core strategic threat and has brought back the need to refocus on conventional warfare or “deterrence and defense.” NATO’s 2022 Strategic Concept deemed Russia “the most significant and direct threat” to the alliance.⁴⁴ Following the NATO 2022 Madrid summit, the alliance bolstered its presence and strength on Europe’s eastern flank, demonstrating the shift in focus back to conventional warfare. This is a significant operational shift for most European militaries, as Europe, as a whole, spent the last few decades focused more on crisis response missions than conventional warfare.

Collectively, Europe increasingly has the strategic dilemmas of a superpower yet lacks the military forces to match its strategic interests.

Russia's invasion of Ukraine and the war crimes committed in Bucha and elsewhere have also clarified for the alliance that it cannot both cede territory and protect its citizens. A primary contingency for NATO planners was the assumption that NATO forces in the Baltics would act as tripwires. The presence of these forces is not large enough to hold back a Russian invasion but instead is meant to ensure that a Russian attack would mean attacking NATO forces and therefore pull in the whole alliance. Given the recent Russian atrocities, ceding NATO territory to Russian forces with the view to eventually retake it leaves the citizens of those NATO and EU countries vulnerable. Baltic states have made clear that this presence is not enough and have insisted that NATO shift from its Enhanced Forward Presence with multinational battlegroups in Estonia, Latvia, Lithuania, and Poland to more permanent forward defense across the eastern flank.

At the June 2022 Madrid summit, NATO leaders also agreed to form a NFM that would increase the number of troops on high alert to 300,000—a massive uptick from the current 40,000 troops comprising the alliance's quick reaction force, the NATO Response Force.⁴⁵ Thus, NATO is focused on defending every inch of NATO territory, requiring NATO forces to have a high degree of combat readiness to fight a conventional war.

However, a key strategic challenge for Europe and NATO is that the United States is no longer focused on Europe's periphery, such as the Middle East and North Africa. The strategic significance of the U.S. pivot to Asia is not so much that the United States has pivoted away from Europe, as the United States has not been consumed with European security since the 1990s. Rather, the strategic significance lies in the United States pivoting away from the regions on Europe's periphery, where instability can directly impact European security, whether in the form of uncontrolled migration, terrorism, piracy, or threats to Europe's economic security. While Europe could once rely on the United States to intervene in the Middle East or Africa, it is unlikely that the United States, after 20 years engaged in operations in Afghanistan and Iraq, will intervene militarily in these regions at a similar scale.

While the United States has provided assets such as airlift, refueling, and intelligence, surveillance, and reconnaissance (ISR) to the French-led EU efforts in the Sahel, U.S. capacity is not limitless. There is also demand for those assets in the Indo-Pacific. The United States had originally approved support for the French when concern over the Islamic State was high, but it is quite possible that the United States would resist shifting assets from the Indo-Pacific for an EU or European mission in the Middle East or Africa moving forward. While NATO's primary focus will be on Russia, the main existential threat to Europe's collective security, the European Union—while also focused on Russia—will retain interest in crises on its periphery that could impact European collective security. These different perspectives are in fact complementary and point to a potential division of labor between NATO and the European Union.

Europe also has collective global interests and responsibilities. The European Union has global economic interests in maintaining the global trading system and defending the Law of the Sea and a free and open Indo-Pacific. France, for instance, holds the largest exclusive economic zone in the world, including its territories in the South Pacific.⁴⁶ Europeans also need to protect vital sea lines of communication, notably in the northern Indian Ocean to maintain unhindered access to the Suez Canal. The European Union, through Operation Atalanta, responded with a naval mission

to the threat of piracy off the coast of Somalia, and France has assembled a minilateral maritime operation with other EU members, called European Maritime Awareness in the Strait of Hormuz (EMASoH), to enhance maritime domain awareness in the Persian Gulf.⁴⁷ Europeans also need to ensure the protection of vital sea lines of communication, notably in the northern Indian Ocean to maintain unhindered access to the Suez Canal.

Europe thus must reckon with the fact that it has the security demands and interests of a great power. It faces a direct near-peer security threat in the form of Russia and therefore must improve the readiness of its forces and rebuild its conventional warfighting capacity. However, the potential for instability or security concerns to emanate from North Africa and the Middle East remains high, requiring Europe to also develop capabilities that enable out-of-area operations. As an enormous global economy and a trading colossus, it has significant naval demands and interests in maintaining the Law of the Sea and free and open navigation. Europe thus cannot just focus on conventional warfare or crisis response missions. It would ideally possess the military capabilities necessary to conduct all of these operations, but these are capabilities that it currently lacks.

The Problem of Europe's Anemic Defense

The Dire State of European Defense

European defense is in a decrepit state. Europe dramatically cut defense spending following the end of the Cold War, resulting in nearly a quarter century of neglect of European militaries. The 2008 economic crash and the following eurozone crisis led to further deep spending cuts, particularly in southern Europe, that were only reversed following Russia's invasion of Ukraine in 2014 and the subsequent NATO Wales summit commitment to spend 2 percent of GDP on defense. Since then, Europe has seen nearly a decade of defense spending growth. European militaries as a result possess significant capabilities on air, sea, and land. Yet there are also major gaps and deficiencies that hobble European forces.

The defense expenditure of member states participating in the European Union's EDA reached €214 billion (\$229 billion) in 2021, an all-time high and 6 percent growth from the previous year. Defense spending is expected to grow by a further €70 billion by 2025.⁴⁸ EU member states (excluding Denmark, which only recently joined the EDA) also spent €52 billion on procurement and research and development initiatives, which represents another all-time high of 24 percent of total investments and 16 percent growth vis-à-vis 2020.⁴⁹

Despite this aggregate spending, Europe does not currently possess the capabilities required to match its global aspirations or expectations and fulfill its NATO obligations, let alone maintain a robust defensive posture toward a revanchist foe on its eastern flank. Europe's capability gaps are particularly significant with regards to transport, reconnaissance and surveillance, and air defense, which hampers Europe's ability to contribute meaningfully to the NATO alliance and act without

relying on the United States. From an operational point of view, these gaps have entrenched Europe's dependence on Washington even for basic military tasks and operations that Europeans should aspire to conduct independently.

Indeed, European attempts to conduct operations without the United States over the past decade have been sobering. For example, European NATO states, led mainly by France and the United Kingdom, with support from several smaller European NATO states and Sweden, relied heavily on U.S. air-enabling capabilities and munitions to conduct a NATO air campaign in Libya in 2011.⁵⁰ After the United States had completed a large-scale attack on Libya's air defenses, Washington left the subsequent bombing and air support operations to European members of NATO. The European forces quickly ran out of munitions and simply did not possess the ISR, command and control (C2), aerial refueling, and electronic warfare facilities to conduct a complex air campaign without significant U.S. assistance.⁵¹ Although the United States was meant to merely provide unique capabilities and act as a supporting force to a crisis squarely in Europe's neighborhood, U.S. forces flew over 50 percent of the sorties and provided 80 percent of ISR and aerial refueling, 25 percent of the airborne C2, and almost all suppression of enemy air defenses (SEAD) capabilities.⁵²

A similar dynamic to Libya played out a decade later when European states relied on U.S. airlift of European evacuees following the U.S. withdrawal from Afghanistan in 2021.⁵³ European embassies were caught off guard, and the European Union lacked the necessary assets, including air transport, air refueling, ISR, or the ready forces to control the airport. If such an evacuation was needed elsewhere in the world where the United States was not present, EU citizens could be in peril. Europe's vast global presence—the European Union collectively has the largest diplomatic corps in the world—requires certain global capabilities. Following the calamitous withdrawal from Afghanistan, the European Union aimed to develop a Rapid Deployment Capacity of up to 5,000 deployable troops, requiring critical enabling capabilities, such as airlift and refueling, in recognition of these limitations.⁵⁴

Europe's air-enabling capabilities are severely limited, especially when compared to the United States. European air and missile defenses face critical shortfalls in ground-based air defense, C2, and defense against emerging threats.⁵⁵ For example, European countries operate roughly 35 relevant airborne C2 platforms compared to 120 U.S. aircraft, about 150 air-to-air refueling aircraft compared to almost 450, a few dozen relevant aerial ISR aircraft compared to 150, and roughly 200 uncrewed aerial vehicles compared to over 900.⁵⁶ Europe is also wholly reliant on the United States with regard to electronic warfare and SEAD, with a recent Royal United Services Institute report noting that “no European NATO air forces currently have sufficient expertise or the required munitions stocks to conduct suppression and destruction of enemy air defences (SEAD/DEAD) at scale.”⁵⁷

With regard to short- to medium-range air defense systems, European countries have historically possessed significant inventory, mainly due to Soviet legacy systems possessed by eastern NATO and EU members. However, much of this stock has been severely depleted to aid Ukraine's war effort. For long-range air defense systems, European countries have few defenses against guided and unguided missiles. They are highly reliant on small numbers of high-end surface-to-air systems, specifically Patriot and SAMP/T, and lack any high-altitude systems. Europe's air and missile

defenses also face substantial limitations with regards to advanced threats (e.g., uncrewed aircraft systems) and longer-range weapons (e.g., high-velocity missiles and hypersonic glide vehicles).

European navies also face issues in both quantity and quality. Between 2000 and 2020, European countries retired a third of their main surface combatants, including frigates and destroyers, bringing the combined fleets to the smallest size in recent history. Europe has recently taken steps to reconstitute their fleets by prioritizing high-end capabilities such as surface combatants, amphibious vessels, and submarines, as well as increased capacity for logistics, surveillance, and long-range strikes. While these assets are strategically important, they will take time to develop due to their technical complexity, rendering European countries vulnerable in the short term, especially to emerging adversarial space and cyber threats, and limit Europe's conventional role in the Indo-Pacific.⁵⁸

Despite recent efforts to modernize European fleets, several gaps in critical capabilities and systems remain, including in the areas of anti-submarine warfare, uncrewed vehicles, seabed warfare, naval mine countermeasures, and missiles for high-end naval operations.⁵⁹ Although not currently prioritized, traditional maritime assets and "low-end" capabilities may be crucial in a potential conflict. These assets will also be able to perform a wider range of tasks pertinent to Europe's broader threat landscape, such as routine law enforcement, anti-piracy and anti-trafficking operations, search and rescue, and early warning for interference with seabed infrastructure or gray zone operations.

However, it is important to note that while Europe is not as strong as it should be, it still brings significant capabilities to bear. France, the United Kingdom, and Italy operate five aircraft carriers in total, and Europe operates more than 170 large surface combatants and submarines.⁶⁰ European countries also have 145 strategic lift and 156 aerial refueling aircraft.⁶¹ Additionally, European land forces possess more than 1,000 main battle tanks.⁶² On paper, Europe brings considerable capabilities. But European forces are less than the sum of their parts due to critical gaps in key platforms and the fact that existing capabilities are poorly integrated.

Furthermore, the lack of cooperation in procurement has led to European countries operating a broad swath of different equipment, generating interoperability challenges, logistics and maintenance issues, deployment difficulties, and yawning capability gaps. For example, European countries operate 29 different destroyers, 17 tanks or personnel carriers, and 20 fighter planes—significantly more than the four, one, and six, respectively, used by the United States.⁶³ The plethora of different systems complicates supply chains, access to spare parts, training requirements, and other logistics. While differences in equipment are not insurmountable, and NATO specializes in ensuring these forces are able to operate together, they make deploying forces more difficult and logistically challenging. In terms of capabilities, this fragmentation and lack of coordination degrades Europe's military cohesion.

In addition to these long-standing capability gaps, the war in Ukraine has exacerbated Europe's already dire state of readiness. European stockpiles have been depleted to support Ukraine and have revealed that armed forces throughout Europe are inadequately prepared to respond in the

event of a major conventional conflict. For instance, the support effort for Ukraine has revealed that Germany, Europe's largest economy, and with the continent's third-largest military budget, only had ammunition stocks to last a few hours or days of combat.⁶⁴ Some countries have also been faced with a trade-off between supporting Ukraine militarily and retaining critical national capabilities. For example, Denmark's decision to send all 19 of its French-made Caesar howitzer artillery systems has created a severe shortfall for its own armed forces. This decision has also delayed Copenhagen's efforts to establish a NATO-heavy infantry brigade by 2032, a process that was already delayed and will now take even longer.⁶⁵

European countries have been at the forefront of supporting Ukraine. The European Union and its member states have facilitated over \$78 billion in financial, military, humanitarian, and refugee assistance since the start of the war. This includes over \$18 billion in military assistance, including for specific capabilities such as ammunition, air defense systems, main battle tanks, and fighter jets. From the European Union itself, this includes an unprecedented \$6.1 billion from the European Peace Facility, an off-budget financial instrument for EU actions with military and defense implications, in addition to bilateral commitments provided by member states. The European Union has also provided \$2.2 billion to enable joint procurement and delivery of 1 million rounds of artillery ammunition by early 2024 as well as \$550 million to ramp up the bloc's ammunition production capacity.⁶⁶ While this effort is noble and highly necessary to enable Ukrainian successes on the battlefield, Europe is emptying its bins in the process, depleting the readiness of its forces even further.

However, the figures above may also understate the actual replacement costs for Europe. Former Warsaw Pact NATO members have divested whole stockpiles of old Soviet equipment to Ukraine, including tanks, air defense, munitions, artillery, and aircraft. These systems are low in value, but the cost to replace them with modern Western equipment is a magnitude higher.⁶⁷ Since 2014, the challenge of transitioning Eastern European countries off of their old Soviet equipment has been a vexing issue for the alliance. In 2017, the United States passed the Countering America's Adversaries Through Sanctions Act sanctioning the Russian defense industry, which potentially made Eastern European NATO members targets of U.S. sanctions because they were engaged with the Russian defense industry for spare parts and components to keep their equipment operating.⁶⁸ Nevertheless, little progress had been made on replacing whole fleets and categories of equipment, as it was deemed too expensive. But in just over a year, Eastern European NATO members have effectively retired entire fleets of Soviet equipment—from tanks, to air defense systems, to fighter jets—and sent them to Ukraine. Estonia, for instance, has given the equivalent of about half its defense budget and more than 1 percent of its GDP in the form of mostly old equipment, such as anti-tank missiles, howitzers, and vehicles.⁶⁹ This now creates substantial gaps in the military capabilities of frontline NATO members, many of whom lack the financial capacity to fully recapitalize their forces with modern Western equipment.

In sum, European militaries were decimated by 25 years of underinvestment after the Cold War. In 2014, Europe began to reverse that trend and increase defense spending. But the increase in spending has been uncoordinated (as described below) and insufficient to fully address the shortfalls that plague almost every aspect of most European militaries. Uncoordinated marginal

defense spending increases have delivered limited improvements to European capabilities. Furthermore, the war in Ukraine has seen Europe, particularly Eastern Europe, show immense solidarity with Ukraine through donating substantial quantities of equipment. However, while laudable and necessary, this has put European militaries into an even deeper hole.

National Efforts to Address Shortfalls

In the wake of Russia's invasion, European states have committed to significant defense spending increases over the next decade. However, EU economic constraints may impact the ability of many European states to follow through on these commitments. Furthermore, a lack of coordination in the spending or pooling of resources means it is unlikely that Europe, as of now, will make the necessary investments in critical enabling capabilities to reduce its dependence on U.S. military assets. Limited defense spending increases spread across more than 25 different European states may only lead to a marginal strengthening of European defense. Nevertheless, given the current focus and attention, it is likely that European militaries will be far stronger a decade from now than today.

Individual member states have certainly acted with urgency through new funding commitments. Sixteen European NATO members increased their defense spending in 2022 compared to 2021, while 12 European NATO members increased their spending as a percentage of GDP.⁷⁰ These significant upticks in funding commitments span a wide swath of the continent.

- **Poland and Baltics**

Eastern Europe and the Baltic states exemplify this development. For example, Poland intends to increase defense spending to 4 percent of GDP and recently announced it will purchase 1,400 Borsuk infantry fighting vehicles.⁷¹ This purchase complements a 2022 \$4.75 billion agreement by Warsaw to procure 250 U.S.-made M1A2 Abrams tanks, and Poland made other commitments to purchase South Korean tanks, howitzers, multiple rocket launchers, and fighter jets.⁷² Poland may have the strongest land army in Europe by the end of the decade.⁷³ The Baltic states are also significantly increasing their defense spending. Estonia, for example, intends to spend 3 percent of its GDP on defense in 2023 and has ordered six M142 High Mobility Artillery Rocket System (HIMARS) launchers.⁷⁴ Lithuania also increased its defense spending in 2022, both in absolute terms, from €1.21 billion to €1.4 billion, and as a percentage of GDP, from 2.07 percent to 2.34 percent. Latvia's cabinet pledged to increase its defense spending from 2.2 percent to 2.5 percent of GDP by 2025.⁷⁵

- **Germany**

The most dramatic transformation in defense spending at the national level has transpired in Berlin, as Russia's invasion shocked the German public and political establishment. Mere days into the war, German chancellor Olaf Scholz heralded his country's *Zeitenwende*, a new era in which Berlin will shed its pacifist tendencies and commit to a more assertive defense planning policy.⁷⁶ Scholz promised that Germany would permanently spend 2 percent of GDP on defense, an effort which would be propelled by a new €100 billion emergency fund to transform the German Bundeswehr. According to the German Ministry of Defence, about €30 billion of the

military procurement fund has been committed thus far to contracts for specific projects, including the purchase of 35 Lockheed Martin F-35 fighter jets, new assault rifles, and radio systems.⁷⁷ However, despite being one of Ukraine's biggest suppliers of weapons, Germany has been widely criticized for the slow pace of allocating the new funds.⁷⁸ The German Bundeswehr is in a dire state, suffering from decades of neglect and aging, poorly functioning equipment.⁷⁹ The slow allocation of the fund has also cast a spotlight on the procurement bureaucracy of Germany's Ministry of Defense, which is notoriously slow and complex.⁸⁰

However, there are signs of progress. With the German press highlighting the shocking state of the military, a new minister of defense, Boris Pistorius, has been empowered to dramatically reform the ministry and as such has become one of Germany's most prominent politicians. Germany, despite criticism of the pace of aid, has provided significant weapons and ammunition to Ukraine, thus providing lethal aid to a conflict-ridden country for the first time in the history of the federal republic. It also recently announced a massive \$3 billion military aid package to Kyiv, including tanks, anti-aircraft systems, and ammunition, as well as a \$1.2 billion deal for 50 Puma fighting vehicles, signaling that Germany is committed to its *Zeitenwende* transformation.⁸¹ The increase in spending and renewed focus on the deficiencies of the force will certainly result in a stronger Bundeswehr, but the extent of the transformation remains to be seen.

- **France**

In contrast to Germany, France has long maintained a high state of readiness, with both a very capable military and the political will to deploy forces. These attributes have been on display through its military presence in Africa, where French forces have led several counterterrorism operations in the Sahel. France is also keenly aware of the challenges it faces in securing its exclusive economic zone in the Indo-Pacific. However, Russia's invasion exposed a lack of readiness for a major conventional war on the European continent. Given this global outlook, France is faced with difficult decisions regarding how to prioritize its defense budget. The French government recently approved a budget that will allocate €413 billion to military spending between 2024 and 2030, a more than one-third increase compared to the previous budget period.⁸² France's annual defense spending is expected to total €60 billion in 2030, nearly doubling the €32 billion allocated in 2017. These investments intend to enhance France's munitions stocks and weaponry following the return of a high-intensity conflict in Europe, but also help prepare the country for increasing tensions in the Indo-Pacific. Specific capabilities that will be addressed through the budget include accelerating the development of France's next-generation aircraft carrier (dubbed PANG), acquiring 15 new frigates, renovating air-to-surface missiles, developing air-to-ground hypersonic cruise missiles, and working toward achieving an "all Rafale" air fleet by 2035.⁸³ France, unlike Eastern Europe, reduced some of its investment in ground vehicles, choosing to modernize 160 Leclerc tanks, instead of the originally planned 200. However, France is also investing in modernizing its nuclear deterrent and in fighting new threats in areas such as space, cyber, and the deep seas.⁸⁴

- **United Kingdom**

The United Kingdom has also announced a major increase in defense spending. In early 2023, the government of Rishi Sunak presented the *Integrated Review Refresh 2023*, a revised version of

its 2021 national defense strategy, which identifies Russia as the most pressing short- to medium-term threat to European security.⁸⁵ The revised strategy includes a commitment to boost the United Kingdom's defense budget by £5 billion (\$6 billion) over the next two years, excluding security assistance to Ukraine.⁸⁶ The plan also stipulates an increase in defense spending to reach 2.25 percent of GDP by 2025 and 2.5 percent on a yet to be determined timeline. While ambitious, the Sunak government's spending targets are lower than those of his predecessor Liz Truss, who committed to spend 3 percent of GDP by 2030 during her short tenure.⁸⁷ However, some analysts have noted that there is a disconnect between the ambition of the new plan and its stated purpose—to respond to a more contested and volatile world since 2021—and what the funds will actually deliver to the United Kingdom's armed forces. The new funds will largely be allocated to support the AUKUS pact and to replenish munitions and weapons stocks donated to Ukraine, implying that trade-offs will have to be made in other procurement areas.⁸⁸

- **Italy**

In a similar fashion, Italy, the European Union's third-largest economy, has acted to ramp up defense spending, reflecting that Russia's invasion has dampened the otherwise powerful Russia-friendly voices supporting Giorgia Meloni's conservative government. Through both Meloni and her moderate predecessor, Mario Draghi, Italy has passed six military aid packages to Ukraine, with a seventh being prepared and likely to include additional SAMP-T anti-air systems. In the months after Russia's invasion, the Draghi government committed to boosting defense spending from the current 1.4 percent of GDP to 2.0 percent by 2028, following a trend of growing defense budgets during his tenure.⁸⁹ Italy has also increased its defense procurement budget to €7.85 billion in 2022, up from €6.76 billion and €5.45 billion in 2021 and 2020, respectively.⁹⁰ Rome is also currently mulling plans to acquire additional F-35s, drones and submarine-spotting aircraft, tanks, and infantry fighting vehicles.⁹¹

Overall, Europe's current defense investment commitments should make up for a significant part of past shortfalls. The European Commission found that there has been a €200 billion increase in national defense spending commitments across the European Union since Russia's 2022 invasion of Ukraine.⁹² The European Commission found that the funding deficits in defense budgets resulting from insufficient investments over the last decade amounted to €160 billion.⁹³ Therefore, should European states follow through, they should be able to address past gaps to a significant extent and dramatically improve Europe's military capacity.

But delivering on spending commitments is easier said than done, as exemplified by Germany's recent difficulties. Other significant hurdles to filling capability gaps through increased national spending include diminished purchasing power from high inflation, an anemic defense industry unable to meet demand, shortages of raw materials, and administrative structures that are not prepared to quickly ramp up spending.

NEW EU FISCAL RULES?

There are additional countervailing economic forces that may prevent EU member states from following through on defense spending commitments. This is an area in which there is a worrying disconnect between the European Union and NATO. The high levels of debt incurred by European

member states in response to the Covid-19 pandemic and the energy crisis following Russia's invasion have led to renewed calls for the European Union to focus on debt and deficit reduction in the years ahead.⁹⁴ The European Union is currently debating returning to and reforming the Stability and Growth Pact, which sets targets for European states' fiscal deficits and debt-to-GDP ratios, thereby creating fiscal limits on what EU member states can spend.⁹⁵ These restrictions are similar to how U.S. states are required to have a balanced budget. Yet, unlike the United States, the European Union has no fiscal union and lacks the fiscal capacity of the U.S. federal government. Thus, one of the main limitations on European countries meeting any defense spending target is EU spending rules. For instance, if Spain suddenly doubled its defense spending to 2 percent from 1 percent without raising taxes or reducing other items in the budget, it could cause its budget deficit to balloon. The European Commission would, with the Stability and Growth Pact in place and enforced, intervene and require budget cuts or higher taxes, both of which are unpopular and might be politically unsustainable. In the current debate on revised EU fiscal rules, defense has not been a main consideration. Yet how the European Union approaches debt and deficit issues is probably more impactful on the future of European defense, and therefore the NATO alliance, than almost any other current issue.

While it remains unclear how rigid the EU debt and deficit rules will be, it is likely that a revision of the Stability and Growth Pact will be agreed to that will place limits on European spending and require tough trade-offs between domestic policy programs, climate, pensions, and defense. Defense is unlikely to do very well in those future debates. A similar dynamic has already played out in the United Kingdom, where the negative market reaction to the Truss government's economic proposals, which were projected to expand UK deficits, led to the Sunak government reducing defense spending targets from 3 percent to 2.5 percent.

Yet how the European Union approaches debt and deficit issues is probably more impactful on the future of European defense, and therefore the NATO alliance, than almost any other current issue.

Overall, defense spending is likely to increase during the 2020s, resulting in stronger, more capable European militaries. Yet it remains to be seen how impactful or transformational the spending will be, as there is a danger European countries will spend in an uncoordinated manner.

Declining European Defense Cooperation

A major problem plaguing European defense is that the increase in defense investment has not gone hand in hand with an increase in European defense cooperation. European defense cooperation, in fact, is getting demonstrably worse, not better. Europeans, in short, are buying and building different matériel making it more difficult for these forces to operate together.

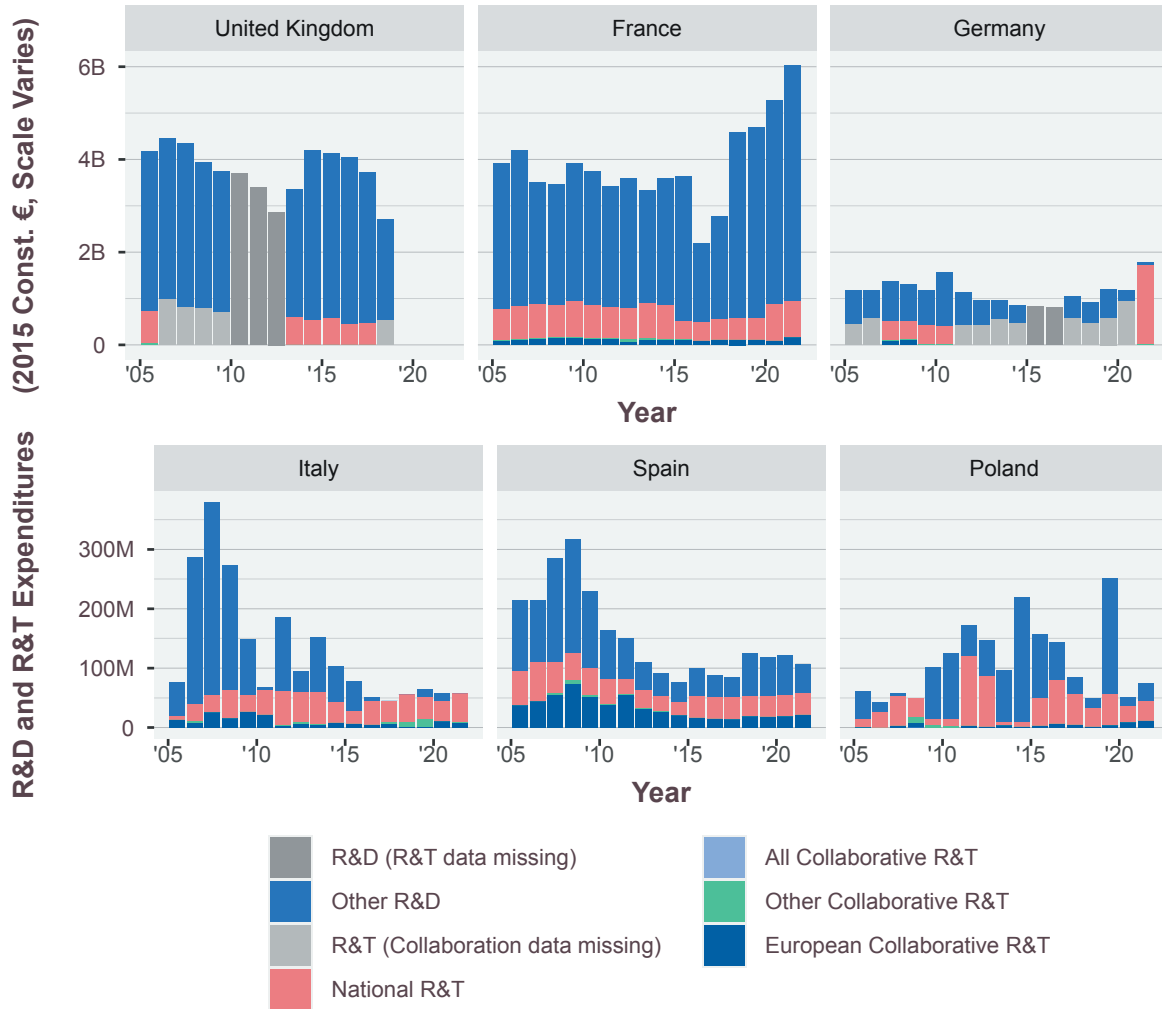
In a report as part of this project, CSIS’s Sean Monaghan highlights that “Europe has a dilemma: it is spending more on defense but cooperating less.”⁹⁶ Defense spending grew by 6 percent to €214 billion in 2021 and is expected to increase by upwards of €70 billion by 2025.⁹⁷ Meanwhile, cooperative defense spending on equipment has declined over the past decade, representing just 18 percent of total defense procurement spending by the countries participating in the EDA in 2021.⁹⁸ According to the European Union, cooperative defense spending in 2020 fell to just 11 percent of total defense equipment procurement spending, which is far short of the 35 percent target set by the European Union.⁹⁹ The trendline for cooperation is also going in the wrong direction, as the 2020 figure was the lowest since the EDA began keeping records in 2005. Moreover, this trend appears to be applicable across development phases, as European collaborative spending has been flat or declining for both procurement and research and technology (R&T) purposes among Europe’s top spenders (see Figures 4 and 5). According to the European Commission, the R&T development phase covers basic to applied research, while the research and development (R&D) phase covers prototyping through full application. The EDA only tracks collaboration in the R&T phase.¹⁰⁰ As Monaghan finds, “cooperation remains the exception, not the rule.”¹⁰¹

Figure 4: Procurement Expenditures among Top European Spenders



*Note: Polish reporting of 100 percent collaborative procurement in 2017–2020 is treated as unlabeled.
Source: "Defence Data," EDA, April 2023, <https://eda.europa.eu/publications-and-data/defence-data>; CSIS analysis.*

Figure 5: R&T and R&D Expenditures among Select Top European Spenders



Note: According to the European Commission, the R&T development phase covers basic to applied research, while the R&D development phase covers prototyping through full application. The EDA only tracks collaboration in the R&T phase. Source: "Defence Data," EDA, April 2023, <https://eda.europa.eu/publications-and-data/defence-data>; CSIS analysis.

What is concerning about these trendlines is that there have also been significant concurrent efforts by both NATO and the European Union to encourage greater cooperation over the last 15 years. The “pooling and sharing” of defense capabilities and responsibilities was seen a decade ago “as the silver-bullet solution to this defence crisis,” assessed German defense analyst Christian Molling. But he found that the efforts ran aground as member states were “blocking a higher level of economic efficiency and military effectiveness by clinging to their desire to decide unilaterally on the interests of their armed forces.”¹⁰² Similarly, in 2020, Nick Witney of the European Council on Foreign Relations observed that “the need for closer European defence integration (the pooling of national efforts and resources) has been received wisdom for literally decades, but with disappointingly little to show for it.”¹⁰³

The lack of cooperation on defense procurement has a cascading effect. It means Europe does not benefit from economies of scale in procurement, meaning the euro does not stretch as far as it should,

limiting Europe's capabilities. The lack of defense-industrial cooperation also contributes to countries procuring different equipment with different specifications. This means that while European NATO forces can all operationally fight together through NATO, they often cannot use each other's equipment interchangeably. For example, despite attempts to ensure common NATO standards through so-called Standardization Agreements, NATO has historically struggled to ensure that its forces could interchange small arms ammunition. For example, during the Global War on Terror in the 2000s, this resulted in reliability issues for U.S. units using British-produced 5.56 mm L2A2 ammunitions in training exercises.¹⁰⁴ Inadequate interchangeability makes it much more expensive and difficult to deploy forces, creating a longer and more complex maintenance and logistical tail. The lack of common equipment also limits how much European forces can work, operate, and train together. Thus, the lack of cooperation makes it difficult for forces to integrate, which makes cooperation rare, leading to greater fragmentation. This then entrenches dependence on the United States to conduct missions. Thus, if the United States wants Europe to be less dependent, greater European defense cooperation is a must.

NATO-EU EFFORTS TO FOSTER COOPERATION

Both NATO and the European Union have launched initiatives to encourage cooperation. Fear of declining defense budgets following the 2008 financial crisis helped make greater cooperation a major alliance priority.

In 2010, then NATO secretary general Anders Fogh Rasmussen presented the alliance's "Smart Defence" concept at the Munich Security Conference, which aimed to deliver military capabilities in a more efficient and cost-effective manner. At a time of heightened financial and fiscal insecurity, Rasmussen suggested that the framework could "help nations to build greater security with fewer resources but more coordination and coherence, so that together we can avoid the financial crisis from becoming a security crisis."¹⁰⁵ This goal was not new, as coalitions of allied states banded together to coordinate capability building and collaborate on optimizing shared weapons systems throughout the Cold War. For instance, NATO's largest commonly funded acquisition program, the E-3A Airborne Warning & Control System (AWACS), originated in 1978 out of the need for more alliance-wide early-warning capabilities.¹⁰⁶ There have been successes from the Smart Defence initiative, but despite Secretary Rasmussen's attempt to reinvigorate NATO's joint capability building, Smart Defence has not been the silver bullet for the alliance's capability building woes. NATO abandoned discussing the concept and appears to have lost focus on the goal of European defense cooperation. NATO's 2022 Strategic Concept did not even mention the need for greater cooperation, despite this being a core goal of NATO when it was founded in 1949. NATO has demonstrated an ability to knit together European militaries into an operational fighting force, but it has struggled to do that among European countries in the realm of force generation.

Over the last decade, the European Union has also aimed to prioritize defense cooperation. Following Russia's 2014 invasion of Ukraine, the European Union took steps to increase its defense role. It created PESCO, an initiative aimed at getting EU member states to work together on defense industrial projects.¹⁰⁷ The European Union also created the European Defence Fund (EDF) to support collaborative, cross-border research and development, including allocating funds to PESCO projects as an incentive for cooperation. The EDF budget for the 2021-2027 period totals

€8 billion, with €2.7 billion dedicated to collaborative defense research and €5.3 billion dedicated to collaborative capability development projects.¹⁰⁸ As Italian defense expert Nathalie Tocci has noted, “the European Commission is now the third-largest investor in defense technologies in the European Union, after France and Germany.”¹⁰⁹

PESCO, however, has proved structurally unwieldy. It was formed in 2017 with 25 participating member states. Thus, PESCO is an EU initiative but is multilateral in character, as it is driven by the member states. This has led to a more complicated governance structure, as PESCO-related legal acts (e.g., regulations, directives, decisions, recommendations, and opinions) have to be approved unanimously by participating member states at the European Council level. Moreover, critics have argued that PESCO projects do not adequately address European shortfalls, such as those put forth in the European Union’s Capability Development Plan, as they have tended to focus on the lower end of the capability spectrum and on what member states could develop at the national level.

The limited amount of money has also been spread thin, as there are 68 PESCO projects currently in development. Progress has often been slow for these projects, with one-third facing delays.¹¹⁰ Many participant states have not followed through, and as defense remains an intergovernmental EU policy area with no severe enforcement mechanism, a culture of non-compliance has permeated the PESCO framework. The most apt enforcement mechanism is the naming and shaming of countries in the annual PESCO assessments.¹¹¹ Thus, PESCO’s format and structure have allowed member states to use it for national rather than European objectives. Belgian defense scholar Sven Biscop notes that “Instead of using PESCO as an instrument to reach a common EU goal, member states instrumentalise it to further their own projects. They ask not what they can do for PESCO, but what PESCO can do for them.”¹¹²

NATIONAL BUREAUCRATIC CHALLENGE TO COOPERATION

The decline in defense cooperation, despite it being a major focus, demonstrates that international defense cooperation is simply exceedingly difficult.

Monaghan explains the challenges to joint procurement, namely the added complexity, divergent preferences and requirements for procurement, and the difficulty in dividing up the work—and therefore also the associated funding and jobs. There are 27 different national ministries in the European Union and 31 in NATO, and all have elaborate procurement and planning bureaucracies as well as varying legislative and reporting requirements. Synchronizing these various bureaucracies and forging the compromises necessary to cooperation is a huge bureaucratic undertaking, and defense planning and procurement cycles may not align between countries. Each country may also have slightly different requirements for various weapons systems, which, even if incredibly minor, can cause friction and delays.

Therefore, senior-level political engagement is often needed to overcome bureaucratic hurdles. But senior-level involvement is almost always the exception rather than the rule. The recent focus on the German Ministry of Defence’s procurement processes has revealed an incredibly cumbersome bureaucratic structure that prevents the rapid acquisition of basic items.¹¹³ A June 2015 assessment from the European Parliament on Europe’s pooling and sharing efforts wrote bluntly that member

states “make progress at a snail’s pace. . . . At the same time, Member States paralyse efforts of the EDA. NATO has not performed much better. This underlines that the core of the problem remains the sovereignty question within Member States.”¹¹⁴ As Schilde et al. explain, it is not European public opposition to EU defense efforts that results in little progress; rather, “a better explanation for stagnation in defence integration might be that national elites, such as defence bureaucrats or protected national industries, benefit from the status quo.”¹¹⁵

An added complexity is the zero-sum nature of defense spending. Countries will unsurprisingly favor their national defense industries when it comes to procurement. Cooperation with others, while potentially more efficient for governments, may not be more profitable for national industries. With the defense companies of Europe’s member states often having access, influence, and contracts from its national capitals and with little money at the European level, there have been few incentives for European defense companies in Europe to work together or merge. European companies tend to collaborate only on major signature projects that are beyond their individual capabilities, such as next-generation fighter jet programs. As a result, the European defense industrial base is not very European at all but instead made up of mainly nationally focused defense firms. A few notable exceptions to this trend include trans-European arms-producing and military services giants such as Airbus, MBDA, and KNDS, the last of which is also a rare example of consolidation in the European arms industry.¹¹⁶

Some key lessons can be derived from the failure to make major strides in European defense cooperation over the past decade. In particular, the pooling and sharing efforts, while producing some beneficial results, have failed to have a transformative effect. These efforts have been more about achieving cost savings and therefore have struggled to create enough incentives to overcome the entrenched bureaucratic challenges to cooperation. Thus, when cooperation does result in progress, such as in the creation of a European Air Transport Command and the joint procurement of aircraft, there has not been sufficient funding available to ramp up cooperation further based on this success.¹¹⁷

Additionally, sprawling multinational efforts such as PESCO can become exceedingly difficult to manage and can easily drift. Furthermore, instead of countries “thinking European,” these venues are often used to advance more narrow national agendas, which can lead to “strategic cacophony” within these efforts. In this sense, there is a classic collective action problem whereby everyone would be better off cooperating but individual or parochial incentives work against joint action.¹¹⁸

Nevertheless, despite its flaws, PESCO is still new and is starting to produce some results. For example, the development of a European Patrol Corvette, developed jointly by Italy, France, Spain, Greece, Norway, and Denmark through PESCO, has been touted as a poster child of European defense integration in the naval realm. The EDF has already injected €60 million into the project, with an additional €200 million expected in 2023 to build a first prototype. Participating member states expect that a construction contract could be signed as early as 2025, with production of the first ship beginning in 2026 and deliveries in 2030.¹¹⁹ So far, the initial development work in areas such as propulsion, integration of uncrewed platforms, and modular design has progressed successfully. Italy and Spain have also promoted the development of a full-combat version, while

France and Spain are pushing for a long-range version.¹²⁰ The EPC demonstrates the potential promise of PESCO projects to spur further cooperation.

Similarly, NATO's Smart Defence initiative arguably contributed to the development of other NATO capability-building initiatives, such as the Framework Nations Concept (FNC), established at the Wales summit in 2014. The FNC built on Smart Defence's focus on joint procurement and capability development by encouraging multinational groups within the alliance to develop deployable capabilities under the leadership of a "framework nation." In doing so, the FNC expanded the perspective of Smart Defence by asserting that nations with strong regional ties and a track record of working together could coordinate their training, exercising, interoperability, doctrine, and operational formations.¹²¹ The Joint Expeditionary Force is an example of the FNC at work, whereby Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, the Netherlands, Norway, and Sweden cooperate on security and defense in Northern Europe under the leadership of the United Kingdom.

Conversely, one positive driver of successful European defense integration over the last decade actually has been the disintegration of national capabilities. When European countries have lacked the resources to maintain all facets of their military cooperation becomes essential. For instance, the Netherlands retired their entire fleet of 600 Leopard 2 tanks in 2011 in order to cut spending by \$40 billion following the 2008 recession. After Russia's annexation of Crimea in 2014, the Netherlands decided to revive its tank capabilities by entering an agreement with Germany to form a new squadron under the German army's Tank Battalion 414. The Dutch would transfer their remaining 18 Leopard 2A6s, which the Germans would operate and upgrade to the 2A7 standard, while the Dutch would ease the German manpower shortage by sending 100 soldiers to join the battalion. The battalion operates under German command but can support Dutch troops under a NATO banner in wartime. In effect, the Netherlands is leasing some of the tanks it once operated independently to its eastern neighbor, which had simultaneously aimed to grow its tank fleet.¹²² France and Belgium have also cooperated extensively on a motorized capacity (CaMo) project, a strategic partnership contract worth €1.6 billion. The agreement enables Belgian forces to purchase matériel already used by the French army, such as reconnaissance and armored vehicles, while increasing the binational operational capacity between the French and Belgian armies. The partnership aims to make Belgian and French units interchangeable with regards to conducting joint operations.¹²³

Additionally, Europeans have found a way to coordinate and cooperate when it comes to air transport and air refueling, in part due to their limited assets. Poverty of assets has facilitated cooperation. Europe has a dizzying array of entities that coordinate European air mobility, including the Movement Coordination Centre Europe, which is made up of 28 states and acts as "brokers for strategic lift issues" outside of the structures of the European Union or NATO.¹²⁴ This is similar to the European Air Transport Command, which also operates independently to exercise operational control of aerial refueling and military transport capabilities of seven European Union member states. There are also NATO efforts that pool and hold assets collectively. While this seems like an institutional mess, it also seems to work. As a recent CSIS study found, there is no evidence that these various mechanisms have failed to execute

missions. The study concluded that “This seems to be a case where the principle of normalizing cooperation has in fact led to an effective system.”¹²⁵

The challenge today, however, is how to incentivize cooperation with growing, not shrinking, defense budgets. This is where increasing incentives to cooperation will be critical.

Recommendations for a New Path Forward

It is clear that the status quo is untenable and that a new vision for European defense is necessary. To avoid repeating the mistakes and misunderstandings of the past from both sides of the Atlantic, this will require a concerted effort from the three major players in European defense, namely the European Union, NATO, and the United States. First, the European Union should leverage its significant fiscal capacity to address critical capability gaps and establish strong financial incentives for joint procurement through a bottom-up “integration-by-doing” approach. Second, NATO should prioritize its existing tools to spur cooperation, for example through leveraging its expertise in military standard-setting and making greater use of the alliance’s common funding mechanism. Third, the United States must actively embrace European defense integration, including the European Union’s emerging defense role and a robust European defense industrial base. These three paths are not mutually exclusive nor detrimental to European defense, as they are in fact largely complementary and would contribute to the long-term sustainability of the broader transatlantic relationship.

A New Emphasis on Defense Integration through the European Union

Despite the challenges, reversing the downward trend in European defense cooperation should be a major priority for Europe, NATO, and the United States. As noted, Europe in aggregate spends a considerable amount on defense, surpassing €200 billion (\$215 billion) by the 26 EDA members for the first time in 2021.¹²⁶ This aggregate spending is in addition to that of European

NATO members that are not EU members such as Turkey, Norway, and the United Kingdom, which spent approximately €14.31 billion, €7.34 billion, and €59.87 in 2021, respectively, and Denmark, which only recently joined the EDA.¹²⁷ On paper, Europe should have enough people in uniform and enough naval vessels, aircraft, and vehicles to put together a strong, capable fighting force able to deter conventional adversaries and conduct expeditionary and out-of-area operations. But in reality, Europe struggles to conduct major combat operations at scale without the United States. As a CSIS report from 2021 on Europe's high-end military challenges highlighted, even the most capable European NATO members, such as France and the United Kingdom, lack sufficient heavy maneuver forces, airlift, naval combatants, missile defense, and support capabilities to conduct large-scale combat alone against Russia, for example.¹²⁸ These operational challenges extend to the Indo-Pacific as well, where European militaries will struggle to sustain a military presence. The report finds that Europe's major powers will likely only be able to conduct mission sets at the lower end of the conflict continuum without U.S. assistance, such as crisis response and limited contingency missions. Thus, a focus on European defense integration and cooperation would seek to push Europeans to move toward joint collective European approaches. This will require creating significant incentives to facilitate cooperation.

The European Union has a demonstrated track record in breaking down barriers, integrating protected sectors, and forging a single market with common standards across the bloc. However, this will be difficult in defense, as it is a national “competency” and is thus the domain of European nation-states. In 2009, the European Union sought to use its regulatory prowess by adopting the Defence Procurement Directive to forge integration of European military industries through means of liberalization, but with little to no effect.¹²⁹

The heavily protectionist and politically sensitive agricultural sector may provide a model for European defense integration. In order to break down barriers between EU member states and create a single market for agriculture, which therefore required common regulatory standards and practices, the European Union created the Common Agricultural Policy. This amounts to a roughly €380 billion outlay to farmers across the European Union, which represented 31 percent of the total EU budget as stipulated in the 2021-2027 Multiannual Financial Framework.¹³⁰ This was seen as necessary to incentivize farmers to accept the harmonization of standards and creation of a single market. While no analogy is perfect, the defense sector in each member state tends to be heavily protected and interconnected with the state and would likely require similarly strong incentives to accept greater integration.

THE EUROPEAN UNION'S FUNDING POTENTIAL

The main advantage of the European Union compared to NATO, and its main vehicle for spurring integration, is that it has significant funding potential. It has a currency and a budget with “federal” traits. While the EU budget and most EU initiatives are funded through national contributions, much like a typical multilateral organization such as NATO, the amount of money allocated to the European Union is far more substantial. For instance, the 2021-27 Multiannual Financial Framework establishes that the European Union can spend a maximum of €173 billion each year, which is equivalent to around 1 percent of the bloc's GDP.¹³¹ This budget is financed by customs

duties, contributions based on the value-added tax (VAT) collected by member states, and direct contributions by EU countries proportional to their GDP per capita. These funds are spent on cohesion policies (35 percent), agriculture (33 percent), the internal market (12 percent), foreign policy (9 percent), administration (7 percent), migration (2 percent), and defense (1 percent). In addition, following the Covid-19 pandemic, the European Union also decided to borrow upwards of €807 billion in 2020 on international markets to finance the so-called NextGenerationEU programs.¹³² With this decision, and as suggested by Spain's former foreign minister Ana Palacio, the European Union has proven that it can credibly and consistently finance parts of its common spending with the issuance of EU bonds, which could be bought by international investors and even by the European Central Bank, "thus also serving as a much-needed EU safe asset."¹³³ It is true that NextGenerationEU funds were presented as a one-off effort. However, once the European Union takes an action, such as issuing debt to finance European public goods, it sets a precedent for further action, especially if it has been deemed successful. Moreover, the European Union is committed to increasing its own resources with new, already approved instruments, such as the plastic tax and the carbon border adjustment mechanism, as well as additional instruments currently under discussion, such as a financial transaction tax.

The big question is how much funding the European Union can potentially access. There is a strong case for the European Union to borrow additional funds, especially to address some of the urgent European defense gaps.¹³⁴ The example of the \$807 billion NextGenerationEU funds may provide a model because it has broken the taboo of the European Union borrowing large quantities in international markets effectively. Calle Håkansson of the Swedish Institute of International Affairs has advocated for more common borrowing and promisingly reveals that "ideas on new common borrowing for defence are already being discussed within the EU but nothing concrete has materialized yet."¹³⁵ What is needed is a political decision to move forward. It would not be easy, but the current geopolitical context and the ongoing war in Ukraine could be a trigger, especially if supported by the United States and NATO.

Additionally, the European Union should allow for greater flexibility around its fiscal rules. Increased national contributions to EU defense procurements should also be recognized as contributing to the 2 percent of GDP figure. Should Spain, for instance, want to increase its commitments to European defense projects rather than to national spending, it should be encouraged and incentivized to do so. Furthermore, these contributions could be excluded from counting toward the debt-to-GDP and deficit restrictions of the Stability and Growth Pact. All of this will be politically challenging, which is why strong encouragement by the United States, bilaterally and through NATO, will be crucial. While the European Union is unlikely to generate additional revenue in the short term, creating greater fiscal flexibility for member states will be key.

Thus, the European Union has the potential funding capacity to help fill gaps in European security both with its own resources and by borrowing in international markets. However, the European Union is unlikely to significantly expand its defense funding without pressure from the United States and NATO. In short, the European Union should assume a more central role to fill capability gaps, solve alliance problems and shortfalls, and ensure that Europe can operate as one.

THE LONG SLOG OF EUROPEAN DEFENSE INTEGRATION

With adequate funding, the European Union's defense efforts could foster a gradual process of defense integration. This effort could reflect the neo-functional political science theories of European integration, which sees EU integration happening less by design and more by empowered European institutions finding gaps, opportunities, and problems to solve. In other words, European defense integration is not about having a long-term end state for European defense, such as a "European army," but instead a gradual process focused on addressing common issues, breaking down barriers to cooperation, and harmonizing practices, laws, rules, standards, and regulations such that European forces can operate seamlessly together.

A single European military is thus highly unlikely for the foreseeable future, as countries such as France and Poland have strong, proud militaries and national traditions. It was the French, for instance, that voted down the creation of a European Defense Community, which was strongly supported by the Eisenhower administration and would have created a European military. Instead, it is more conceivable that Europe could begin to develop more of a mixed hybrid force, where nation-states maintain militaries but Europeanize certain capabilities or forces—either at the EU or NATO level. It is also possible to imagine EU members deciding to move some responsibilities to the EU level. For instance, the European Union could provide airlift and refueling, recruiting personnel from across the bloc. The European Union could pull from air forces across member states, similar to how it staffs its embassies or "delegations" with a mix of EU-owned diplomats and diplomats seconded from their home embassies.

In some respects, this process is already occurring. Following operations in Libya, in which the United States provided 80 percent of aerial refueling, the EDA led an initiative that was endorsed by NATO to address this shortfall.¹³⁶ The EDA project to procure new Airbus A330 aircraft was started by the Netherlands and Luxembourg in 2016, and later Germany, Norway, and the Czech Republic joined, procuring nine aircraft in total, seven of which have already been delivered. The aircraft are owned and managed by NATO, and as a NATO fact sheet highlights, "the project therefore constitutes a practical example of effective cooperation between NATO and the European Union in delivering critical capabilities."¹³⁷ There are structures of cooperation that could be developed should the EU step in with the resources to spur cooperation.

European Union officials and European leaders should thus pursue the following course of action:

First, the European Union should help address critical readiness shortfalls and address urgent priorities, especially those exposed by Ukraine. The European Union's current joint ammunition procurement effort is a perfect example. The European Union, prompted by an Estonian proposal, has agreed to use the European Peace Facility to fund acquisition of artillery for Ukraine. EU commissioner for internal market Thierry Breton has spearheaded the bloc's initiative to deliver 1 million artillery shells to Ukraine within a 12-month time frame through a €2 billion plan. To reach this goal, Breton recently announced the Act in Support of Ammunition Proposal, which will make €500 million from the EU general budget available to European shell factories to boost weapons manufacturing, with additional money from cohesion and pandemic recovery funds for member states to co-finance their defense industries.¹³⁸ Controversially, this effort would be the

first to tap into the general EU budget and use funds originally intended for development across the bloc for military aims.

There had been an assumption that the EU treaties prevented the acquisition or holding of military defense equipment. But this does not appear to be the case, as the European Union is procuring ammunition for Ukraine and has procured arms, small vessels, and uncrewed aerial vehicles for its FRONTEX border service.¹³⁹ The European Union could also expand its efforts to rebuild its tank fleets and provide funding to ramp up production, while the European Union or NATO could potentially undertake similar steps to rebuild munitions stockpiles for their respective member states.

Second, the European Union should create significant financial incentives for countries to buy and build together. The logic here is straightforward: countries need to be incentivized to overcome the bureaucratic obstacles to do joint procurement. In short, they need to be paid. The European Union could essentially defray some of the costs for member states should they buy with others. The European Commission has proposed a range of initiatives to do this, including new funding mechanisms. The European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA) is a pilot project that funnels €500 million into joint procurement of critical defense capabilities.¹⁴⁰ For instance, if an EU member state is seeking to buy new attack helicopters, they should look to find other EU member states also willing to buy the same system. The EDA could help play matchmaker and work through requirements, with the European Union making a contribution to acquisition, therefore lowering the cost for the member states and creating more interoperability. The European Union could thus serve as a vehicle for member states to meet their NATO Defence Planning Process (NDPP) targets. EU funding therefore is in direct service of strengthening NATO.

In the longer term, EDIRPA's next iteration, the European Defence Investment Programme (EDIP), will be larger in scale and aim to incentivize member states into forming consortia to procure equipment. Yet the time it has taken to launch a mere pilot program and the small amount of funding in EDIRPA raise doubts about the impact of these initiatives. While these initiatives could greatly incentivize greater defense cooperation, there is a danger that they will be too little too late.

Third, the European Union should bolster the EDF to make acquisitions. For example, the EDF could help procure the European Patrol Corvette that is being developed through PESCO for European navies. Currently, EDF funding is solely dedicated to research and development activities. The fund finances up to 100 percent of research activities, while development activities can be covered between 20 and 80 percent from the prototyping to certification stages. The EDF has been allocated €8 billion for the 2021–2027 budget period, divided into €5.3 billion for development and €2.7 billion for research activities.¹⁴¹ However, the fund's remit does not cover costs for defense capabilities in the acquisition stage, given the European Union's now-outdated presumption that common funds cannot be used to procure weapons. A feasible first step could thus be to increase the so-called PESCO bonus, in which PESCO projects can receive a higher rate of EU financing than that available to other collaborative projects supported with EDF funding (currently 30 percent rather than 20 percent).¹⁴² In the longer term, EU countries should also aim to develop a more robust procurement arm that complements the EDF's collaborative focus

on research and development by being active in the acquisition phase of European defense procurement. This could feasibly be done through a permanent and well-funded EDIP, which should aim to boost the production of joint capabilities and incentivize collaboration among EU states on defense purchases, thus going beyond the short-term focus of the EDIP's predecessor, EDIRPA.¹⁴³ Similar efforts are already underway in the European Parliament, where a recent proposal called for a €1 billion instrument to incentivize joint procurement by funding up to 20 percent of a contract's value when undertaken by at least three member states.¹⁴⁴ These ideas are potentially very impactful, but the scale of funding needs to match the challenge.

The magnitude of this geopolitical moment merits more ambition than a two-year pilot program with just €500 million in funding. Without a bold and well-funded initiative, Europe will spend significantly more but will do so in an uncoordinated, ad hoc manner that sets back further defense integration.

Fourth, Europeans should invest in high-profile projects. Europe should also expand its ambitions into new types of systems. It could for instance seek to build a European submarine. As a CSIS report on European naval capabilities found, "Building on the experience of the European Patrol Corvette, Europeans should step up their ambition and consider the joint development of new critical capabilities, such as submarines."¹⁴⁵ This is not only a critical capability for European security but could make Europe a more capable actor and partner for the United States in the Indo-Pacific. A similar approach should be taken in the air defense realm, where Europeans should address the most serious capability gaps and focus on very short- to medium-range ground-based air defense. A CSIS study analyzing the recently launched European Sky Shield Initiative suggests that this could be done through a mix of coproduction to maximize specialization in specific participating states and codevelopment to advance technology transfers.¹⁴⁶

Fifth, Europeans should focus on addressing critical capability shortfalls that limit Europe's ability to conduct operations on its own. The European Union should focus on ensuring that it and European members of NATO have the capabilities to act without the United States, if needed. Identifying these shortfalls and the need to address them is hardly a novel insight, as the 2005 CSIS report by Flournoy and Smith also argues that Europeans should address critical capability shortfalls through pursuing greater defense integration.¹⁴⁷ In a more recent context, as previously noted by a 2021 CSIS report, these high-end shortfalls are most acute with regard to Europe's ability to conduct large-scale combat operations independently, with specific limitations in heavy maneuver forces, airlift, naval warfare, missile defense, and critical support capabilities, such as logistics and fire support.¹⁴⁸

Specifically, the European Union could play a more assertive role in procuring critical enabling capabilities in the air domain. European forces have significant deficiencies in a host of critical capabilities in the air domain, including airborne C2, such as the E-3 Airborne Warning Control System (AWACS); air-to-air refueling; airlift; ISR drones; electromagnetic warfare; and suppression of enemy air defense.¹⁴⁹ These acquisitions are often beyond the capacity of any one European country and require cooperation. For instance, the European Union could itself procure additional air refueling planes that it would own but provide them to NATO or member states to operate within one of Europe's air mobility consortia.

Sixth, the European Union should include, as much as possible and feasible, non-EU European NATO members like the United Kingdom, Iceland, Norway, or Turkey in its defense cooperation efforts. For a country like Norway this will be relatively straightforward, as Norway is integrated into many EU initiatives, despite not being a formal member of the European Union. For instance, Norway has provided funding to the European Peace Facility to support the European Union’s Ukraine training mission.¹⁵⁰ UK-EU defense cooperation could also be an important vehicle to expand cooperation post-Brexit. The UK defense industry is also heavily engaged with its European counterparts. Turkey will pose a much more significant challenge, particularly after President Recep Tayyip Erdoğan’s recent reelection, but defense industrial engagement could conceivably be an area that could incentivize greater EU-NATO cooperation.

Seventh, EU funds should benefit the European Union as a whole. EU defense funding initiatives cannot be seen as a mechanism to simply support, for example, the French defense industry, as political support for EU funding efforts would collapse. Instead, the European Union will need to engage defense companies in countries across the union, much like what it is doing to procure 155 mm ammunition. Additionally, part of the objective of defense funding would be to spur increased defense industrial integration within Europe such that national defense firms further increase their collaboration. With regard to aligning disparate national incentives, a CSIS report on international joint development programs details some best practices to minimize inefficiencies and mitigate competing priorities.¹⁵¹ For example, with regard to balancing competing national objectives within individual projects, the authors note that the Joint Strike Fighter (F-35) program’s “workshare was distributed by giving participant countries the right to compete but not a guaranteed share.” Participating countries knew the targeted price points for basic variants and were given the option to customize production units using their own national funds. The JSF framework thus enabled participating countries to prioritize industrial base development over their effective unit price by subsidizing domestic development activities to ensure they were price competitive.

Lastly, the European Union should leverage its increased funding to push for greater bureaucratic alignment between national defense ministries. Through funding joint efforts, the European Union will gain greater leverage and influence over national ministries of defense, which it can use to foster greater alignment and create more uniform practices and procedures. This is a role common to the European Union. For instance, the European Union could also create some conditions and best practices to which national ministries of defense must adhere in order to receive funding. This effort could begin to harmonize or Europeanize the way national ministries do business, making it easier for them to work together. NATO could also be complementary in these efforts as well, such as by pushing for greater alignment through its Conference of National Armaments Directors.

NATO Should Prioritize Cooperation

While this report has focused more on the novel role the European Union could play, NATO also has a hugely important role in facilitating and prioritizing cooperation. NATO, after all, is and will remain the preeminent military institution within Europe. NATO needs to focus on defense

cooperation and should embrace the objective of seeking to create a European pillar within NATO, which should contribute to its thinking when it comes to setting force requirements.

NATO should thus pursue the following objectives:

1. Prioritize force integration through NATO’s New Force Model.

At its June 2022 Madrid summit, NATO leaders agreed to an NFM that would increase the number of troops on high alert to 300,000—a dramatic uptick from the 40,000 troops that currently comprise the alliance’s quick reaction force, the NATO Response Force.¹⁵² The NFM aims to render 100,000 troops available within 10 days and 200,000 troops available in 10 to 30 days. Given the timing of the NFM, the bulk of the combat forces are intended to be pulled from high-readiness European forces, something Europe presently lacks.

On the one hand, the demand for a greatly expanded higher readiness force appears untethered from the reality of the decrepit state of European forces. For instance, the Germans are struggling to adequately equip their forces for the NATO Very High Readiness Joint Task Force (VJTF), which Berlin took the lead of in January 2023. The VJTF is the highest-readiness element of the NATO Response Force, which comprises 11,500 troops and was deployed to Romania immediately after Russia’s invasion to reinforce the alliance’s eastern flank.¹⁵³

On the other hand, as Sven Biscop notes in a policy brief analyzing the NFM, NATO could be laying the basis for a de facto European army.¹⁵⁴ Biscop has noted that if the forces are supposed to operate in large multinational formations, the EU experience tells us that “temporary multinational formations, such as the EU Battlegroups, do not work. Working up a multinational unit during several months; putting it on stand-by and/or pre-deploying it for a fixed term; and then dissolving it: even if the will to deploy were there, this means that the accumulation of experience is almost zero.” Instead, he argues that for the NFM to work, it should come in the form of permanent multinational formations in which national brigades “systematically train and exercise together. . . . Doctrine and equipment can be gradually harmonized between the national brigades.” He concludes, “this would not be a single European army, of course,” but it would constitute a “full spectrum force *package*. That would be a tangible European pillar within NATO.”¹⁵⁵

In other words, the need to defend every inch of NATO territory should sharpen the focus on creating not just a pool of ready forces but a cohesive fighting force that can operate as one. EU procurement efforts could play a significant long-term role in this effort, complemented by NATO standard-setting to ensure interoperability and interchangeability of key systems.

2. Emphasize EU-NATO cooperation on military mobility across Europe.

European militaries face immense challenges simply moving forces across the continent. If Russia invaded the Baltics, it would be exceedingly difficult for Western European and U.S. forces stationed there to move their forces eastward. The difficulty of transporting forces was on display as NATO sought to deploy more forces to Europe’s eastern flank in 2022. For example, due to a lack of uniformity in rules for transporting military equipment across European borders, France struggled

to get its forces to the remote Romanian location set to become the primary French military base on Europe's eastern flank.¹⁵⁶ Leclerc tanks were categorically refused transit by road through Germany due to weight requirements, forcing France to reroute the equipment by train. France's external operations of the past decades have relied on air or sea transport as the primary mode of logistical deployment, but the war in Ukraine has forced a pivot back to land transport, and rail transport in particular, for the French armed forces. DGA, the unit responsible for equipment procurement in the French military, has estimated that the French armed forces will need 250 additional specialized wagons for rail transport by 2029 to complement its current fleet of 500 wagons.¹⁵⁷ Additionally, the need to retrofit bridges and bolster civilian infrastructure to support military equipment is an important EU initiative that must be guided by NATO planning and prioritization.

3. Leverage the power of small groups within NATO and the European Union.

An important development to improve the functioning of NATO and European defense is the formation of smaller subsets of like-minded nations working together and deepening their defense cooperation.¹⁵⁸ With NATO comprising more than 31 countries and defense being the responsibility of European states, there is a danger that universal approaches will also result in the lowest common denominator.

The Joint Expeditionary Force (JEF) is one important example. The JEF is a UK-led initiative and involves nine Nordic and Baltic states intended to pool high-readiness forces to respond rapidly to emerging crises. The JEF, for instance, may be able to deploy at much greater speed than NATO, which demands unanimity among 31 nations. The JEF has emerged as a flexible and pragmatic alternative to NATO and the European Union to boost northern Europe's deployable defense capacity. For example, JEF forces have deployed several times to partake in the BALTOPS exercise, a NATO-led exercise held annually since 1972. In 2021, the JEF also conducted its first maritime task group deployment in the Baltic Sea on security patrol and conducted a Joint Protector exercise in Sweden to counter modern hybrid threats.¹⁵⁹ Similarly, the French-led European Intervention Initiative, which involves a subset of EU member nations willing to engage in out-of-area operations, could be a useful mechanism for EU military efforts. This vehicle was used for intervention in the Sahel.

Additionally, Denmark, Sweden, Norway, and Finland recently announced that their air forces, a sizeable fleet of more than 200 fourth- and fifth-generation fighter jets, "aims to develop the Nordic air forces to operate seamlessly together as one force in the Nordic region."¹⁶⁰ The initiative aims to pursue four lines of effort: (1) integrated air C2 and air operations planning and execution; (2) flexible and resilient air basing; (3) shared air situational awareness; and (4) common air education, training, and exercises. Increasingly, the Nordic states may thus operate as one in the aid domain, working seamlessly between and across nations. This is a significant step toward deeper defense integration in the Nordic-Baltic region.

4. NATO should prioritize standard-setting to encourage interchangeability of systems, particularly munitions.

NATO can play a part in ensuring that European forces are not only interoperable but use truly interchangeable equipment when deploying. NATO already excels at this, as military standard-setting

is an area where NATO possesses extensive bureaucratic knowhow and experience. The alliance has agreed to hundreds of Standardization Agreements over the years, specifying technical specifications for equipment and common practices that must be implemented by signatory allied states.¹⁶¹

However, increased NATO coordination in the munitions realm could be an area for improvement. Moving toward not simply interoperable but also “interchangeable” munitions was highlighted as a central priority by Pentagon acquisition and logistics chief William A. LaPlante shortly after a meeting between NATO national armaments directors and the European Union in September 2022. This would, for example, entail setting standards that ensure that 155 mm rounds manufactured in one allied country will work with howitzer gun tubes in any other allied country.¹⁶²

5. Increase NATO common funding.

NATO common funding is used to provide alliance-wide goods with resources pooled by allies. NATO common funding is largely about ensuring the operations of the alliance and not intended to spur joint procurements. The NATO Security Investment Programme (NSIP) funds major construction and C2 systems using the “over and above” principle, which supports the provision of requirements that it would not be reasonable for an ally to bear individually. There have been some notable efforts to do joint procurements. For example, NATO’s Strategic Airlift Capability and NATO’s fleet of Boeing E-3A Airborne Warning and Control System (AWACS) aircraft were procured during the Cold War. But these have been few and far between. Greater common funding for the purposes of defense procurement will also inevitably lead to defense industrial disputes between the United States and European countries over where the money should be spent. Efforts to increase common funding have often run into opposition, particularly from France. NATO, however, was able to agree a commitment to increase common funding at the 2022 Madrid summit. In short, it makes sense to increase common funding focused on expanding the resilience of NATO operational infrastructure and to support operational tasks, while leveraging EU resources for procurement.

6. Expand funding for NATO’s DIANA innovation fund.

The Defence Innovation Accelerator for the North Atlantic (DIANA) initiative is accompanied by a €1 billion innovation fund. DIANA funds are separate from the normal NATO budget, and allies pay into it voluntarily. It will fund a network of tech accelerators, innovation hubs, and start-ups producing promising dual-use technologies across Europe and the United States beginning in 2023.¹⁶³ As with the European Union’s incentive schemes, this is a creative initiative that could result in useful products, but its funding is small and participation remains voluntary.

7. Prioritize out-of-area missions in NATO-EU cooperation.

There is a role for both NATO and the European Union in conducting out-of-area or crisis response missions. However, this is also where duplication of effort is a concern. The major concern with the European Union duplicating NATO is that it will deprive NATO of needed forces. There is a single set of forces available to European military planners. A German brigade or UK Royal Air Force squadron cannot be in two places at once.

Given the poor state of European militaries, European states often struggle to meet NATO force commitments, meaning U.S. and NATO officials frequently express concern about the duplication with the European Union. NATO officials have also expressed opposition to the European Union setting up distinct command headquarters. NATO secretary general Jens Stoltenberg has insisted, “Any attempt to establish parallel structures [or] duplicate the command structure . . . will weaken our joint capability to work together because with scarce resources we need to prevent duplication and overlapping efforts.”¹⁶⁴ This is a significant issue given the woeful state of European forces. But the root of the issue is not actually the potential duplication but that European countries do not have sufficient capable forces.

For NATO, Allied Commander Operations, led by the supreme allied commander Europe (SACEUR), develops operational plans for specific missions. The on-paper force structure that SACEUR refers to during this process is based on the NATO Defense Planning Process allocations; when a crisis erupts, SACEUR assumes they will be able to draw on the forces that members have offered to make available on paper. When the time comes to request those forces, allies must agree to provide them; they may also decline or negotiate providing other forces instead. SACEUR may ask for a brigade and receive a battalion. Hence, there is real concern that EU missions will sap the forces available to NATO.

The European Union also currently runs a slate of Common Security and Defence Policy missions, both military and civilian.¹⁶⁵ The 2022 Strategic Compass, in large part due to the dependence of European forces on the United States to depart from Kabul, laid out the objective of developing the European Union’s Rapid Deployment Capacity (RDC) of up to 5,000 deployable troops, which would involve strengthening the European Union’s de facto headquarters, the Military Planning and Conduct Capability.¹⁶⁶ The RDC will need a number of EU member states to identify a brigade capable of conducting out-of-area or expeditionary operations.

However, NATO’s NFM also creates an Allied Reaction Force (ARF). NATO has crisis management operations as a core task. The ARF and RDC therefore both seek to pull high-readiness expeditionary forces. This, in short, is pointless and is a prime example of duplication. But it raises the question of whether the European Union or NATO is the more logical place to have this capability. ARF is assigned exclusively to SACEUR, which, as Sven Biscop notes, is problematic because for the past two decades crisis management has taken place outside of NATO and EU frameworks.¹⁶⁷ Thus, instead of creating an exclusive NATO force that is unlikely to ever be used by NATO, the ARF and RDC could be “regarded as a single force,” available to both the European Union and NATO or to deploy in ad hoc coalitions.¹⁶⁸

Conceptually, there is potential to see a division of labor between NATO and the European Union. With NATO focused now on conventional warfare in Europe and deterring Russia, the European Union, with its growing global role, more focused on crisis response, counterterrorism, and humanitarian missions in Europe’s periphery. The European Union’s Strategic Compass emphasizes the heightened threat environment in Europe’s southern neighborhood, where “the crises in Libya and Syria remain unresolved, with lasting and pervasive regional consequences.”¹⁶⁹ If either of these situations deteriorates, Europe may feel the need to act as if this is a threat to European security, but the United States, and therefore NATO, might have little interest in participating. Additionally,

Turkey, under President Erdoğan, is increasingly acting militarily in the Middle East, the eastern Mediterranean, and North Africa in ways that may work against EU and European interests. Turkey may block NATO from involvement in issues that impact Europe's security.

Nevertheless, concerns about duplication are real, but conflicts or tension around a "single set of forces" should be able to be addressed through coordination between NATO and the European Union. The U.S. military has tremendous duplication and overlap embedded within its structure to avoid gaps and resolves issues through coordination. EU-NATO coordination should be able to easily and quickly resolve and work through any friction, as the allies have done to date, with both managing to conduct missions.

Recommendations for the United States

As this report has highlighted, the United States remains the most important partner and ally to Europe in the defense realm. In order to sustain and strengthen transatlantic relations for the many challenges that lie ahead, the United States should welcome and encourage a more capable European defense apparatus, including the short-term downsides this will entail in the form of reduced influence and defense industrial market access. While the Biden administration has rhetorically committed to a "stronger and more capable European defense," the policies to back this up have been conspicuously absent.¹⁷⁰

The United States should thus pursue the following objectives:

1. Convene a White House-led interagency process to outline U.S. strategy and objectives for Europe.

As outlined above, the United States is not clear on what it wants from Europe. It rhetorically bemoans European dependence but, in practice, seeks to protect and preserve the United States' indispensable role in Europe. The United States therefore lacks a clear strategic vision for what it wants from Europe and what it sees as Europe's role in the world. This report has highlighted the benefits of shifting from an emphasis on maintaining U.S. primacy in Europe to one that seeks to encourage a stronger and more assertive European role in the world. However, what is needed is a clear direction for U.S. policy toward Europe.

2. Emphasize European defense integration and cooperation as much as defense investment.

A major thrust of U.S. policy should be to encourage, foster, and demand greater European defense integration. For decades the United States has strongly opposed European defense cooperation efforts. It has not supported the formation of a European pillar within NATO, nor the development of EU defense. In the longer term, ensuring that European allies transform into a capable European pillar of NATO is most easily achieved through deeper integration in areas such as procurement. This is of immense importance to maintain deterrence on Europe's eastern flank and enable European countries to contribute in a possible conflict scenario in the Indo-Pacific.

3. Embrace the European Union’s developing defense role and push for more EU defense spending.

President Biden missed a significant opportunity when he attended the European Council meeting in March 2022—the meeting of all EU heads of state—and did not ask the European Union to spend more collectively on defense. If the European Union can borrow and invest for pandemic recovery, it can also borrow in response to the war. These funds could be used to bolster security assistance to Ukraine, backfill equipment shortfalls, incentivize joint procurement, and even acquire enabling capabilities for the European Union and NATO, such as additional airlift; refueling; ISR; or air defense.

If the European Union can borrow and invest for pandemic recovery, it can also borrow in response to the war.

The United States should insist that the European Union find resources to help address Europe’s capability gaps. Instead of just insisting on NATO member states spending 2 percent of GDP on defense, the administration should insist on the European Union spending more as well. U.S. and NATO support makes or breaks EU defense efforts. For the European Union to facilitate European defense integration, it likely needs the strong backing of EU member states. However, the European Union has lacked backing from its member states, particularly from eastern members most reliant on NATO security guarantees and therefore the United States. Strong opposition from the United States and NATO to EU defense efforts has significantly curtailed their ambition and scope. Thus, EU defense initiatives need the backing of member states, but that requires the support of the United States and NATO.

4. Emphasize the need for Europe to acquire equipment that reduces dependence on the United States, particularly systems needed in the Indo-Pacific.

The United States should conduct an assessment of capabilities that it may need to move from the European theater to the Indo-Pacific. The United States should share the findings of that assessment with its European partners and encourage them to invest in those systems to bolster NATO’s resilience. Instead of pretending that current force deployments to Europe are fixed, U.S. defense planners should make clear to European planners where gaps could arise.

5. Prioritize strengthening Europe’s defense industrial base and accept that Europe will want to buy European.

The weakness of Europe’s defense industrial base is a problem for the transatlantic alliance, which also contributes to soft support for European defense spending. The United States will need to accept that if the European Union emerges as a critical funder of European defense procurement, it will buy European. This is not a recipe for potential alliance decoupling, as such concerns overstate the overall importance of transatlantic arms sales in undergirding the alliance and diplomatic relations. Europe buying European would thus create a similar political industrial complex as exists in the United States.

However, the formation of a stronger, more internally focused European defense market does not and should not end transatlantic defense cooperation. Yet the idea that the United States and Europe could form a fully integrated transatlantic defense industrial base for NATO is highly unlikely. In this view, instead of Europeans buying fewer American systems, they would work and cooperate more with U.S. companies, meaning EU resources could buy American systems. For example, the United States recently insisted the European Union sign an administrative arrangement that would make U.S. companies eligible for EU defense funds before agreeing to launch a security dialogue. This would also likely be the preferred outcome of major European defense companies that want reciprocal access to the U.S. market, but there are two critical problems. First, the United States remains highly restrictive regarding the transfer of U.S.-controlled defense technology to non-U.S. companies. While there are constant demands to improve and reform the International Traffic in Arms Regulations (ITAR) regime, the basic challenge is that advanced cutting-edge technology is extremely sensitive, and the U.S. government and U.S. defense companies are very reluctant to share the technology and intellectual property with other countries and companies. Second, the U.S. Congress wants to support jobs in the United States, not in Europe, which limits acquisition of European systems. While some advances could be made around the margins, the U.S. Congress will likely continue to insist that most U.S. defense dollars are spent in the United States, making transatlantic defense integration more of a one-way street.

Therefore, more targeted forms of cooperation around specific systems are more realistic. The AUKUS agreement between the United States, United Kingdom, and Australia could also provide a potential test case for greater industrial collaboration and technology sharing. Additionally, Congress and the U.S. military should see strengthening the European defense industrial base as a priority and should expand its acquisitions of European systems, especially when they have a competitive advantage over U.S. suppliers. Europe, for instance, has military shipbuilding capacity, which represents an industrial area where the U.S. Navy is struggling to rebuild its industrial capacity.¹⁷¹ In this regard, the U.S. Navy is already using Italian shipbuilding giant Fincantieri's design for a multi-purpose frigate as the base for its newest surface combatant.¹⁷²

6. Treat the European defense industrial base as a strategic advantage for the Indo-Pacific and focus on interchangeability of weapons.

The war in Ukraine has demonstrated the critical defense industrial role allies and partners can play in sustaining a war effort. A recent CSIS report noted that “The U.S. defense industrial base is not adequately prepared for the competitive security environment that now exists. It is currently operating at a tempo better suited to a peacetime environment.”¹⁷³ A stronger European defense industrial base could supplement the U.S. defense industrial base in a war. For instance, should there be a conflict in the Indo-Pacific, the United States might struggle to produce the munitions necessary to fight a sustained war. This is where Europe could potentially play a role in producing munitions and developing stockpiles that could be tapped by the United States. One key realization from the war in Ukraine is the need for standardization. The fact that not all 155 mm ammunition is the same, and therefore cannot be used universally by tanks and artillery, represents a failure of coordination and planning. Going forward, it is critical to develop a transatlantic defense industrial

base that produces munitions and systems that can be used more or less interchangeably, even if this presents a considerable technical and bureaucratic challenge. For instance, the Storm Shadow/SCALP missile, made by a UK-French company, should ideally be able to be integrated into U.S. platforms, should the need arise. In Ukraine, Soviet aircraft are utilizing HARM missiles and now UK Storm Shadow missiles. Europe also has capacity in other crucial areas, such as air defense and shipbuilding. Europe's defense industrial capacity should be seen as a strategic resource for the United States.

7. Prioritize improving and institutionalizing greater EU-NATO cooperation.

In supporting EU defense initiatives, it is also critical to build strong EU-NATO cooperation. The EU-NATO relationship has been characterized by intense bureaucratic competition that limits cooperation and is ultimately counterproductive. As the European Union becomes an increasingly important defense actor, ever-closer cooperation between the European Union and NATO is essential and should be emphasized by the United States. However, a key obstacle in forging more institutionalized cooperation is the ongoing Turkey-Cyprus conflict. As Mathieu Droin of CSIS assessed, "The everlasting conflict between Cyprus and Turkey has been the main reason for the absence of progress in practical cooperation over the past two decades."¹⁷⁴ Turkey has objected to greater intelligence sharing, while Cyprus opposes inclusion in EU initiatives. This has created absurd situations where EU and NATO officials are forced to engage informally and EU officials are unable to receive NATO information. Given U.S. ambivalence toward the European Union, this issue has rarely been prioritized by the United States. But it is critical that the European Union and NATO develop a close working relationship that resembles that of governing partners rather than the standoffish diplomatic formality that currently characterizes relations.

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