



MARCH
2025



A Transatlantic Defense Industrial Base? Two Contrasting Views

Jonathan CAVERLEY & Ethan KAPSTEIN

Léo PÉRIA-PEIGNÉ & Élie TENENBAUM

The French Institute of International Relations (Ifri) is a research center and a forum for debate on major international political and economic issues. Headed by Thierry de Montbrial since its founding in 1979, Ifri is a non-governmental, non-profit foundation according to the decree of November 16, 2022. As an independent think tank, Ifri sets its own research agenda, publishing its findings regularly for a global audience.

Taking an interdisciplinary approach, Ifri brings together political and economic decision-makers, researchers and internationally renowned experts to animate its debate and research activities.

The opinions expressed in this text are the responsibility of the authors alone and do not represent the views of their institutions.

ISBN: 979-10-373-1018-7

© All rights reserved, Ifri, 2025

Cover: © Shutterstock.com

How to quote this publication:

Jonathan Caverley, Ethan Kapstein, Léo Péria-Peigné and Élie Tenenbaum,
“A Transatlantic Defense Industrial Base? Two Contrasting Views”,
Focus stratégique, No. 124, Ifri, March 2025.

Ifri

27 rue de la Procession 75740 Paris Cedex 15 – FRANCE

Tel. : +33 (0)1 40 61 60 00 – Fax : +33 (0)1 40 61 60 60

Email: accueil@ifri.org

Website: ifri.org

Authors

Jonathan Caverley is a professor of strategic and operational research at the U.S. Naval War College, where he serves as interim Editor in Chief of the Naval War College Press. He is a Global Fellow at the Woodrow Wilson International Center for Scholars. The views in this report are his own and do not represent those of the Naval War College, the U.S. Navy, or the U.S. government.

Ethan Kapstein is Executive Director of the Empirical Studies of Conflict Project at the Princeton School of Public and International Affairs (esoc.princeton.edu). Kapstein's research and teaching focus on the political economy of development, especially in conflict-affected countries. His most recent book, *Exporting Capitalism: Private Enterprise and US Foreign Policy* (Harvard University Press 2022) traces American efforts to promote private sector development across the developing world. Kapstein is a retired US naval officer and a member of the Council on Foreign Relations. He has won numerous grants and fellowships, including most recently from the Department of Defense/Minerva Research Initiative; the Smith Richardson Foundation; and the World Bank.

* * *

Léo Péria-Peigné is a Research Fellow at Ifri's Security Studies Center, working for the Observatory on Future Conflicts on defense industry, armament and capability prospective. He also worked on the use of conventional weaponry in asymmetrical conflicts, especially in Afghanistan. Specialized on Defense Industry's issues and Turkish geopolitics, he graduated in 2020 from Sciences Po Lille's economic intelligence and international relations Master and joined Ifri in 2022 after two years of consulting on armament economy and a time at French Special Operation Command.

Élie Tenenbaum is the director of Ifri's Security Studies Center. After years of focusing on irregular warfare, counterinsurgency and counter-terrorism, his research now leads him to cover more general strategic issues, in particular European security and defense policy.

Table of contents

FOREWORD	4
THE LIMITS OF STRATEGIC AUTONOMY: "PLUS ÇA CHANGE, PLUS C'EST LA MÊME CHOSE ?" BY JONATHAN CAVERLEY AND ETHAN KAPSTEIN.....	5
Introduction.....	5
Dealing with differing threat perceptions	7
Capability now or production later?	10
Production vs research and development	13
Trump: "Everyone is thinking a bit smarter"	17
DEPARTING FROM THE 3DS: THE CASE FOR A REBALANCED TRANSATLANTIC PARTNERSHIP BY LÉO PÉRIA-PEIGNÉ AND ÉLIE TENENBAUM.....	20
Introduction.....	20
A recovering European Defense Industry	22
<i>Emerging from 30 years of low yield capacity.....</i>	<i>22</i>
<i>A broad range of strongpoints on technological edge</i>	<i>23</i>
<i>European access to the US defense market.....</i>	<i>26</i>
The US supplier's reliability in question	27
<i>A growing divergence on requirements.....</i>	<i>27</i>
<i>Prices, performances and efficiency</i>	<i>28</i>
<i>Looking straight at US defense industry shortcomings and liabilities ..</i>	<i>30</i>
Finding the right balance: towards a new partnership?	33

Foreword

The evolving landscape of global defense cooperation has brought the transatlantic relationship between the United States (US) and Europe into sharp focus. As geopolitical tensions rise and the threat environment becomes more complex, the question of how Europe can best ensure its security while navigating its relationship with the United States has become paramount. This double feature report offers two contrasting views on the dynamics of US-Europe defense industrial relations, highlighting the challenges and opportunities that lie ahead for both parties.

The first text, authored by Jonathan Caverley and Ethan Kapstein, presents a perspective that underscores the limitations of European strategic autonomy in defense. They argue that despite increased defense spending and initiatives like the Draghi Report, Europe remains heavily reliant on the United States for advanced military technology and industrial capabilities. They suggest that Europe should accept a junior partner status within the transatlantic alliance, leveraging US technological superiority to bolster its own defense capabilities. This approach, they contend, would allow Europe to benefit from the most advanced defense systems while acknowledging the economic and industrial realities that constrain its ability to achieve full autonomy.

In the second text, Élie Tenenbaum and Léo Péria-Peigné challenge the overly pessimistic narratives surrounding the European defense industry. They highlight the successes and technological advancements of European defense firms, arguing that Europe has the potential to be a significant player in the global defense market. Tenenbaum and Péria-Peigné question the reliability of US defense supplies, citing concerns over production delays, operational limitations, and stringent export controls. They advocate for a more balanced transatlantic partnership, where Europe can assert its industrial capabilities and strategic autonomy while still cooperating with the United States.

Together, these two texts, respectively written by American and European researchers, weigh on an increasingly heightened debate surrounding transatlantic defense cooperation. They explore the tensions between the need for European strategic autonomy and the benefits of leveraging US technological and industrial strengths. As Europe grapples with the challenges of ensuring its security in an increasingly uncertain world, these perspectives offer valuable insights into the future of defense industrial relations between the United States and Europe.

The limits of strategic autonomy: “*Plus ça change, plus c’est la même chose ?*”

By Jonathan Caverley and Ethan Kapstein

Introduction

On February 24, 2022, Europeans awoke to a new and much more threatening international security environment. Since that time, the European Union (EU) and its member-states have made significant investments aimed at bolstering the continent’s military capability. The arrival of a second Trump Administration will likely accelerate that trend.

But we argue that despite increased defense spending, Europe will be unable to achieve anything like “strategic autonomy”. Any failure to recognize that stark reality is, put frankly, delusional and perhaps disastrous.

To be sure, the recent Draghi Report on European competitiveness gives defense equal billing to “digitalization” and “decarbonization” as the key challenges Europe must address alongside the maintenance of its welfare state policies.¹ It advances the same solution for defense—the pursuit of “a new industrial strategy” to increase productivity—as for its other featured sectors, and its achievement requires greater support for research and development, more cooperation in defense procurement and funding, less regulation, and a “buy European” preference.

Specifically, the Report states that boosting European productivity requires investment, to the tune of €800 billion euros a year, roughly five percentage points of the EU’s collective gross domestic product (GDP). In this spirit, it approvingly cites a European Commission June 2024 estimate that Europe’s annual overall defense investment—spending on both procurement and research and technology—should rise by €50 billion.² This would be a massive increase over Europe’s record €72 billion spending in 2023.³

1. M. Draghi, “The Future of European Competitiveness”, September 2024.

2. Ibid., p. 54.

3. “EU Defence Spending Hits New Records in 2023, 2024”, European Defence Agency, December 2024.

The Draghi Report further highlights the growing economic gap between Europe and the United States, spelling out some of its consequences for trans-Atlantic defense-industrial relations. But that gap will prove hard to close, and even reducing it requires hard-headed analysis of what makes that sector unlike other industries and in need of specific policy interventions.

Our analysis and recommendations are clear. The level of threat that Europe faces coupled with the demands of a modern comprehensive defense industrial base mean that autonomy is an unrealistic goal for Europe. Despite the rise in defense spending across much of the continent, Europe is hampered by the significant variance in threat perception felt by the EU's member states. This divergence means that countries will have different preferences for national security and defense-industrial policy. That, in turn, will keep European defense acquisition from coalescing around a collaborative framework.

As noted, these challenges may well deepen with the inauguration of Donald Trump, given the skeptical and transactional approach his first administration took towards European allies coupled with the rhetoric and campaign promises made *en route* to his second. While others have proposed that Europe can convince the United States to maintain its security commitments by buying more American weapons, the fact is Europe will need these weapons anyway.⁴ Ironically, the less confident Europe is in the American cavalry coming to defend it, the more American horses it will have to buy.⁵

This paper emphasizes three outstanding issues in European security policy, using three of the major players within the EU—France, Germany, and Poland—to compare the different approaches being taken to the continent's defense-industrial challenges.

- *First*, the existential nature of national security and the accompanying heterogeneity in interests between states leads to different priorities for levels and allocations of defense budgets. This remains underappreciated, leading analysts to wrongly blame defense industrial fragmentation on simple economic nationalism.
- *Second*, the immediate pressures of security make inter-temporal investment trade-offs more fraught than in other sectors, since the need to buy weaponry today impedes investments in production tomorrow. This is further complicated by the current dependency of Europe on exports outside of the Union.

4. L. F. Hellemeier, "The Implications of a Second Trump Presidency for Europe's Defense-Industrial Efforts", *War on the Rocks*, November 2024. See also L. Simón and L. Boswinkel, "Ukraine, Europe, and the Art of the Deal," *War on the Rocks*, November 2024. More broadly, see the recommendation by the European Central Bank's director Christine Lagarde, to "buy American," in an effort to placate Trump.

5. J. Caverley, "Horses, Nails, and Messages: Three Defense Industries of the Ukraine War", *Contemporary Security Policy*, Vol. 44, No. 4, 2023, p. 606-623.

- ▀ *Third*, increasing capability today and increasing production tomorrow means short-changing research for the day after next. The EU-US gap in R&D spending is growing rapidly in both defense and the more commercially-oriented, “dual-use” technology already playing a growing role in the current war in Ukraine and the next generation of weapons.

These three factors will further solidify enduring trans-Atlantic defense industrial dilemmas. This leads to our conclusion: despite all the action in the European defense sector at the present time, the longer-term reality may be that not much will change in Europe or the trans-Atlantic security relationship after all; indeed, even maintaining something like the *status quo* will require a number of difficult decisions for European leaders, which we review in our conclusion.

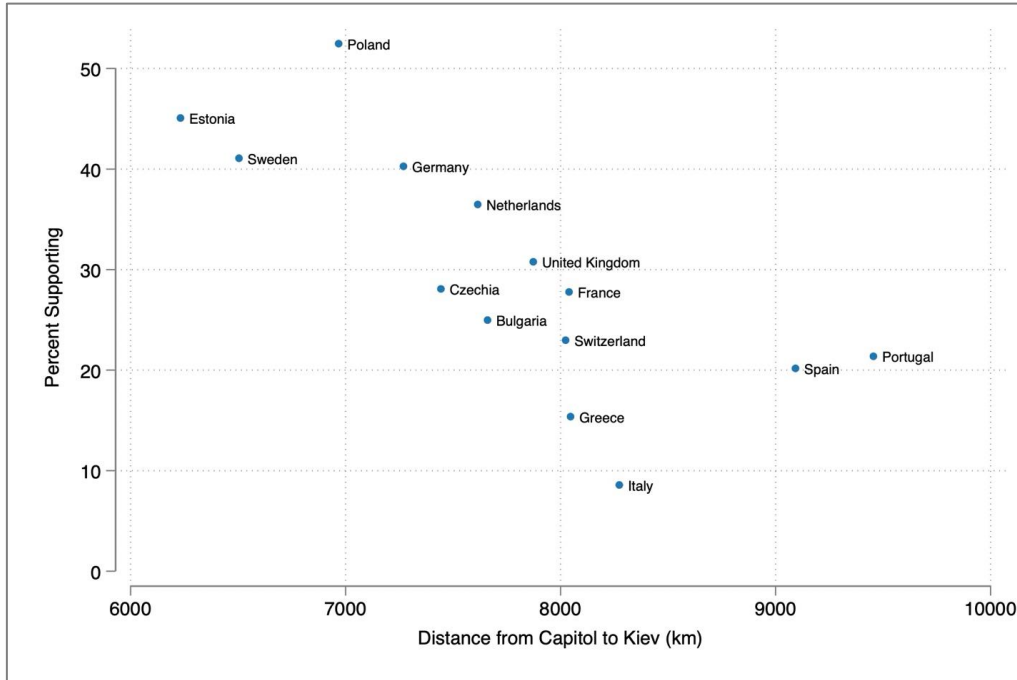
Dealing with differing threat perceptions

European strategic autonomy is complicated not so much by the protectionist preferences of each member-state but rather by their differing threat perceptions. While the entire Union collectively recognizes the threat posed by Russia (not to mention China and the Houthis), the assessed magnitude is unevenly shared. Using public opinion data from the European Council on Foreign Relations (ECFR), Figure 1 depicts the percentage of respondents within fourteen European states that support increasing ammunition and weapons supplied to Ukraine.⁶ The results are stark; the further its capital is from Kiev, the less a country’s public supports arming Ukraine. Compared to Poland, 25% fewer German respondents respond positively. In the EU’s other two defense industrial powerhouses, French support is half that of Poland’s and Italy is a mere sixth. The deep divide in threat perception shapes defense industrial policy, as can be seen by comparing France, Germany, and Poland, collectively responsible for just over half of total EU defense spending.

A former Warsaw Pact member close to the war zone, Poland devotes a higher (and growing) percentage of its GDP to defense (4.1%) than Germany (2.12%) or France (2.06%).⁷ It has little indigenous defense industrial base to speak of (it’s leading defense conglomerate, PGZ, had 2023 revenues of \$2.7 billion, which is tiny compared to Lockheed Martin’s \$68 billion), although Warsaw now seeks to build up its capability, negotiating “offsets” from South Korea among other countries that will lead to local manufacture of some systems.

7. “Defence Expenditure of NATO Countries (2014-2024)”, NATO, available at: www.nato.int [accessed November 29, 2024].

Figure 1. Percent of poll respondents supporting more arming of Ukraine versus distance between capital and Kiev

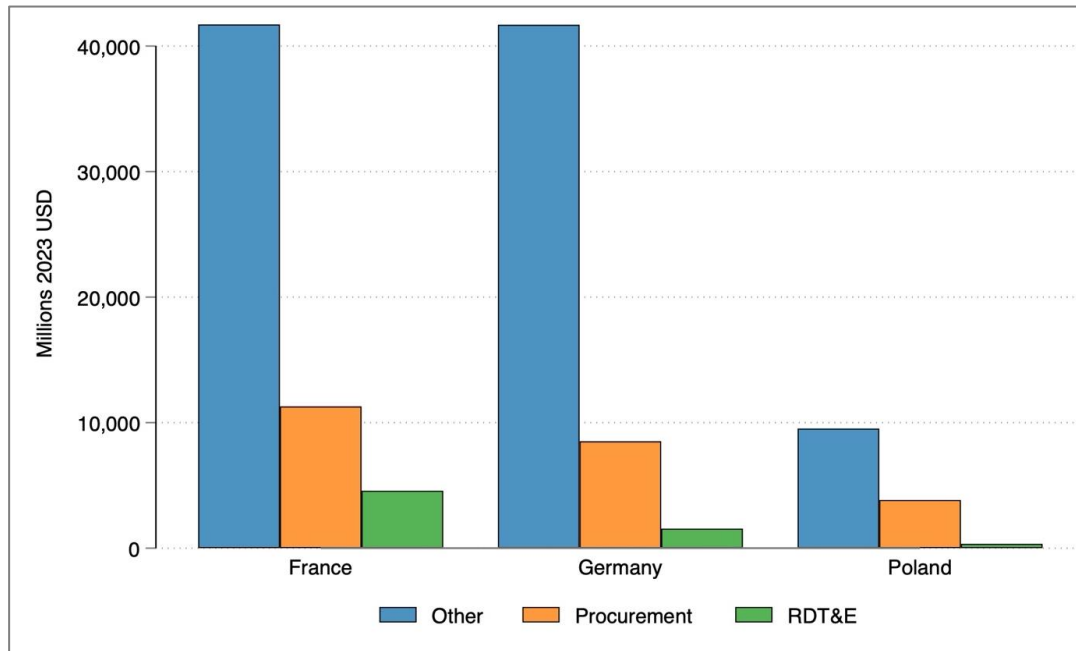


Source: ECPR.

More distant from Russia, and with an independent nuclear deterrent, France has historically viewed its relatively autarkic defense industry (and the exports supporting it) as an essential component of a sovereign and independent foreign policy. With the decline in Russian arms transfers, France was, according to SIPRI, the second largest exporter of major conventional weapons from 2019-2023 at 11% of the total world market.⁸

Germany, both geographically and industrially, lies between the other two. According to NATO, Germany overtook France in defense spending in 2019; its estimated 2014 budget is 50% larger. It has tried to bridge its European and trans-Atlantic aspirations by buying American weapons (e.g., the F-35) and promoting cooperative defense projects with other EU members.

8. "Trends in International Arms Transfers", SIPRI, 2023.

Figure 2. 2023 Defense spending by France, Germany, and Poland

Source: Jane's Defence Budgets.

These strategic differences are reflected in their allocations of defense spending, as shown in Figure 2. Poland spends nearly 30% of its defense spending on procurement, while France and Germany each spend less than 20%. France spends much more on R&D than either country. Their choices of fighter aircraft epitomize these differences. Poland took delivery of its first American-built F-35 *Lightning II* in December 2024. Germany flies the pan-European *Eurofighter*; but it also recently purchased F-35s, parts of which will be assembled domestically. Opting for autonomy by eschewing the *Eurofighter* project to produce its own *Rafale*, France is enjoying record arms sales for the plane, but mainly outside Europe.⁹ Similar differences pervade choices over missile defense systems, where Germany has “rankled French sensitivities” by incorporating the American *Patriot* over the Franco/Italian SAMP for its European Sky Shield Initiative (ESSI).¹⁰ For its part, Poland is deepening its reliance on US systems—agreeing to build launchers for new *Patriot* batteries—for its missile defense capabilities, even as it calls for a truly pan-European shield.

While member states might fight for shares in the production of semiconductors and electric vehicle components, their economic concerns, like job creation and technology acquisition, are roughly equivalent. These economic factors also exist when it comes to decisions over defense spending,

9. For *Rafale* sales to different countries, see: www.dassault-aviation.com.

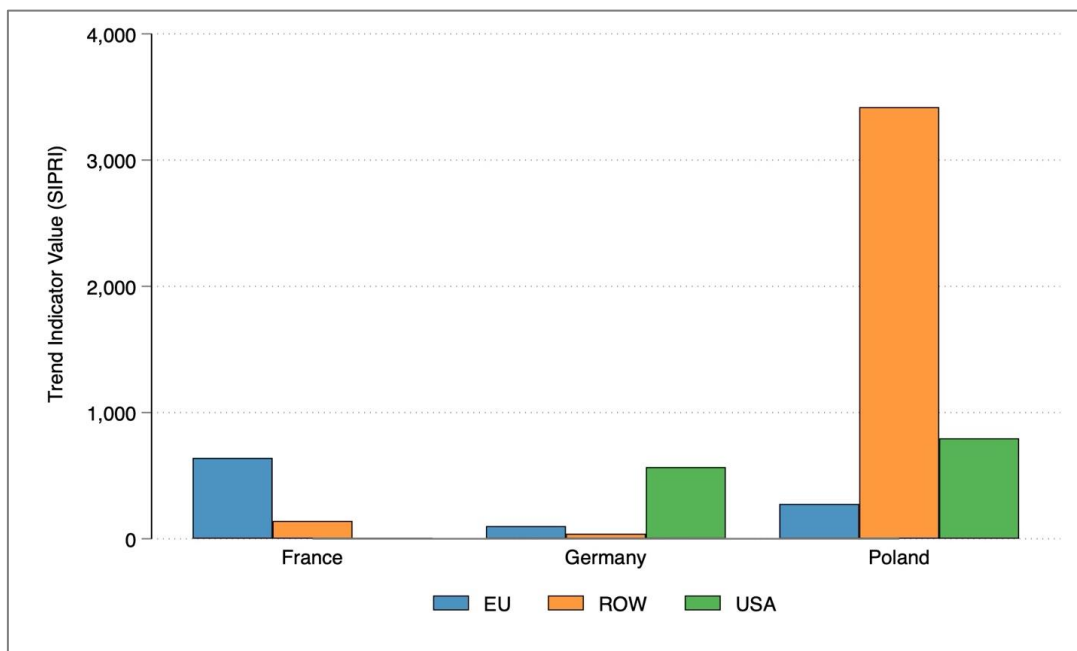
10. R. Ruitenbergh, “Italy Orders Four SAMP/T New-generation Air Defense Systems”, *Defense News*, February 2024. ESSI will purchase Israeli Arrow missiles for the longest-range missile threat. For *Rafale* sales to different countries, see: www.dassault-aviation.com.

but they are complicated by the uncompromising demands made by the security environment. Some countries may find common cause on an *ad hoc* basis as they determine how best to allocate scarce defense dollars, but it's unlikely the EU can find a satisfactory collective solution.

Capability now or production later?

Europe's degrading security environment encourages short-term thinking when it comes to defense planning. Unsurprisingly, many European states, particularly those geographically closest to Russia, have chosen to increase their military capabilities as quickly as possible. As the German Defense Ministry announced in 2023, "with immediate effect... time shall have the highest priority."¹¹ The consequence is that many European governments have chosen to go outside the EU for their weapons purchases; according to the Draghi Report and the new European Defence Industrial Strategy (EDIS), between June 2022 and June 2023 78% of EU arms imports came from outside the Union, 63% of which came from the United States.¹²

Figure 3: Arms import orders by France, Germany, and Poland 2019-2023



Source: SIPRI.

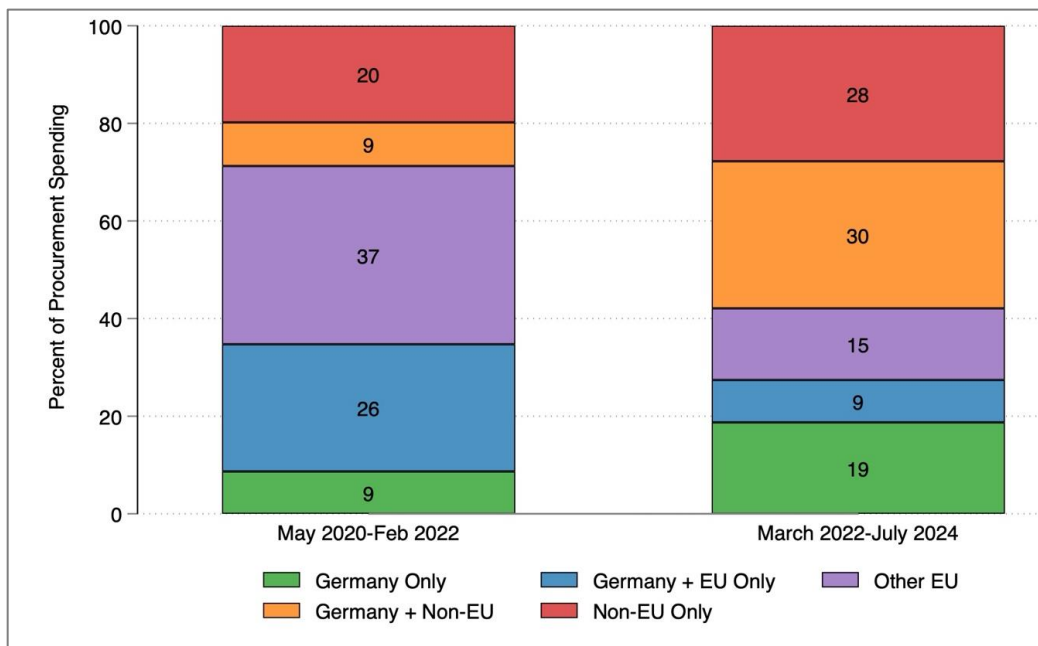
11. M. Szymanski, "Rüsten, so schnell wie möglich", *Süddeutsche Zeitung*, April 2023.

12. The Report does not cite its source, but this figure can be found in J.-P. Maulny, "The Impact of the Ukraine War on the European Defense Industry", IRIS, Paris, 2023. Another analysis on NATO European countries that includes internal arms purchases finds from February 2022 to September 2024 puts US procurement share at 34% and non-European suppliers at 14%. See J. Hackett and B. Shreer (eds.), "Building Defence Capacity in Europe: An Assessment", *IISS Strategic Dossier*, November 2024. See also: C. Mölling and S. Hellmonds, "Security, Industry, and the Lost European Vision (#EDINA II): How Russia's War in Ukraine Is Changing the European Defense Technological and Industrial Base", *DGAP Report*, Vol. 10, Berlin, Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik e.V., 2024.

But the dominance of the United States should not be overstated, as other foreign producers have rushed into the EU defense market to service the surge in demand that even the United States defense industry cannot fully meet (Figure 3). At the start of the Ukraine War, South Korea had large weapons stocks on hand (many formally owned by the United States) and it diverted products slated for its own military to Poland and elsewhere.¹³ Israel is prioritizing Arrow 3 production despite its ongoing war at home, selling a record \$13 billion arms abroad in 2023, over a third of which went to Europe. South Korea has booked EU orders with a value 41% higher than the entire EU and United Kingdom (UK) combined, and even Brazil compares favorably with traditional European producers in supplying Europe.

Germany again takes the middle approach, insisting on industrial participation, but looking outside the EU for partners. Fine-grained data from the Kiel Institute on Germany’s procurement orders since May 2020, depicted in Figure 4, shows that immediately prior to the invasion Germany procured a large majority of its weapons from Europe. Since the invasion, Germany has produced many more weapons unilaterally (largely destined for Ukraine), and now buys more weapons directly from, or in tandem with, non-European suppliers. In short, Germany has shifted from co-producing weapons with European states to doing so with other states, especially the United States.

Figure 4. Percent of German arms orders by source state



Source: Kiel Institute.

13. G. Arthur, “How South Korea’s Defense Industry Transformed Itself into a Global Player,” *Breaking Defense*, November 6, 2023.

France is not immune from this pressure. Its arms trade surplus has actually dropped to €6 billion—the lowest since 2015—due to a 42% rise in imports from 2021 to 2022.¹⁴ Nonetheless, in a recent speech, Pres. Emmanuel Macron noted that a procurement approach focused on “capacity” will prompt “massive” off-the-shelf purchases that are necessarily non-European and that the consequent “dependence on essential elements of our protection does not seem desirable.”¹⁵

France’s (and other European states’) dilemma on production investments is complicated by the fact that Europe’s existing defense industry is oriented toward the non-EU arms market (Figure 5).¹⁶ The European Commission clearly identifies the problem that “exports to ensure its viability” means that “responding to member states’ orders may be less a priority” relative to “honoring third country contracts in case of crises.”¹⁷ By SIPRI’s reckoning, France relies overwhelmingly on Middle East aircraft purchases; the UAE’s order of 80 *Rafale* fighters alone accounted nearly two thirds of France’s €27 billion in 2022 sales. Of the €6.2 billion of French weapons actually delivered in 2023, only 15% went to the EU, and another 18% to Ukraine.¹⁸ According to SIPRI, over the past ten years, Germany has sold almost as many weapons to Egypt as it has to the EU. Exporting more to Europe might require exporting less to the rest of the world, a tough decision. Supplier-client relations in the arms industry are hard to change.¹⁹

14. Cite French Government report.

15. “Déclaration de M. Emmanuel Macron, président de la République, sur la défense européenne”, Inauguration de la 54^e édition du Salon International de l’Aéronautique et de l’Espace, June 19, 2023.

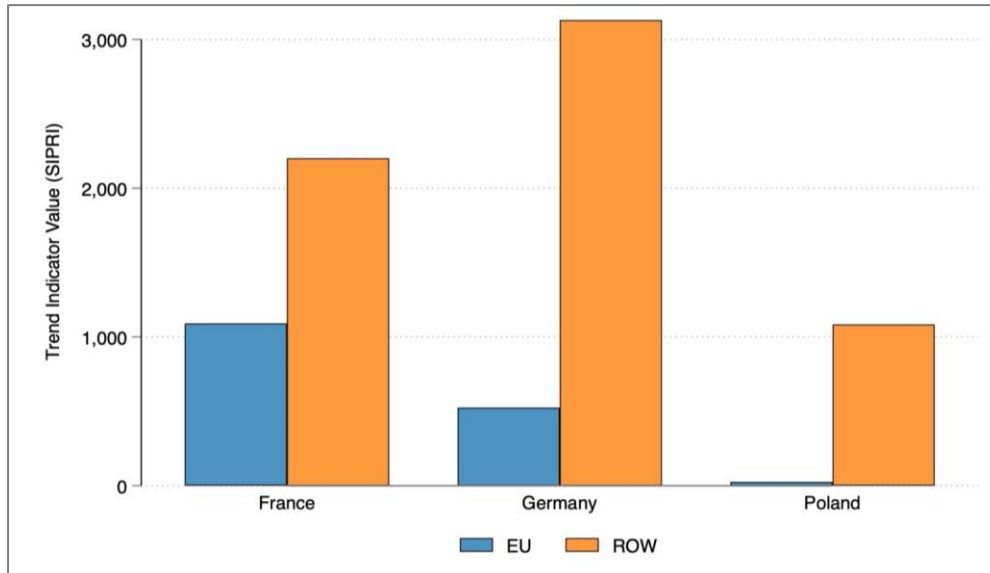
16. “The Extra-EU Defence Exports’ Effects on European Armaments Cooperation, European Parliament Directory-General for External Policies, June 2015.

17. “A New European Defence Industrial Strategy: Achieving EU Readiness Through a Responsive and Resilient European Defence Industry”, European Commission, March 2024.

18. “Rapport au Parlement 2024 sur les exportations d’armement de la France”, French Defense Ministry, 2024.

19. R. Rounds, “Sourcing Air Supremacy: Determinants of Change in the International Fighter Jet Network”, Ph.D. Dissertation, Georgetown University, 2019.

Figure 5. Arms export orders from France, Germany, and Poland 2019-2023



Source: SIPRI.

The EU tends to fall on France’s side in the debate over capability versus production. Recognizing its low inventories of weapons and munitions, EU Commission President von der Leyen recently called for “turbocharging our defense industrial capacity in the next five years,” proposing a €1.5 billion European Defense Investment Program (EDIP).²⁰ EDIS has set a target to procure at least 50% of its budget from EU-based defense suppliers by 2030 and 60% by 2035, up from today’s 20%. But the rush to increase internal defense production, even collaboratively, is not cost-free.

Production vs research and development

Countries like Germany and Poland have focused on buying capability quickly, while France and EU institutions emphasize “strategic autonomy” via indigenous production. In either case, Europe and most of its members have clearly shifted resources away from long-term defense research, ensuring the “locking in” of Europe as a second-tier defense supplier.

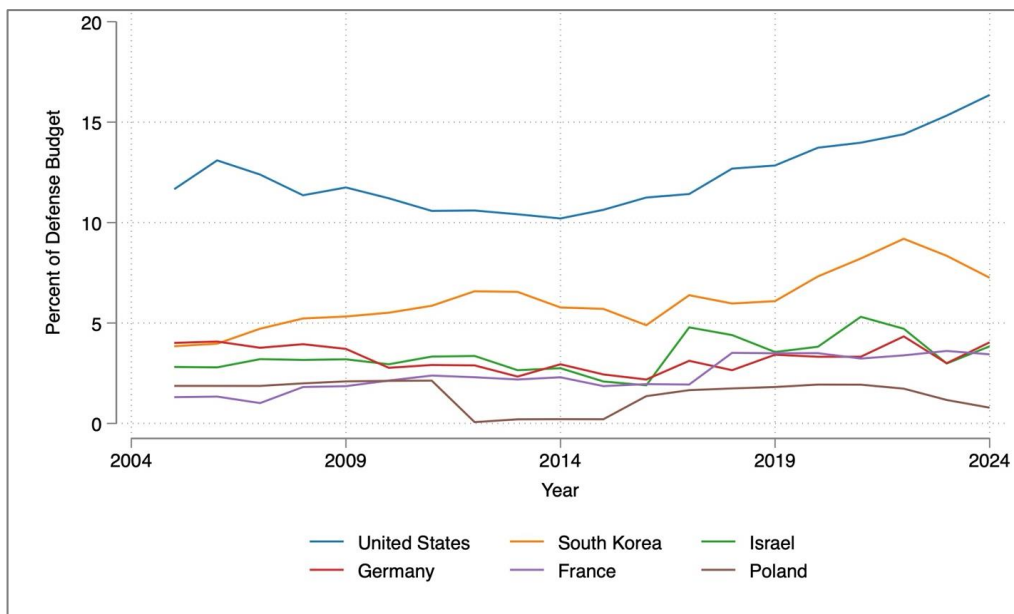
Europe has long understood, and the Draghi Report emphasizes, that “a sustained R&D effort is more necessary than ever to maintain (...) competitiveness in the longer term, notably in terms of its availability to tap the full potential of (...) its scientists, engineers and innovators”. Established in 2017, the annual €1 billion European Defense Fund (EDF) originally

20. “Speech by President von der Leyen at the European Parliament Plenary on Strengthening European Defence in a Volatile Geopolitical Landscape”, European Parliament, February 2024.

focused heavily on research; its initial budget suggested that one euro for R&D be spent for every two for procurement. Yet of the €52 billion spent by EU members on defense acquisition in 2021, only 18%, less than €10 billion, was spent on R&D.²¹

The United States government alone spent \$144 billion in 2023 on RDT&E, more than fourteen times the EU's collective spending. To make matters even more challenging, South Korea spends more on defense RDT&E than either Germany or France.²² Figure 5 depicts trends in RDT&E defense budgets over time, and shows the stark differences in relevant states' priorities. Since the Russian occupation of Crimea in 2014, the United States has significantly increased its emphasis on research. Whereas European states quickly ramped up procurement spending after both the Russian occupation of Crimea in 2014 and the larger Ukraine invasion in 2022, as a percentage of defense spending, European investment has stayed flat at the same level of Israel and significantly behind South Korea.

Figure 5: Defense research and development spending since 2004



Source: *Jane's Defence Budgets*.

Concentrating on increasing production risks being stuck producing commodities and other lower-tier products. As an example, consider the essential 155 millimeters (mm) artillery shell. By the time the United States effectively doubled its production following the invasion,²³ EU states had increased their rate by only 40%. But Europe now appears to be making up for lost time. In January, then European Commission Vice President Josep Borrell predicted Europe will manufacture around 1.4 million 155 mm shells

21. "Defence Data" (2022), European Defense Agency, accessed October 14, 2024.

22. *Jane's Defence Budgets*, accessed October 14, 2024.

23. S. Skove, "Army Aims to Double 155 mm Shell Production by October," *Defense One*, February 2024.

annually by the end of 2024, while the United States only plans to hit 1.2 million by October 2025.²⁴ Consider too, the three missile types envisioned for the ESSI, where only the shorter-range systems are developed and produced by a European state. The *Eurofighter* consortium anticipates a new round of *Typhoon* sales, but this fourth-generation plane has never beat the fifth-generation F-35 in a procurement competition and new rivals, like South Korea's KF-21, are entering the market.²⁵

While France's recently passed Military Programming Law (LPM) shifts considerable amounts of money towards production, the funds will not be enough to avoid tradeoffs, especially given the country's fiscal deficits. France pays for its relative autarky, and wide production portfolio, with relatively small production runs (and its aforementioned export dependency). The Ministry of Defense goal of doubling the production rate of *Caesar* 155 mm howitzers and *Mistral* short range surface-to-air missiles will only raise monthly unit production to eight and forty respectively.

France will struggle to balance the need to produce its current generation of weapons with its ambitious modernization plans. It is not clear how the emphasis on producing more of the current Nexter's *Caesar* system will affect the company's impending delivery of the follow-on *Scorpion* program.²⁶ Unless it comes up with an intermediate solution, the French Army will not receive another main battle tank until the troubled Franco-German Main Ground-Combat System comes online in the 2040s.²⁷

Even states like Poland and Germany that purchased weapons quickly will still expect to produce more themselves over time and look to offset agreements and collaboration in international arms deals in the hopes of gaining technology and production capacity. When buying large amounts of foreign weaponry, a demand for some domestic production is a political requirement. Yet these projects often run into myriad difficulties that impede their success.

Poland is struggling to upgrade its defense industrial base, and Europe has been of little help until recently. Only one Polish company is participating in the 31 projects selected by the European Commission to boost EU ammunition production, accounting for less than half a percent of the €500 million program. One of the main reasons Poland looked to South Korea for weapons is the more generous Korean promises of indigenous production and technology transfer relative to US suppliers. But Poland's factories are not yet able to produce these weapons efficiently.²⁸

24. S. Skove, "It Takes Europe at Least a Year to Fill a Ukrainian Order for Artillery Shells", *Defense One*, February 2024.

25. T. Osborne, "Eurofighter Prospects Bloom As Partner Nations Top Up Fleets", *Aviation Week*, July 2024.

26. J.-M. Bezat, "Le canons caesar, vitrine de l'économie de guerre", *Le Monde*, October 2023.

27. R. Ruitenbergh and S. Sprenger, "France and Germany Sign Off on Future Battle Tank System", *Defense News*, April 2024.

28. R. Minder, "Poland's Misfiring Defense Industry", *Financial Times*, September 2024.

While Germany has both the order sizes and industrial capability to co-produce weapons with the United States, it still risks cementing a junior partner role. In the Lockheed Martin-Rheinmetall Global Mobile Artillery Rocket System collaboration, the European company will supply a mature-design truck (the German-designed, Viennese-made HX 8x8) while the American company will provide the more sophisticated launcher-loader component. Germany recently ordered five units of competing multiple launch rocket system “EuroPULS,” which puts an Israeli rather than an American launcher on top of a different European truck.²⁹ It is worth debating which technological dependence—on the United States or on smaller, more R&D intensive non-European partners—is the less unsatisfying path to strategic autonomy. Neither bodes well for Europe’s future competitiveness.

Some may retort that our analysis to this point has been too grim, since the most important elements of next-generation military capability will not come from government-funded prime contractors, but rather from technology firms investing in the development of what evolves into dual-use technology; that is, technology of value to both the commercial and military sectors. Thus, both the US and EU will benefit from “spillovers” into the defense sector, as we have already witnessed with an array of technologies from drones to AI. The Draghi Report clearly understands that the strategic value of defense research differs from most commercial projects.³⁰ While this may be true, as the Draghi Report also notes, Europe is struggling to compete globally with commercial high-technology as well.³¹

If the EU devoted every cent to research of the Commission’s recommended €500 billion increase in defense spending over the next decade, the United States would still spend over two and a half times that amount annually. Given the nature of defense research, as the Draghi Report notes, the EU and its members simply will not be able to produce a portfolio of next-generation weapons competitive with the United States even as they face pressure from rising exporter-states. In short, whether it is the French, Polish, or German production model, European production lines will not seize the commanding heights of the global defense market but will struggle within the newly-competitive global market for what Banerjee and Tkach call “value weapons” where Israel, South Korea, and Turkey increasingly factor.³²

29. S. Sprenger, “German Army Gets Nod to Buy Israeli PULS Rocket Launchers”, *Defense News*, January 2025.

30. M. Draghi, “Future of European Competitiveness”, op. cit.

31. D. Vergun. “DOD Modernization Relies on Rapidly Leveraging Commercial Technology”, *DoD News*, July 2023; J. Caverley, “Horse, Nails, and Messages”, op. cit.

32. V. Banerjee and B. Tkach, “Helping India Replace Russia in the Value Arms Market”, *War on the Rocks*, May 2022.

Trump: “Everyone is thinking a bit smarter”

Geopolitics means the defense industry works differently than the other sectors examined by the Draghi Report, but these pressures only intensify that report’s lamentation of the European tendency to be “stuck in the ‘middle technologies and industries’ of the previous century.”³³ The numbers simply do not add up for Europe to develop its defense industrial base sufficiently for meaningful strategic autonomy. Miraculously dropping all economic barriers to defense cooperation would lay bare the differences in security perceptions between the states. And even if the EU created and enforced a unified security strategy coupled to a complementary defense industrial program, the hole in which Europe finds itself is too deep.

To review, the EDA predicts that members states will have spent €101 billion on procurement and €5 billion on research and technology in 2024.³⁴ Procurement, which needs to be distributed between importing capability and domestic production, is roughly on par with the United States, but research will remain an order of magnitude lower in terms of R&D.

The incoming Trump administration has already forced some European leaders to reckon with this disparity with more urgency. European Central Bank director Christine Lagarde recently called for Europe to buy more American weapons to ease trade tensions.³⁵ Lucas Hellemeier advocates returning to the age-old European strategy of buying American to maintain US security commitments.³⁶ We identify still one more pressure: even if the Trump administration “abandons” NATO, Europe’s increased need to defend itself will require US weapons purchases.

Given these trends and the incoming Administration, the EU should leverage its market size and manufacturing prowess to force US and foreign firms to invest on the continent through co-production and co-development projects even if that requires playing a “junior” role. The United States has explicitly espoused a renewed willingness to collaboratively develop and produce weapons—“production diplomacy”—with allies.³⁷

33. M. Draghi, “Future of European Competitiveness”, part A, ch. 2.

34. M. Centrone and M. Fernandes, “Improving the Quality of European Defence Spending: Cost of Non-Europe Report,” European Parliamentary Research Service, November 2024, p. II. This is a highly optimistic figure which is probably econometrically unjustifiable. See C. Cottarelli and L. Virgadamo, “Defence Expenditure in EU Countries”, *Policy Brief*, Institute for European Policymaking, Bocconi University, July 2024.

35. R. Khalaf, P. Jenkins and O. Storbeck, “Buy American to Avoid Trump Trade War, Says Christine Lagarde”, *Financial Times*, November 2024.

36. L. F. Hellemeier, “The Implications of a Second Trump Presidency for Europe’s Defense-Industrial Efforts”, *War on the Rocks*, November 2024.

37. A. Brown, J. T. Watts and M. Garlauskas, “Production Diplomacy for Deterrence, Readiness, and Resilience in the Indo-Pacific”, *Atlantic Council Issue Brief*, Atlantic Council, June 2024.

However, the US preference for self-sufficiency places constraints on this policy.³⁸ But just because the US remains largely closed to European exports (and we note important exceptions below) does not imply that a closed Europe is the appropriate response. Whether or not it is “fair,” Europe needs to focus its limited resources to complementing rather than substituting for US defense industrial capability. Germany and Italy seem to have recognized the promise of this approach and are acting upon it; for example, both are engaged in F-35 assembly.³⁹ Even France has recently dropped its objection to using EDIP funds for collaborations involving non-EU firms; observed one official, “Everyone is thinking a bit smarter” since the US election.⁴⁰

Just because Europe will struggle to compete at the highest end of the capability spectrum with the United States does not mean it should resign itself to producing defense commodities.⁴¹ There are promising signs on this front. The so-called “Danish Model” of providing cash directly to Ukraine to produce its own ammunition and howitzers takes advantage of existing, unused Ukrainian capacity rather than building it within the Union, and is almost certainly a more efficient use of these funds in terms of providing capability.⁴² Such a policy allows EU industry to concentrate on production of higher value weapons.

Europe should focus its relatively small R&D budgets on those areas of defense production where, for whatever reason, there is no viable American competitor—non-nuclear-powered submarines providing one example—or where European firms might at least collaborate symmetrically with US contractors.⁴³ For all the talk of a United States closed to European exports, Norway’s Naval Strike Missile filled a gap the United States had not addressed, and its Joint Strike Missile will equip F-35s around the world, with production lines in Norway, the United States, and Australia.⁴⁴ To take another case, the United States role in the US-Canada-Finland “ICE Pact” for next-generation icebreakers is in the unaccustomed position of the junior industrial partner. To be sure, these are exceptions to the rule of a “Fortress

38. Interviews with Department of Defense officials, May and June 2024. See A. D. James, “Accessing the US Market: A European Perspective,” Istituto Affari Internazionali, May 2008.

39. J. D. Caverley, E. Kapstein and S. Vucetic, “F-35 Sales are America’s Belt and Road”, *Foreign Affairs*, July 2019.

40. H. Foy and P. Tamma, “France Drops Buy-EU Demand for Brussels Defence Fund”, *Financial Times*, November 2024.

41. J. D. Caverley and E. Kapstein, “Commoditized Weapons in Ukraine: Are the Allies Getting the Procurement Right?”, *War on the Rocks*, August 2023.

42. D. Michaels, S. E. Rasmussen and J. Lytvynenko, “Europe Can’t Make Ukraine Enough Weapons—So It’s Paying Kyiv to Do It”, *Wall Street Journal*, November 2024.

43. France of course has strategic deterrence reasons to build nuclear-powered submarines, but the market for these worldwide, much less Europe, is low.

44. J. A. Tirpak, “Air Force Buys First Lot of Norwegian Joint Strike Missiles”, *Air & Space Forces*, June 2024.

America” for defense, but finding exploitable entryways should remain a European priority.⁴⁵

In areas where the American lead is essentially insurmountable, Europe can still provide the industrial capability to produce components if not an entire platform, an approach epitomized by Germany. But most importantly given the war in Ukraine and even the profligate expenditure of missiles in the Red Sea by the United States and its allies, Europe and the United States can combine their market power on the buy rather than sell side where mass is more important than quality. Given Europe’s investments in the munitions needed to meet current threats, we would urge the US to be more supportive of these investments, agreeing to purchase a certain share of the output of European industries.

In reforming its defense sector, Europe must make some fundamental choices about the allocation of scarce resources. For those who believe in the enduring value of the trans-Atlantic alliance and perhaps even those who do not, we would urge Europe to make investments that bolster its value to the Pentagon and to American weapons producers, an effort that may be all-the-more important to the Trump Administration. By embedding its firms in a US-led defense network, Europe stands its best chance of not only maintaining some autonomous productive capacity, but of being a central node in the development of next generation weaponry within a (hopefully) enduring Atlantic Alliance as well.

45. We wish the US was more open to foreign competition for defense-related goods, which would both keep the prime contractors on their toes while providing superior products. A notable example is provided by the Airbus A330 MRTT air tanker, which is probably more effective than its Boeing equivalent.

Departing from the 3Ds: the case for a rebalanced transatlantic partnership

By Léo Péria-Peigné & Élie Tenenbaum

Introduction

In a *Financial Times* article in 1998, then US Secretary of State Madeleine Albright issued what would become baseline conditions for American agreement on an emerging European Common Security and Defense Policy. Namely, she proposed the rule of 3Ds: no decoupling (in terms of transatlantic defense policy), no duplication (Europeans should refrain from producing or procuring what the US already had in sufficient quantity), and no discrimination (no European industrial or commercial barriers to US defense goods).⁴⁶ Almost thirty years later, emerging tensions that may become the deepest crisis in the transatlantic alliance since the Second World War give reason to challenge the assumption of a decades-old paradigm.

Indeed, the first two months of the Trump administration foreshadow historic changes for the 80-year-old transatlantic partnership. Washington's stated goal combines two simultaneous demands. The first is the urging of the Europeans to do more for their own defense. While this demand has been recurring since the end of the Cold War—and even since the days of Eisenhower presidency—it is now hammered more abruptly and with much higher expectations than in previous administrations. Notable among these expectations is President Trump's call on Europeans to spend 5% of their GDP on defense, a figure not met by the United States itself, and Defense Secretary Pete Hegseth's call for European to “lead from the front (...) take ownership of conventional security on the continent”.⁴⁷ The second demand is to increase the trade benefits for the United States.⁴⁸

Moreover, these new terms of the transatlantic partnership are being discussed against the backdrop of a Russian threat that is more acute than ever. As Vladimir Putin issued an order to increase the number of active-duty

46. M. K. Albright, “The Right Balance Will Secure NATO's Future”, *Financial Times*, December 7, 1998.

47. Secretary of Defense Pete Hegseth, Opening Remarks by Secretary of Defense Pete Hegseth at Ukraine Defense Contact Group (As Delivered), Brussels, Belgium, February 12, 2025.

48. “Key Data & Overview”, Aerospace, Security and Defence Industries Association of Europe, available at: www.asd-europe.org.

troops to 1.5 million, he sets Russia on the path to acquire the second largest standing army after China.⁴⁹ Although the Russian military suffered from immense attrition over three years of fierce combat in Ukraine, the Kremlin has also massively increased its defense spending, gearing up for a war economy with significant capital investment to accelerate production output. While the Russian Cold War stockpiles will never replenish to the pre-war level, Russia will align a massive and occasionally more modern force, providing it with significant means to disrupt and eventually reshape Europe's current security order.

In such a context, Europe has not been sitting idle. A decade after their 2014 commitment at NATO Wales Summit to reach the minimum allocation of 2% of their GDP to defense spending, and three years after the paradigm shift caused by the full-scale Russian invasion of Ukraine, Europeans have clearly grown up on defense matters. In ten years, European NATO Allies (excluding Turkey) have moved their military spending from less than \$200 billion in 2014 to nearly \$380 billions in 2024. Between 20% and 30% of this spending has been devoted to investment—procurement of military equipment and R&D.⁵⁰ Moreover, the EU has published in 2024 an ambitious European Defense Industry Strategy (EDIS), prefiguring a European Defense Industry Program (EDIP). Finally, in 2025, the President of the European Commission—and former German defense minister—Ursula von der Leyen has announced a wide range of measure to bring in some fresh money (€800 billion) for recapitalizing European defense.⁵¹

Despite these efforts, Europeans are still struggling to catch up with the last thirty years of under-investment in their armed forces but also their defense industry. This observation invites many analysts to conclude that Europe will remain unable to produce what it needs to defend itself without massive US supply. Moreover, the mass purchasing of US-made defense goods is perceived by many in Europe as a *quid pro quo* option to “keep the US in” and mitigate some fallouts of the fledgling transatlantic trade war.⁵² But to follow this path would only further feed the “imbalanced relationship which encourages dependency”⁵³ that Secretary Hegseth slammed at his first visit to NATO in February 2025. Increasing the already significant share of US imports in the European armament mix would then not only be a short-sighted strategy, it would also nip in the bud the progress made for the past three years.

49. A. Osborn, “Putin Orders Russian Army to Become Second Largest after China’s at 1.5 Million-strong”, Reuters, September 16, 2024.

50. “Defence Expenditure of NATO Countries (2014-2024)”, NATO website, July 2024; “Coordinated Annual Review on Defence”, European Defense Agency, available at: eda.europa.eu.

51. “EU Chief Unveils 800-billion-euro Plan to ‘Rearm’ Europe”, France24/AFP, March 4, 2025.

52. A. de Hoop Scheffer, “How Trump Could Productively Reshape the Transatlantic Defense Relationship”, *Defense One*, February 13, 2025.

53. Secretary of Defense Pete Hegseth, op. cit.

In this fast-evolving context, it is high time to challenge the decades-old assumptions regarding the “terms of the deal”: as Washington decides to change these terms, Europeans need to acknowledge that the era of the 3Ds is over. As a matter of fact, one may argue that in order to manage and mitigate the US decoupling dynamic, Europe has to rethink its duplication and discrimination policies *vis-à-vis* the American defense industry. To do so, it is first important to acknowledge the weaknesses but also the strongpoints of the European defense industry, and then to discuss the realistic prospect of US supplier’s reliability before envisioning the terms of a renewed and more sustainable transatlantic partnership.

A recovering European defense industry

Emerging from 30 years of low yield capacity

With an overall turnover of €160 billion and almost 600,000 jobs, the European Defense Technological and Industrial Base (EDTIB) amounts to less than a third of its US counterpart.⁵⁴ These figures are consistent with European military expenditures, equally between a third and half of the United States. Due to historical trajectory and national preferences multiplied by the number of European states, the EDTIB suffers from proverbial fragmentation. As a result, only four European firms (BAE Systems, Airbus Group, Leonardo, Thales) make their way into the Top 20 of global defense companies.⁵⁵ Out of these, one could even argue that Airbus earns less 20% of its revenue in the defense sector, and Thales barely 50%, while BAE and Leonardo make a sizeable portion of their revenue in the United States (50% for the former, 28% for the latter).⁵⁶

Moreover, European DTIB has entirely withdrawn from some specific capability segments, leaving no options for local procurement that would combine both a European production line and a European *design authority*—a key concept that lies at the heart of current discussions around EDIP.⁵⁷ Among iconic production capabilities without any readily available European-designed options, one can find long range rocket artillery (MLRS), long range ballistic missile defense or 5th generation combat aircraft—the latter having no non-US substitute to the F-35 *Lightning II*.

Finally, even on its historical strong points, such as land or naval systems (see below), EDTIB suffered from three decades of small quantity orders that negatively impacted capital investment and impeded economies

54. “Facts & Figures”, ASD, 2024; “Facts & Figures: American Aerospace and Defense Remains an Economic Powerhouse”, AIA, September 9, 2024

55. “Top 100 Arms-producing and Military Services Companies in the World”, Stockholm, SIPRI, 2024.

56. “Sector Results FY 2024”, Leonardo, 2024, www.leonardo.com; A. Chekirye, “BAE Systems: Delivers Strong Full-year Growth”, February 19, 2025.

57. A. Pugnet, “The Three Criteria That Will Define the Future of EU Defence Industry”, Euractiv, October 29, 2024.

of scale. Although European defense firms remained oriented toward top-tier equipment and managed to remain in the game of state-of-the-art technology, the limited production led to high per-unit costs, constrained the supply chain, and caused a loss of expertise when contracts concluded.⁵⁸ This was deeply felt when the full-scale Russian invasion of Ukraine hit the continent. Despite the influx of fresh money from European governments who pledged to aid Ukraine, the surge was not met by the anticipated spike in industrial output as arms factories remained crippled by years of capital underinvestment, lack of a skilled workforce and chokepoints in the supply-chain.

Keeping all these deficiencies in mind, the outbreak of the full-scale invasion of Ukraine did set serious changes in motion. However frustrating the last three years may have been, the fruits of expansion start being felt around the European defense industry. Capital investment is on the rise and multi-year contracting—necessary to provide industrials with needed visibility to expand their capacity—is more and more common. For instance, the Franco-British missile manufacturer MBDA has established a strong presence in Poland for local production air defense interceptors of CAMM-ER through the NAREW air defense program, including the production of over 1,000 CAMM-ER air defense missiles and more than 100 launchers in a new production site in Poland that has been created out of nothing in two years.

Supply chain bottlenecks are also progressively being addressed. For instance, as it became clear that meeting the Ukrainian needs for 155 mm artillery shells were frustrated by shortages of propellants, the French company Eurenco moved to expand its production capacity for gunpowder and explosives with new sites in France, Belgium and Sweden. The company plans to double its production capacity and aims to produce 1,200 metric tons of gunpowder per year for 155 mm caliber shells.⁵⁹ TNT supply chain is also being expanded from a single factory in Poland to several big ones through Europe.

A broad range of strongpoints on technological edge

Despite its specific capability gaps and improving production capacity shortage, the EDTIB is still able to cover most of its current needs. According to a 2024 IISS report, over the last two years, European armed forces have procured 52% of their military equipment from European defense firms, and only 34% from US companies, the remaining 14% came mainly from Korean, Israeli and Turkish suppliers.⁶⁰ Not only the European catalogue offers solid

58. J. Hackett and B. Schreer (eds.), “Building Defence Capacity in Europe: An Assessment”, IISS, 2024, p. 43.

59. R. Ruitenbergh, “France to Spend \$540 Million on Artillery Propellant Production”, *Defense News*, April 11, 2024.

60. J. Hackett and B. Schreer (eds.), “Building Defence Capacity in Europe”, op. cit.

solutions to both European and international demands, but also to offer some cutting edge solutions in most domains.

Land Systems. Europe has developed a wide range of high-quality armored vehicles, some of them currently competing for several US military bids. Boosted by the war in Ukraine, German-made *Leopard 2* main battle tank saw its sales skyrocketing since 2022, through modernization of existing fleets but also outright new European customers. Lighter and cheaper than its US competitor, the M1A2 *Abrams*, the *Leopard* is now *de facto* the main European tank, even if it has not been developed through a cooperation program.

European industry has also been able to provide other state-of-the-art systems such as the *Boxer* infantry fighting vehicle (IFV), one of the most modern wheeled platforms to be deployed in Ukraine. Also recently fielded in Ukraine, the tracked armored vehicle KF41 *Lynx* is another successful heavy IFV that is gaining momentum in Europe while competing to replace the ageing *Bradley* in the US Army. Its US competitor, General Dynamics' Griffin III is itself a derivative of a European design, the Austrian Spanish Cooperation Development (ASCOD), while all the US-made designs have been evicted from the competition.⁶¹ Similar observations can be made over 155 mm self-propelled howitzer as no clear successor to the M109 *Paladin* yet emerged from the US industry even after several cancelled programs. Throughout Europe, remaining M109 are slowly being replaced by more modern European designs such as KNDS' SPH 155 and CAESAR.

Naval Systems. Although it suffered from an overall drop in shipbuilding capacity since the 2000's offshoring fever, the European naval industry retains solid foundations, showcasing its ability to innovate and compete with the best in the world. While often overshadowed by the United States, Europe has made notable strides in naval systems, particularly in the design and construction of advanced frigates and submarines, as well as lower profile systems such as minesweeping vessels.

A standout example is Fincantieri's *Constellation*-class frigates based on the Franco-Italian multi-mission frigate (FREMM) design, which was selected by the US Navy after the fiasco of the Littoral Combat Ship program (LCS). Beyond overall design and Fincantieri's shipbuilding know-how, the *Constellation* program also highlighted other European key electronic systems such as Thales' variable-depth sonar CAPTAS-4 anti-submarine warfare (ASW). Its procurement came after the US Navy decided to end development of the Raytheon AN/SQS-62 Dual-mode Array Transmitter (DART) and cancel the ASW module originally intended to equip the LCS⁶².

61. P. Felstead, "GDLS, American Rheinmetall Vehicles Downselected for Rebadged OMFV Contest", ESD, June 29, 2023.

62. R. Scott, "Thales Started Production of CAPTAS-4 Sonar for US Navy", *Naval News*, January 14, 2023.

As far as diesel-electric submarines are concerned French NavalGroup and German ThyssenKrupp Marine Systems (TKMS) have demonstrated significant success on the global market for their *Scorpene* and Type 212CD diesel-electric attack submarines. Although France has so far refrained from exporting nuclear-powered technology due to nonproliferation concerns, the 2021 AUKUS agreement has created a precedent and opened a door to some candidate customers such as Brazil or India.⁶³ Faced with congestion of US naval shipyard and growing uncertainty as to AUKUS-class submarines delivery timeline, a former Australian admiral has recently advocated moving back to a NavalGroup design, this time with a nuclear propulsion.⁶⁴

Military Aircraft. While the US managed to bandwagon key European actors (BAE and Leonardo) on the Joint Strike Fighter/F-35 program, advanced combat aircraft remains a niche capability in Europe. If it is true that due to unsynchronized procurement cycles, European aerospace industries have missed the stealth fighter jet revolution, 4.5th Generation fighters such as *Eurofighter*, *Rafale* and *Gripen* have had relative commercial success with emerging powers (Gulf states, Egypt, India, Indonesia for the former, South Africa, Brazil, Thailand for the latter). Competing projects for 6th Generation systems, Franco-German Future Combat Air System (FCAS), and UK-Italy-Japan Global Combat Air Program (GCAP) also demonstrate the level of ambition, research and development through cooperation.

Moreover, Europe has maintained a cutting edge in the development and commercialization of airborne support platforms, largely thanks to the efforts of the Airbus Group. The Airbus A400M stands out as a prime example of European innovation in tactical airlift capabilities, offering versatile and efficient transport solutions for military operations. Additionally, the Airbus A330 Multi-Role Tanker Transport (MRTT) has established itself as a leading air-to-air refueling platform, demonstrating Europe's prowess in designing and delivering advanced support aircraft that are crucial for modern air forces. The next step may well be the Airborne Early Warning (AEW) function which used to be a US monopoly in Europe thanks to the E-3 AWACS, but whose Boeing successor, the E-7 Wedgetail is now rivaled by Saab's GlobalEye system.⁶⁵

Missiles and complex weapons. The European missile industry has proven itself to be a formidable force, standing strong as a global leader in advanced missile technology. While often seen as playing second fiddle to the United States, Europe's commitment to innovation and excellence ensures it remains a significant player in the global defense market. Companies like

63. J.-L. Lozier and H. Fayet, "Naval Nuclear Propulsion: The Technical and Strategic Challenges of a Restricted Technology", *Proliferation Papers*, No. 66, Ifri, November 2023.

64. P. Briggs, "AUKUS Risks Are Piling Up. Australia Must Prepare to Build French SSNs Instead", ASPI, December 5, 2024.

65. L. Lagneau, "Le GlobalEye de Saab tiendrait la corde pour être le prochain avion d'alerte avancée de l'armée l'Air", *Zone militaire*, July 10, 2024.

UK-French MBDA have developed cutting-edge systems such as the *Meteor*, a beyond-visual-range air-to-air missile usually considered as the most advanced air-to-air missile on the market, trumping its US competitor AIM-120 AMRAAM.⁶⁶ Unlike the latter, *Meteor*'s ramjet propulsion system ensures constant Mach 4+ propulsion until impact, enabling unparalleled maneuverability. This showcases Europe's ability not only to keep pace with but occasionally take the technological lead. Through continuous investment in research and development, Europe maintains its edge in defense technology, ensuring its armed forces are equipped with top-tier missile systems capable of meeting the challenges of modern warfare.

European access to the US defense market

Beyond its national markets, EDTIB has been exporting a third of its revenue (around €50 billions) outside the continent, including occasionally, and increasingly so over the recent years, to the heavily regulated US defense market. European companies have also bid and won competitive contracts on more complex weapons: Norwegian firm Kongsberg's Naval Strike Missile (NSM) was selected by the US Navy as the anti-ship missiles, while Italian firm Fincantieri was awarded the six *Constellation*-class frigates.⁶⁷

As it requires heavy offshoring is usually needed to access the US defense market, European designs are most usually locally produced in the US, often through alliances and joint ventures with US defense primes. European defense companies also have to comply to very strict US regulations, pushing them to create almost independent entities on the US territory and strongly limiting their export potential due to US export control such as the International Traffic in Arms Regulations (ITAR). While European firms' market share in the US remain marginal, their occasional selection over US-only competitors tells a different story about supposed European defense industry "backwardness".

There is no room for complacency about the current state of EDTIB and underestimation of the coming challenges. The long overdue recapitalization of European defense industry arrives too late to be conducted seamlessly. Years of underinvestment in production capital, shortage of skilled workforce, supply-chain bottlenecks, technological and capability miss-outs, barriers to much needed industrial cooperation and, even more so, consolidation, are not to be taken lightly. The point here is not to boast about the European DTIB's achievements, but rather to counter pessimistic and

66. S. Tiwari, "World's Best" Air-to-air Missile for Turkish Fighter Jets Alarms Greece; Here's What Makes *Meteor* 'Deadly', *The Eurasian Times*, January 31, 2025 ; D. Leone, "Here's Why MBDA *Meteor* Is the Best Beyond Visual Range Air-to-Air Missile Ever Conceived", *The Aviation Geek Club*, July 12, 2020.

67. "US Navy Selects Naval Strike Missile as New, Over-the-horizon Weapon", PRNewswire, June 1, 2018; "Fincantieri Is Awarded Contract from the US Navy for the Fifth and Sixth *Constellation*-class Frigates", Fincantieri, May 24, 2024.

over-defeatist narratives that have dominated the last three years. Even more so, as the historical US supplier's reliability is now seriously put in question.

The US supplier's reliability in question

While it may seem attractive to strengthen transatlantic ties and push further integration through agreed interdependencies, recent developments tend to challenge the conventional Atlanticist wisdom. Beyond the deeply troubling approach to transatlantic relation advocated by the Trump II administration, more structural evolutions are giving Europeans reasons to pause and review the terms of their defense industrial relations with the United States. Three main issues stand out: the first one is a growing divergence on operational requirements as the US tilts to the Indo-Pacific and Europeans go deeper in high intensity continental defense of their continent; the second stem from a closer look at US military equipment value-for-money; and the third hits on a number of US defense industry liabilities in terms of delays, use limitations and lack of reciprocity.

A growing divergence on requirements

Over the last decade, US strategic attention has been increasingly focused on the Chinese military challenge and “pacing threat”, with far reaching consequences on its force model, strategic posture, and arguably, capability development process. Logically military engagement scenarios based on the Indo-Pacific theater highlight naval systems, including submarine fleets and large carrier strike groups that may be secondary to a European warfare. Similarly, the AGM-183A Air-Launched Rapid Response Weapon (ARRW) hypersonic missile is tailored to quickly strike time-sensitive targets in the vast Indo-Pacific theater, where distances between potential conflict zones are far greater than in Europe.

Meanwhile, the US defense industry has been lagging in weapons systems and platforms the would be badly needed by Europe in case of confrontation with Russia. US programs aimed at replacing main battle tanks, tracked IFV, 155 mm self-propelled artillery or even reconnaissance helicopters have stalled for years, or undergone multiple stop-and-goes.⁶⁸ As Europe now faces a not-so-new but imminent threat, NATO's own minimum capability requirement (MCR) highlight the need to catch up Russian mass on the land domain, with an emphasis on rank-and-file firepower, which had been neglected for years or even discarded as “sunset capabilities”.⁶⁹ As a result, more tanks have been ordered in Europe since Russian full-scale

68. P. Felstead, “A Step Too FARA: The Demise of the Armed Reconnaissance Helicopter”, ESD, October 15, 2024.

69. É. Tenenbaum and A. Zima, “Return to the East: The Russian Threat and the French Pivot to Europe's Eastern Flank”, *Focus stratégique*, No. 119, Ifri, June 2024; “Sunrise and Sunset Capabilities: In with the New Doesn't Mean Out with ALL of the Old!”, Thoughts on UK Defence, December 17, 2020.

invasion than during the last 15 to 20 years, right when US strategists and policy planners question the very idea of their relevance.⁷⁰

Different adversaries also mean different requirements. While China can now be seen as a highly advanced military in all domains, Russia proved itself unworthy of such a qualification and could be countered with much less sophisticated tools. While China is fast developing its air superiority doctrine and investing on space-based ISR through massive satellite constellations enabling it for precision strike campaign, Russia is retrograding to massive predominantly unguided firepower. This simple but hardly debatable observation implies that Europe may not actually need to match the US R&D figures as a much less advanced armament would be needed to reasonably face a future conflict with Russia. The European investment could be more than enough to sustain conventional fighting against an adversary that failed to bring down Ukraine, with much less potential. Comparing European R&D figures to the Russian ones would then be much more relevant than comparing it to those of the US as our strategic paradigm differs and it seems that they will do more and more in the future.

Prices, performances and efficiency

While Europe's constrained defense spending negatively impacts production capacity, density or range of capabilities, it also at times provides incentives for better efficiency and value-for-money ratio. In a constrained environment, the margin for error is much narrower as each euro spent must deliver more, through more efficient procurement processes. Europeans simply cannot afford a US "trial and error approach", not only in R&T where it is a compulsory stage for innovation, but also in full-scale resourced programs. European militaries could for instance not afford discarding three-year-old ships, as planned by the US Navy for its disastrous LCS program, not to mention DDG-1000 *Zumwalt* or US Army Future Attack and Reconnaissance Aircraft (FARA).

Fragmentation as well is a flaw with hidden virtues. While impeding economies of scale and increased capacity, plurality also carries a welcomed competition on the armament market, eventually driving innovation. It is true fragmentation often translates into disconcerting situations, as when the three Baltic countries order each a different IFV, but it brings leverage to the customers on prices and performances. The benefit of competition is even more significant when it comes to industrial offsets. Those have been the main armament market driver for the last decades, i.e., the offer guaranteeing the highest return on investment (through technology transfers and offshoring) usually winning the tender. While offsets may have seemed less critical since the war in Ukraine pushed the customer to favor delivery speed and mass, big buyers like Poland have been careful to negotiate local

70. F. Hoffman, "American Defense Priorities After Ukraine", War on the Rocks, January 2, 2023.

production for the largest orders—from MBTs to air defense missile systems. Relying too much on US suppliers could then deprive Europe of the benefits of global competition from (relatively) new entrants such as Türkiye, South Korea or Israel.

Having access to a globalized armament market means Europe is still able to negotiate significant returns or just widen its range of options. This freedom of maneuver allowed Greece to reject a US government offer for “free” second-hand *Bradley* IFV after calculating that restoring them would cost more than buying alternative vehicle for free.⁷¹ This also applies to brand-new systems. For instance, Romania has been wanting to replace its soviet-era T-55s and TR-85s for years, but the process is still ongoing as Bucharest hesitates between two options: the US M1A2 *Abrams*, a more expensive but politically more attractive option, or the South Korean K2 *Black Panther*, a cheaper option with more offsets. While a first batch of *Abrams* has been purchased, the lion’s share of the replacement contract is still pending until 2026 and the recent Polish decision to purchase (and locally produce) up to 1,000 K2s may influence Bucharest’s eventual choice.

Reducing the options to a single provider would also the customer’s ability to negotiate offsets. Even without giving credits to rumors of artificially inflated prices,⁷² US armaments tends to be significantly more expensive than others, considering acquisition, maintenance and overall carrying costs, be it on air, land or naval systems. So far, US goods have remained attractive due to implicit political, diplomatic and strategic strings attached to those contracts—with the idea that trade benefits will consolidate US perception of the customer as a “good ally”.

However, this comparative advantage may shrink with time, as the US commitments to the defense of Europe falter, pushing US firms to increase their industrial offsets if they want to remain competitive. In that respect, Trump administration’s Ukraine policy, neglecting European security interests in the name of US-Russia grand bargain may end up with significantly opposite results than intended as far as US trade benefits are concerned. Keeping the European market open to alternative solutions, either regional or global (including non-Western), may just be the only way to keep leverage on the value-for-money ratio, be it strategic, industrial or strictly technical.

71. L. Lagneau, “L’armée grecque refuse des blindés Bradley d’occasion offerts par les États-Unis”, *Zone militaire*, September 2, 2024.

72. B. Whitaker, “Weapons Contractors Hitting Department of Defense with Inflated Prices for Planes, Submarines, Missiles”, *CBS News*, May 21, 2023.

Looking straight at US defense industry shortcomings and liabilities

As Europe works to strengthen its defense capabilities amid rising geopolitical tensions, the reliance on the US defense industry raises serious questions about long-term security and operational autonomy. While US-made weapons systems remain technologically advanced and widely used, structural weaknesses in the American defense industrial base create growing risks for European military readiness. These vulnerabilities fall into three critical categories: production delays and de-prioritization of European needs, operational use limitations, and stringent export controls like the International Traffic in Arms Regulations (ITAR).

Delays and de-Prioritization

One of the most pressing liabilities of the US defense industry is its increasing difficulty in meeting delivery timelines—an issue that directly undermines the readiness of European forces. The traditional argument for purchasing US-made, off-the-shelf defense equipment, even at the cost of giving up industrial offsets (see above), was based on speed of availability, but that assumption no longer holds true.

A 2024 report by a Brussels-based think tank examined two flagship US defense systems—the MIM-104 *Patriot* air and missile defense system and the F-35 *Lightning II* combat aircraft—and found significant production shortfalls.⁷³ For instance, Raytheon's annual *Patriot* production barely covers European demand, and in the current geopolitical climate, the company is likely to prioritize deliveries to the US military and Indo-Pacific allies. The F-35 program faces even more severe delays, with 91% of airframes delivered late in 2023, compared to just 10% in 2019.⁷⁴ These delivery delays are compounded by soaring program costs, which have increased by 50% since the aircraft's initial launch. Considering the well-known issues with F-35's predictive maintenance software ODIN, and how spare parts shortages further degrade fleet availability rates, the overall reliability of support in the event of high intensity conflict does not bode well.⁷⁵ Supply chain limitations would likely prioritize the US fleet, leaving European operators with severely constrained operational capabilities, regardless of whether they were directly involved in the same conflict.

This structural weakness in the US defense industrial base extends far beyond air systems. Despite the major consolidation of the US defense industry in the 1990s, it continues to struggle with production capacity and development timelines. Missiles still take more than two years to produce,

73. A. Burilkov, J. Mejino-López and G. B. Wolff, "The US Defence Industrial Base Can No Longer Reliably Supply Europe", Bruegel, December 18, 2024.

74. D. Perry, "Norway Flags Ongoing F-35 Delivery Delays", FlightGlobal, October 9, 2024.

75. "F-35 Joint Strike Fighter, Program Continues to Encounter Production Issues and Modernization Delays", Report to Congressional Committees, GAO, May 2024.

and advanced aircraft require nearly four years from order to delivery—with delays increasing alongside system complexity. These production issues are not limited to European customers. Despite spending \$19 billion on US defense equipment, Taiwan faces severe delays in the delivery of critical systems needed to defend against a potential Chinese invasion.⁷⁶ This situation reveals the strategic misalignment between US production capabilities and its foreign policy ambitions, particularly as Washington pivots toward the Indo-Pacific.

The maritime sector is no exception. US shipyards are struggling to meet domestic demand, failing to process foreign orders like those associated with the AUKUS submarine deal with Australia (see above). The construction of surface ships like frigates faces chronic labor shortages, cost overruns, unstable designs, and aging infrastructure—issues unlikely to be resolved in the short or medium term. The US Navy’s declining production capacity reflects a deep-rooted industrial crisis, which further undermines the credibility of US commitments to its allies. The situation with ammunition production is even more dire as recent US wargames have shown that stockpiles of critical munitions would last only about a week in a high-end conflict with China.⁷⁷ Given these severe supply constraints, the likelihood of Europe receiving sufficient resupply in a major crisis may be challenged.

Use limitations

Beyond mere delays, the war in Ukraine has starkly demonstrated the strategic risks of relying on foreign-made weaponry, especially when the supplier retains operational control over how those systems are used. Throughout the conflict, the US and several European states imposed strict limitations on the delivery and use of advanced long-range weapons, including the HIMARS and ATACMS ground-to-ground rocket or missile systems and the UK-French SCALP/*Storm Shadow* air-launched cruise missiles. Until the Biden administration eventually lifted these restrictions in late 2024, these have prevented Ukraine from striking key strategic targets deep within Russian territory, limiting its operational effectiveness and constraining its counteroffensive capabilities.⁷⁸

The Starlink satellite communications system, provided by SpaceX, offers a parallel example of the risks associated with external technological dependence. While Starlink has been instrumental in maintaining Ukrainian battlefield connectivity, access to the system remains entirely subject to the political and commercial decisions of its private operator. Reports have

76. J. Kavanagh and J. Cohen, “The Real Reasons for Taiwan’s Arms Backlog—and How to Help Fill It”, *War on the Rocks*, January 13, 2023.

77. M. Cancian and E. Heginbotham, “The First Battle of the Next War: Wargaming a Chinese Invasion of Taiwan”, CSIS, 2023.

78. A. Entous, E. Schmitt and J.E. Barnes, “Biden Allows Ukraine to Strike Russia with Long-Range U.S. Missiles”, *The New York Times*, November 17, 2024.

already surfaced about restrictions on Starlink coverage in contested areas, denying Ukrainian forces the ability to coordinate operations in specific regions. The prospect of an immediate “kill switch”—where Starlink access could be suspended or limited in the event of political disagreement—highlights the precariousness of relying on external, commercially controlled systems for critical military functions.

Faced with these restrictions, Ukraine was forced to accelerate the development of indigenous long-range strike systems, which have been in regular use against Russian targets for the past six months. For European nations, the risk of similar operational constraints remains high. As the US increasingly shifts its focus to the Indo-Pacific and attempts to “reset” its relation with Vladimir Putin’s Russia, it is likely to prioritize avoiding escalation in the European theater. In a future crisis, Washington could impose strict limitations on the use of US-supplied systems, delaying or outright preventing European military action. This looming threat underscores the need for greater European control over its weapons systems, allowing for independent decision-making in times of conflict.

Export control

A third and equally significant liability of the US defense industry lies in the stringent export controls, mostly due to ITAR regulations. While ITAR is designed to protect US technological superiority, it also constrains the operational flexibility of allied nations by subjecting foreign users of US-made systems to complex regulatory oversight. For European states, ITAR compliance often translates into political dependence, as the US retains veto power over how and where its systems are deployed. This legal framework also creates bottlenecks in joint development programs, with US-made components subjecting entire systems to ITAR restrictions.

The geopolitical impact of ITAR became particularly evident during the war in Ukraine, where US-imposed restrictions on the use of American-supplied systems complicated operational planning and limited Ukraine’s ability to strike strategic targets. Should a similar scenario unfold in Europe, ITAR restrictions could severely undermine European defense capabilities, curtailing the ability to respond decisively to existential threats. To safeguard strategic autonomy, Europe must accelerate the development of its own defense industrial base, reduce dependency on US technology, and diversify supply chains. By minimizing ITAR exposure, Europe can streamline procurement processes, enhance operational sovereignty, and ensure the freedom to act independently in future conflicts.

Finding the right balance: towards a new partnership?

As Washington decides to change the terms of the transatlantic deal—the way it has been upheld for the last 80 years—, European and US defense technological and industrial bases must themselves adapt and find a balanced *modus vivendi*, taking stock of respective challenges. This partnership needs to remain a mutually beneficial cooperation, rather than a predatory and one-sided dynamic. As Europe works to strengthen its industrial capability to address future Russian threats, three main scenarios can be considered for the short and medium term.

The first and preferable option is that of a renewed transatlantic relationship built on a balanced and long-term perspective. The idea of a common armament market should not be rejected outright, as both partners stand to benefit from deepened cooperation—provided this does not condemn one side to perpetual junior-partner status. Licensed production of US-designed equipment should be balanced by greater European access to the US defense market, with fewer restrictions placed on European companies and their US-based branches. Accepting mutual and balanced interdependencies may allow some specialization and increasing depth in production capacity on both sides of the Atlantic. As the international security environment continues to degrade and the prospect of high intensity conflict in both Europe and the Indo-Pacific—possibly simultaneously—gains credibility, those interdependencies must come with realistic “supplying guarantees” to assure allies. In that prospect, maintaining a free and open Atlantic ocean may prove the new bedrock of the Alliance.

If a balanced *modus vivendi* cannot be established on acceptable terms, a less optimal scenario would need to be envisioned. Europe should then consider diversifying its suppliers by turning to the global defense market—particularly the newer DTIB entrants that have recently reached impressive levels of performance and quality. While the US remains unmatched in terms of R&D, Europeans must carefully assess the cost-benefit ratio of acquiring advanced US systems weighed against the political reliability of their supply. Countries like Turkey, South Korea, and Israel have emerged as credible providers of a wide spectrum of systems—from armored vehicles to light aircraft, as well as UAVs and advanced electronics. Through pragmatic, long-term strategies, these nations leveraged industrial offsets negotiated in past arms contracts to rapidly develop their own defense industries. Now transitioning from offset recipients to offset providers, they demonstrate how effective this approach can be.

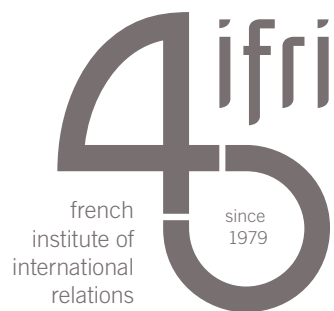
Incorporating a greater level of competition among foreign suppliers could be a viable medium-term solution to counterbalance the overwhelming weight of the US DTIB. By doing so, European countries could strengthen their negotiating position and secure more industry-oriented offsets, such as

technology transfers or localized production. As the US aims to reduce its military footprint in Europe, the value of its military offsets will likely diminish over time. This would either force the US to reconsider its approach or shift toward more attractive industrial offsets.

The third and longer-term scenario is that of a more ambitious European strategic and industrial autonomy. The experiences of Turkey and South Korea show that a nation need not resign itself to long-term dependence but can instead focus on fulfilling its own needs through indigenous development. Despite the challenges of European cooperation, the EU is well-positioned to succeed on this path, given its technological and financial advantages.

Poland's current defense strategy offers a compelling case study in this regard. Though criticized for its large-scale acquisitions of foreign-made armaments, Warsaw has a clear long-term vision. Its immediate purchases of US and South Korean tanks and self-propelled guns serve as “gap fillers”—an urgent response to immediate threats. In parallel, these acquisitions provide Poland with valuable industrial offsets, security, and time to implement licensed local production. This, in turn, allows for the gradual “Polonization” of foreign systems to meet national standards. By the end of the next decade, Poland aims to develop its own major defense systems, transforming itself into a leading DTIB player in Europe thanks to its strategic investments and long-term planning.

This example highlights both the shortcomings and potential of the European DTIB. Achieving true industrial autonomy requires an integrated European defense industry, driven by a shared long-term strategy and a common assessment of needs and threats. With the growing awareness of these issues among EU member states—particularly in the aftermath of the first Trump administration—the time may finally be right to pursue this path with greater cohesion and purpose.



27 rue de la Procession 75740 Paris cedex 15 – France

Ifri.org