

A Paper Tiger or a Game-Changing Project: European Defence Industrial Strategy and Views from Central Europe

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Abstract

This paper deals with the topical issue of the first-ever European Defence Industrial Strategy (EDIS), which was introduced by the European Commission and the High Representative/Vice-President for Foreign Affairs and Security Policy (HR/VP) in March 2024. The strategy aims to increase European defence industrial readiness, encourage Member States to invest in the European defence industry, and reinforce joint European defence procurement and ownership. EU Member States from Central Europe have played a crucial role in supporting Ukraine after the start of the Russian unprovoked and illegal full-scale invasion in February 2022. They also stressed the need to focus the EU's efforts on new initiatives in the field of defence and the defence industry, such as the Act in Support of Ammunition Production or enhancing the European Defence Fund. The main objective of this study is to identify how Central European countries (Czech Republic, Hungary, Poland and Slovakia) and their representatives (state officials, Members of Parliament, Members of the European Parliament) perceive EDIS and what priorities they seek to pursue during the implementation of the strategy to use its full potential for their defence industries and cooperation among Member States. Furthermore, the paper discusses the preparatory phase of the strategy from the perspective of the Central European Member States and the European Commission. It also explains what Member States from Central Europe expect from the newly appointed Commissioner for Defence and Space. In order to obtain data, the author conducted interviews with relevant stakeholders such as politicians, academics, diplomats and experts from EU institutions and leading European think-tanks.

Introduction

Had the founding fathers of the European Union (EU) succeeded in creating the European Defence Community in the 1950s, the EU could have developed a more robust defence industry, better prepared to support Ukraine and its own needs. Instead, Russia's aggression in Ukraine has exposed the weaknesses of Europe's defence industry, including production and readiness gaps.

The EU has launched two emergency initiatives—the European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA) and the Act in Support of Ammunition Production (ASAP)—to boost weapon and ammunition production.¹ However, their combined funding of €800 million over two years is modest compared to Russia's €115 billion annual defence budget or EU Member States' €279 billion military spending in 2023.² Aiming to address shortcomings in the European defence technological and industrial base (EDTIB) and enhance production capacities, the EU has introduced the European Defence Industrial Strategy (EDIS). Based on the threat perception defined by the EU's Strategic Compass and aimed at preparing for future crises, EDIS sets quantitative targets for Member States to procure at least 40% of defence equipment collaboratively by 2030 and to buy 50% of the equipment within the EDTIB by 2030, rising to 60% by 2035.³ In 2022, a mere 18% of defence procurement was conducted collaboratively.⁴ Moreover, between the start of Russia's full-scale invasion in February 2022 and June 2023, only 22% of defence acquisitions by EU Member States originated from European companies.⁵

¹ EDIRPA | Procuring together defence capabilities; ASAP | Boosting defence production.

² MEJINO-LÓPEZ, Juan & Guntram WOLFF. A European defence industrial strategy in a hostile world; EU Defence Spending To Reach Record 270bn Euros In 2023; EU defence spending hits new records in 2023, 2024.

³ A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry.

⁴ ANDERSSON, Jan Joel. Buying Weapons Together or Not.

⁵ A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry.

It is evident that, despite the non-binding nature of the EDIS objectives, achieving them within a relatively short time will require a significant paradigm shift in defence procurement and investment, as well as in European budgetary planning. The strategy also addresses challenges in research and development by supporting small and medium enterprises (SMEs). Designed as a long-term initiative, EDIS requires robust and sustainable financial instruments. As a temporary measure, it proposes the European Defence Industry Programme (EDIP) with a budget of €1.5 billion for 2025–2027. Looking ahead, the Commission anticipates increased funding in the post-2027 multiannual financial framework (MFF) to cover future defence programmes and investments, as well as research and development activities under the European Defence Fund (EDF).⁶

Central European countries broadly endorse EDIS as a necessary shift from short-term emergency measures to a comprehensive, long-term defence framework. However, some have criticized its delayed introduction and argue that current financial incentives are insufficient to achieve ambitious goals. Key regional priorities include increasing ammunition production, enhancing cyber defence capabilities, and advancing joint European projects like the Air Defence Shield to foster cooperation and reduce costs. These states underscore the importance of equitable resource distribution and advocate for innovative financing mechanisms to attract private investment. Long-term sustainability is a critical concern, with calls for significantly increased EU defence spending in the coming years. Central European countries emphasize the need to balance low-, mid-, and high-tech defence capabilities while ensuring smaller states can contribute to implementing EDIS as an equitable and impactful strategy.

The Preparatory Phase and Consultations

The European Commission has been seeking to obtain at least limited powers in defence and security matters, given the restrictions on its capacity to act in those areas imposed by the existing treaties. It has made use of the industrial policy provisions, under which it has the power to guide and support defence industrial policy with new initiatives. EDIS is the joint proposal of the European Commission and the HR/VP and was issued in March 2024 together with the EDIP as a piece of the same defence puzzle.

During the preparatory process, the Commission invited defence officials from Permanent Representations of Member States to a series of workshops on every aspect of the strategy. The preparation was conceived as a brainstorming process based on the written responses from Permanent Representations and joint informal oral consultations.⁷ Altogether, Commission and Member States officials gathered five times during October-December 2023. Beyond consultations with Member States, the Commission undertook talks with representatives of think tanks, the defence industry and the financial sector. The discussions with the financial sector were of particular significance and innovation, as a financially robust and sustainable future for the European defence sector is unfeasible without the support of bank financing, starting with the European Investment Bank's (EIB) investments.⁸

These meetings occurred at the end of 2023 and the beginning of 2024. Nevertheless, both representatives of Member States from Central Europe and the Commission rejected to characterize the preparatory talks as "negotiations", using the term "consultations" instead.⁹ Although the Commission invited Member States to the talks, their opinions were not binding on the result of the preparatory process, and the Commission did not submit any communication on the results to the Member States.

⁶ Ibid.

⁷ Interview #1; Interview #2; Interview #3.

⁸ Interview #1.

⁹ Interview #1; Interview #2; Interview #3.

Due to the fact that the EDIS is a joint communication of the Commission and HR/VP, the European Parliament was not consulted.¹⁰

The attempts of the Commission to assume a leading role in proposing initiatives related to the defence industry and defence policy were initiated even before the start of the Russian aggression in February 2022. However, the reasons are not just about the projection of power or the ambitions to play a more decisive role in the decision-making process on defence matters. Despite Russia's full-scale invasion of Ukraine, the Commission observes divergent national priorities on defence and security, with some Member States, particularly those bordering Russia, advocating for stronger joint efforts, while others remain more cautious in their approach.¹¹ Logically, the 27 states have different threat perceptions and strategic cultures depending on geographical location, historical experience, and many other factors. Consequently, the Commission's actions seek to ensure that all countries are in agreement and to enable the pursuit of more ambitious objectives.

The Role of the New EU Defence Commissioner and Main Challenges

The considerations leading to the creation of EDIS emerged within the context of profound shifts in Europe's geopolitical landscape precipitated by Russia's full-scale invasion of Ukraine. These considerations were further influenced by the Commission's long-term vision for an enhanced geopolitical role of the EU, which included the creation of the post of Commissioner for Defence, announced by Ursula von der Leyen in February 2024.¹² As von der Leyen was elected for her second term as the President of the European Commission in June 2024, her vision materialised with the appointment of former Prime Minister of Lithuania Andrius Kubilius as the EU Defence Commissioner.

In her Mission letter, von der Leyen outlined Kubilius' work for the next five years. The letter includes a number of tasks, such as developing a White Paper on Defence in the first 100 days together with the new HR/VP Kallas, strengthening military mobility across the Member States or increasing the aggregation of demand for defence assets and European defence products, all encompassed under the umbrella of a European Defence Union. Moreover, Kubilius will be responsible for implementing the EDIS and swift negotiation of EDIP in 2025.¹³

Negotiating EDIP successfully will be of crucial importance to Kubilius. The programme is an evolutionary element of the EU's defence initiatives and a bridge between ASAP and the next MFF after 2027. It will be essential to engage Member States in the strategy's objectives and to encourage cooperation within its scope to negotiate more extensive funding for defence and support for the defence industry in the following financial framework. EDIS recognises the shortage of investments and calls for an increase in defence spending.¹⁴ The result of the funding negotiations and Kubilius' ability to deliver a boost to Member States' defence spending will also be crucial for projects such as the European Military Sales Mechanism, containing the idea of setting up a catalogue of defence products based on the available capacities of the EDTIB or financing the creation of defence industrial readiness pools.¹⁵

¹⁰ Interview #4.

¹¹ Interview #1.

¹² ROUSSI, Antoaneta, Joshua POSANER & Jan CIENSKI. Von der Leyen plans new defense commissioner post.

¹³ Mission Letter: Commissioner-designate for Defence and Space.

¹⁴ Interview #1.

¹⁵ A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry.

The Central European Member States recognise the main tasks Kubilius will perform and consider him as a facilitator for strengthening relations in two directions. First, with the European Parliament and second, with the private sector; in both cases, it is his role to unlock the full potential of EDTIB.¹⁶ Looking up to his joint task with HR/VP Kallas to develop the White Paper on Defence within their first 100 days in office, the Central European countries anticipate that Kubilius will engage in dialogue with them during the development of the White Paper on Defence and express their intention to collaborate to at least the same extent as on the preparation of EDIS. The expectation is that workshops will be held and that these will facilitate discussions between participants regarding the document's content.¹⁷

Central Europeans also notice that the Directorate-General for Defence Industry and Space (DG DEFIS) has been moved under the Defence Commissioner, potentially creating more favourable conditions for defence companies from Central Europe. Even though the Commissioners must act independently of their home countries, the fact that Kubilius was nominated by a small country from the Central and Eastern Europe region might bring additional, rather non-direct, opportunities for arms companies from this region. Member States and their defence industries would be well-advised to view this as an opportunity for closer economic and security cooperation with Western armament producers. Furthermore, thanks to Kubilius's presumed strong emphasis on NATO's Eastern Flank, they would be in a stronger position when negotiations or calls for cooperation are announced.¹⁸

Views from Central European Countries on EDIS

The interviews conducted for this paper show that the Member States from Central Europe favour the initiative to develop the first European defence industrial strategy. They collectively acknowledge the transition from emergency initiatives, such as EDIRPA and ASAP, to a strategy with long-term objectives intended to contribute to a comprehensive solution to the EU's defence capability while based on an analysis of the current, highly contested security environment.¹⁹

For countries like Poland, which have long advocated for increased defence spending, the introduction of EDIS after more than two years since the onset of the brutal invasion may evoke a "we-told-you-so" feeling. Consequently, it can be argued that EDIS has arrived too late.²⁰ Certain countries have voiced concerns regarding the feasibility of the benchmarks set up by the strategy. This is also linked to the scarcity of compelling incentives to achieve the set targets. Member States have expressed the need for the Commission to provide adequate encouragement, particularly in the form of positive financial stimuli, as opposed to restrictions.²¹

Nevertheless, Central European countries have identified specific priorities for their defence industries that they seek to pursue and finance using EDIS resources. These priorities include the production of 155mm artillery ammunition and gunpowder and enhanced investments in cyber defence, both in more developed cyber-ready countries (e.g. Czechia) or those with less developed cyber capabilities (e.g. Slovakia). Furthermore, there is a focus on promoting European defence projects of common interest (EDPCIs), such as the joint European development of air defence (Air Defence Shield), which would represent a European product and reduce costs compared to buying air defence systems from outside the EU.

¹⁶ Interview #5.

¹⁷ Interview #2; Interview #3.

¹⁸ Interview #6; Interview #7; Interview #8.

¹⁹ Interview #2; Interview #3.

²⁰ Interview #6.

²¹ Interview #2; Interview #3.

However, EDPCIs are still in the conceptual stage, with Member States currently discussing the Commission's proposal and striving to retain as much decision-making power as possible.²²

Additionally, the promotion of military mobility is an important opportunity that the Central European countries envision for the EU within its complementary security role to NATO. For these states, it is important to support the already existing defence production in the individual states, but also to increase cooperation among Member States, which is the point of EDIS. At the same time, they are aware of the financial benefits inherent in collaborative development and procurement of defence equipment.²³ It is estimated that joint projects and procurement processes could save up to 30% of defence costs by 2023.²⁴

The Central European states prioritise ensuring the long-term sustainability of EDIS funding. According to data from the European Defence Agency (EDA), EU Member States reached a historic spending of €279 billion on defence in 2023.²⁵ Furthermore, the 2024 Coordinated Annual Review on Defence (CARD) report anticipates that this figure will increase to €326 billion in 2024, highlighting a significant investment in research and technology, which is projected to reach 31%.²⁶ According to the optimistic scenario proposed by one of the officials interviewed, European annual defence spending should increase by at least fivefold in the coming years. Achieving such an increase will necessitate prioritising the defence chapter in the negotiations of the new MFF and, possibly, introducing a joint debt mechanism.

Additionally, these countries emphasise the need for more effective financing of the defence industry through the EIB, which should provide improved solutions compared to the current framework, as it is essential to mobilise private capital to support the defence sector.²⁷ One of the floating ideas for a solution is establishing a specialised defence bank (European Security/Defence Bank), which, following the example of the European Bank for Reconstruction and Development, would be dedicated directly to stimulating investment in European defence.²⁸

Crucially, Central European countries must engage in negotiations to avert the disproportionate distribution of benefits from the financial resources proffered by EDIS among EU countries. The Member States' representatives in the Council will be responsible for preventing any potential disproportionate use of resources by large Member States to the detriment of small ones. Additionally, Members of the European Parliament (MEP) will monitor these processes and have the authority to raise concerns or challenges in the relevant committees and plenary sessions. Collectively, all the actors involved must incentivise national defence industries to leverage the strategic funds available. The interviewed MEP from a Central European country believes it is vital to implement the bidding consortium clause, which requires the participation of companies from at least three Member States within one consortium, in a manner akin to the calls for proposals under the EDF.²⁹

From a strategic viewpoint, it is advisable for individual countries to identify the sector in which they will focus their defence industry, drawing on either historical traditions or the skills and capabilities of their workforce.

²² PUGNET, Aurélie. The eight defence projects that could become first-ever EU projects of common interest.

²³ Interview #2; Interview #3; Interview #6; Interview #9; Interview #4.

²⁴ Interview #2; Interview #3; Interview #6; Interview #9; Interview #4.

²⁵ EU defence spending hits new records in 2023, 2024.

²⁶ Coordinated Annual Review on Defence: Report 2024.

²⁷ Interview #2; Interview #3; Interview #5; Interview #6.

²⁸ Interview #9.

²⁹ Interview #5; EDF | Developing tomorrow's defence capabilities.

Experts highlight that a balanced combination of low-tech, mid-tech, and high-tech industries is crucial for establishing a successful, comprehensive, cost-effective, and complementary European defence sector. However, it is acknowledged that for small countries, which is the majority of Central European states, it is not feasible to prioritise the development of large, strategic and high-cost weapon systems.³⁰

Many of these notions of the Central European countries align with the experts' views on the need for a radical increase in European defence spending, stating a total increase of at least €500 billion over the forthcoming five-year period.³¹ Given that seven EU members of NATO are still failing to meet even NATO's minimum commitment of allocating 2% of GDP to defence, this appears to be a fairly ambitious task. Several of the priorities advocated by the Central European states are similar to the recommendations of the Security Report for Strengthening European Preparedness and Readiness by former Finnish President Niinistö.³² These include strengthening public-private funding of defence investments and exploring new ways for the EIB to expand its share of defence sector financing beyond dual-use. The alignment of priorities between Central European states and top EU politicians and advisors demonstrates that these countries are constructive and aware of common European challenges and threats, showing the future potential of EDIS. However, the Commission will need all Member States' involvement and 'buy-in' of the strategy. Should the Commission achieve this agreement, meeting at least the EDIS's main objectives will be possible.

Conclusions

EDIS is a significant step in bolstering the EU's defence capacity, offering a shift from short-term measures to a comprehensive long-term framework. Central European Member States view it as a challenging project with several shortfalls but with the potential of being a game-changing initiative. These countries have shown positive signals towards the strategy emphasizing priorities such as artillery ammunition, cyber defence, and joint European air defence projects, while underscoring the need for equitable resource allocation and sustainable funding mechanisms.

The appointment of a dedicated EU Defence Commissioner reflects the EU's ambitions to enhance the capabilities, competitiveness and sustainability of the defence industry and make it a priority for the future of the Union. Central European nations view this role as instrumental in facilitating dialogue between Member States, the European Parliament, and the private sector, potentially unlocking new opportunities for the region's defence industries. However, in order to turn the strategy from “a paper tiger to a real game-changing project,” it requires robust financial instruments, with calls for increased investments and innovative mechanisms to mobilize private capital.³³

While Central European countries support EDIS, some of them have been calling for a spike in defence spending for years. The success of the strategy from their point of view depends on leveraging Central Europe's regional priorities while ensuring fair resource distribution across all Member States. Ultimately, EDIS represents a significant step towards a better prepared, functioning and integrated European defence policy. Its realization requires not only financial and operational innovation but also the unified participation of all Member States, ensuring that the EU is prepared to address future crises collectively and effectively. Central Europe's proactive stance underscores the region's strategic importance in shaping Europe's defence future.

³⁰ Interview #10; Interview #9.

³¹ MEJINO-LÓPEZ, Juan & Guntram WOLFF. A European defence industrial strategy in a hostile world.

³² Safer Together: Strengthening Europe's Civilian and Military Preparedness and Readiness.

³³ Interview #7.

List of Interviews

Interview #1: Anonymous official, European Commission, in-person interview

Interview #2: Anonymous official, Permanent Representation of the Czech Republic to the European Union, in-person interview

Interview #3: Anonymous official, Permanent Representation of the Central European country to the European Union, in-person interview

Interview #4: Tomáš Zdechovský (CZ), European People's Party, Member of the European Parliament, in-person interview

Interview #5: Anonymous, Member of the European Parliament from Central Europe, written interview

Interview #6: Danielle Piatkiewicz, Research Fellow, EUROPEUM Institute for European Policy, written interview

Interview #7: Arthur de Liedekerke, Senior Director of European Affairs, Rasmussen Global, online interview

Interview #8: Lise Erard, Project Manager, Rasmussen Global, online interview

Interview #9: Tomáš Valášek, Member of Parliament, National Council of the Slovak Republic, in-person interview

Interview #10: Philippe Perchoc, Head of IRSEM Europe, online interview

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