



EU INSTITUTIONS & POLICIES

## A deep dive in the White Paper on the Future of European Defence

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# A deep dive in the White Paper on the Future of European Defence

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**A deep dive in the White Paper on the Future of European Defence**

## Summary

The White Paper on the Future of European Defence, released in March 2025, represents a landmark initiative by the European Commission to articulate a cohesive vision for strengthening the EU's defence posture amid mounting geopolitical instability. Acting as a framework for the ReArm Europe plan, the document proposes mobilising hundreds of billions of EUR in defence investments, making use of national and EU resources.

The ReArm Europe Plan and the White Paper clearly succeed in politically signalling the EU's renewed commitment to defence investment and military readiness. However, despite their rhetorical strength, four major concerns could undermine their transformative potential:

1. **Coordination gaps:** Without a robust coordination mechanism, national funds may be allocated to less pressing areas and may serve other – national and/or domestic – objectives and interests. In the meantime, the Union will not achieve effectiveness and efficiency unless it focuses on standardisation and interoperability.
2. **Financial markets' sensitivity:** While the activation of the national escape clause offers fiscal leeway, it is unclear how the financial markets will react to increased national debts. Alternative instruments, such as the Defence Eurobonds or the European Defence Mechanism, could be examined.
3. **Creative ambiguity:** The Proposal for a SAFE Regulation includes references presented vaguely enough to allow for multiple interpretations and thus avoid frictions. In view of the negotiations in the Council, the issue of a third country's participation in a procurement consortium must be further elaborated and clarified.
4. **Democratic legitimacy and parliamentary oversight:** Article 122 TFEU sidesteps the European Parliament, despite the latter's willingness to further support the EU defence initiatives. Without adequate parliamentary involvement, defence investments risk alienating public opinion in a policy area which requires broad societal consensus.

All the aforementioned shortcomings reflect a deeper structural issue: the absence of a common threat perception and a truly common foreign and security policy. Without a coherent strategic vision at the EU level, member-states remain inclined to prioritise national over collective objectives and interests.

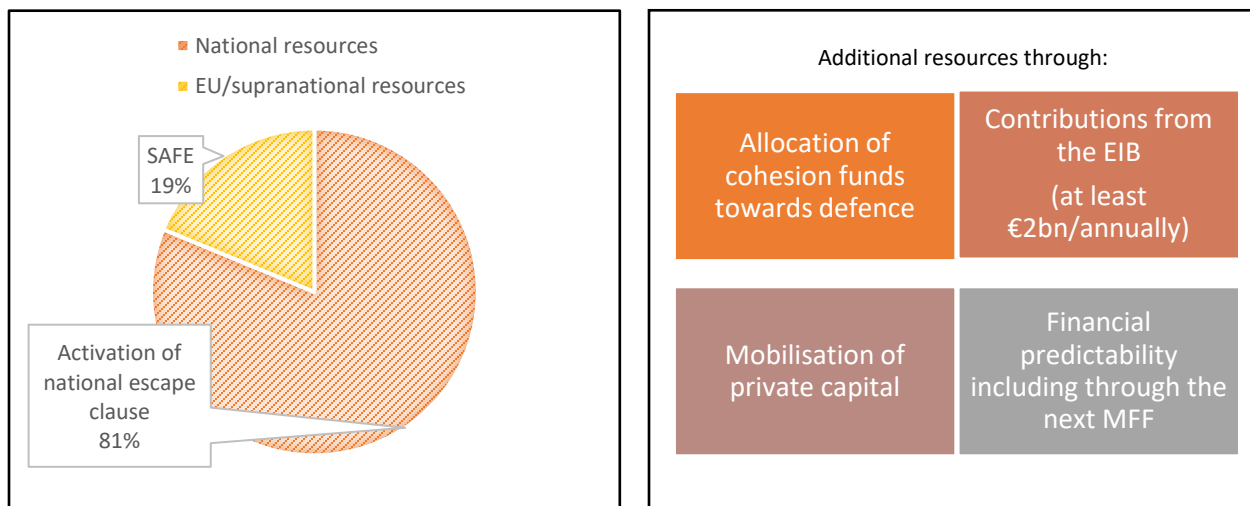
## A deep dive in the White Paper on the Future of European Defence

### Introduction

In response to the new geopolitical and geoeconomic realities – including but not limited to the protracted Russian war on Ukraine and the Trump 2.0 administration – and following the earlier announcement of the ReArm Europe Plan, the White Paper on the Future of European Defence was published in March 2025. The White Paper outlines the path to enhanced EU defence capabilities and aims to mobilise hundreds of billions of EUR, detailing measures to finance and strengthen the EU's military readiness.

The White Paper features well-intentioned objectives and its communication strategy was well orchestrated. It does provide answers to two key questions: first, where the money will come from and second, in what defence capabilities the EU is going to invest. Starting from the former, in the best-case scenario, national resources up to €650 billion will be mobilised through the activation of the national escape clause of the [Stability and Growth Pact](#) (SGP), which defines the fiscal governance framework for the EU member-states and sets rules for constraining national government deficit and debt. In essence, this clause will allow member-states to accommodate additional defence spending. The €650 billion will be topped by EU resources of up to €150 billion that will be gathered through the common issuance of bonds, as envisaged by the new SAFE instrument. In addition to these €800 billion, the White Paper proposes four additional -but rather vague and not quantified- ways to step up defence spending: a) redirecting existing EU funds towards defence (e.g., cohesion funds), b) contributions from the European Investment Bank (EIB), c) private investments, and d) ensuring financial predictability for the European defence industry in the next Multiannual Financial Framework (MFF), currently under negotiation. Overall, the resources envisaged in the White Paper are shown in Figure 1.

Figure 1: Envisaged resources for EU defence in the White Paper



Regarding the capability needs, the White Paper identifies seven priority areas: Air and missile defence, Artillery systems, Ammunition and missiles, Drones and counter-drone systems, Military Mobility, AI,

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Quantum, Cyber & Electronic Warfare and strategic enablers & critical infrastructure protection. Additionally, the Proposal for a SAFE Regulation (i.e., the €150 billion funding instrument mentioned above that accompanies the White Paper) refers to the following two categories of defence products, the common procurement of which will be funded:

- i. Category One: ammunition and missiles, artillery systems, small drones and related anti-drone systems, critical infrastructure protection, cyber and military mobility, and
- ii. Category Two: air and missile defence, drones (other than small ones) and related anti-drone systems, strategic enablers, space assets protection, AI and electronic warfare.

## ‘Money Makes the World Go Round’: Financing EU Defence

### National resources for defence

In 2023, the EU member-states spent €279 billion on defence, marking an almost 10% increase in defence spending compared to 2022 (€254 billion). Approximately one fourth of this expenditure (26%) was directed to research, development and procurement of defence equipment.<sup>1</sup> In 2024, the total defence expenditure made by the EU member-states reached (provisionally) €326 billion, an almost 17% rise compared to 2023, which amounts to 1.9% of the EU’s GDP and is very close to the 2% NATO requirement. These figures are in line with the broader, decade-long trend of increased military spending, especially fuelled by the Russian invasion into Ukraine in 2022.

Still, Europe is lagging in military deterrence and defence, and much more money needs to be poured to close the gap in terms of military capabilities, especially should the US truly reconsider its military presence in Europe. This is the underlying logic behind the proposal to create additional fiscal space for member-states to invest more in defence, bypassing the strict framework of the EU’s macroeconomic governance. The ReArm Europe plan calls for such a fiscal margin for higher defence expenditures (of up to €650 billion) through the coordinated activation of the national escape clause by the member-states. The national escape clause will apply from 2025 to 2028, for expenditure up to 1.5% of GDP. The reference year is 2021, i.e., the last pre-war year when the EU member-states had spent €214 billion on defence. In other words, if the national escape clause has been activated and a member-state’s increase of military expenditure remains within the 1.5% ceiling, the excessive deficit procedure will not be launched, even if the total budget deficit exceeds the limits set by the revised rules of the fiscal and macroeconomic governance framework. The EU’s executive branch has invited all – interested – member-states to submit a request to activate this escape clause by the end of April 2025. The member-states’ requests will be

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<sup>1</sup> Official [data](#) from the European Defence Agency (EDA).

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coordinated by the Council in order to accelerate the process, and the recommendations activating the national escape clause(s) will be adopted by qualified majority voting (QMV).

### On- and Off-EU Budget resources for defence

Besides the financial resources under the full control of each member-state's government at the national level, there are two main channels of financing defence-related activities at the EU level: first, a direct budget line from the EU budget and second, off-EU budget resources that are collectively managed by EU member-states. As regards the former, [Article 41](#) of the Treaty on the European Union (TEU) forbids, in principle, the use of the Union budget for operations having military or defence implications. Hence, the Commission's main defence-related initiatives have focused primarily on strengthening the European defence industry and supporting the development of dual use infrastructure, with an allocated budget of [approximately](#) €10.55 billion in the current MFF.<sup>2</sup> These initiatives comprise the [European Defence Fund](#) (EDF), the [Military Mobility](#), the [Act in Support of Ammunition Production](#) (ASAP) and the [European Defence Industry Reinforcement through common Procurement Act](#) (EDIRPA). The [European Defence Industry Programme](#), which falls in this category and is agreed to provide 1.5 billion over the period 2025-2027, has yet to be adopted. The legal basis for financing the European defence industry lays primarily in Article 173(3) of the Treaty on the Functioning of the European Union (TFEU), which touches upon the industry's competitiveness. [Other](#) relevant TFEU articles that could be used to finance European defence-related projects comprise Article 179, on the improvement of the EU's scientific and technological base, Article 170 on the development and interconnection of trans-European networks, and Title XIX on research, technological development and space policy. As far as the second channel is concerned, the largest defence-related, off-EU budget tool is the European Peace Facility (EPF). As depicted in Figure 2, comparing the two categories, the biggest part of the funds allocated to EU defence remain under full member-states' control.<sup>3</sup>

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<sup>2</sup> Different numbers may also appear due to inflation and changes in currency exchange rates.

<sup>3</sup> Other relevant expenditures comprise the national contributions to CSDP military missions and operations as well as EU Battlegroups. Although these are EU-led initiatives, the associated costs are, in principle, borne by the participating member-states under the 'costs-lie-where-they-fall' principle.

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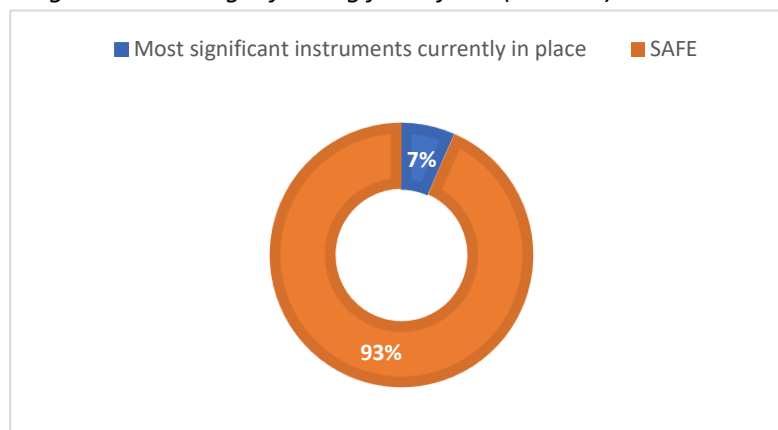
Figure 2: EU budget and off-budget major defence-related tools



Created with [flourish.studio](https://flourish.studio).

The Proposal for a SAFE Regulation has the potential to make available up to €150 billion, a huge upgrade compared to the current situation, as shown in Figure 3. The SAFE Instrument operationally looks very similar to the EDIRPA, as it focuses on providing the necessary financial resources to procure eligible defence equipment jointly. However, financially, the two instruments are totally different as SAFE, in its current format at least, will operate through loans (and subsequently debt), whereas EDIRPA provides grants. Consistent with the general approach of EU defence funding mechanisms, the SAFE Instrument promotes a cooperative format. In this context, common procurement under SAFE requires at least the involvement of one member-state in conjunction with either another member-state or an eligible third country.

Figure 3: EU Budget funding for defence(-related) initiatives





## From Reports to Action: Shaping the Future of EU Defence

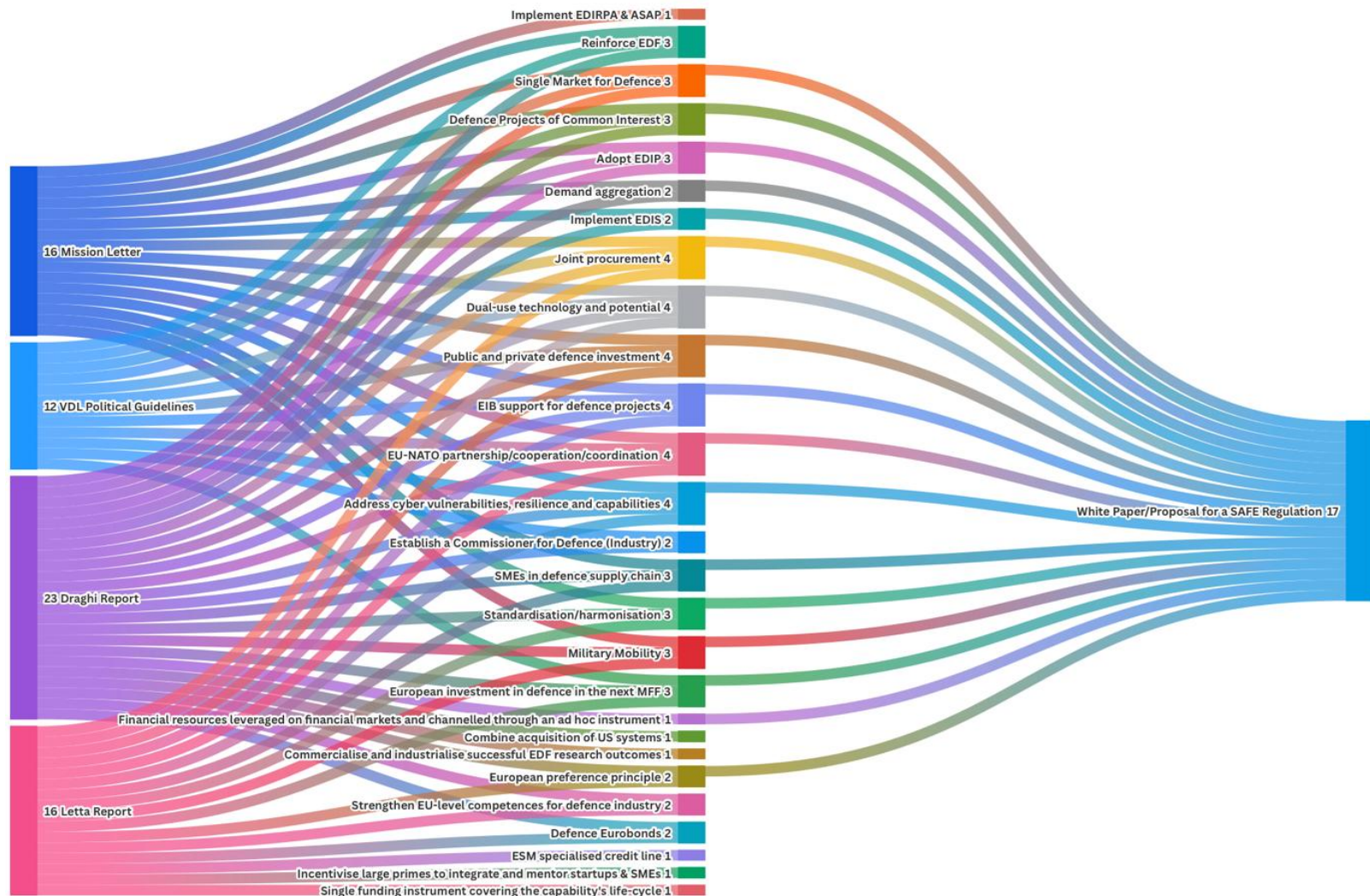
A 2024 [briefing](#) from the European Parliamentary Research Service brought together the various proposals for the future of EU defence that were put forward in four different documents: a) the Mission Letter to the then Commissioner-designate for Defence and Space, b) Von der Leyen's Political Guidelines, c) Draghi Report and d) Letta Report. The great majority of the proposals mentioned in the four documents have been integrated into the White Paper and the Proposal for a SAFE Regulation, as clearly shown in Figure 4. The interconnection between defence policy and economic competitiveness and the extent to which these two areas are mutually reinforcing are evident. The defence industrial policy [aims](#) to enhance military readiness, while also seeking to bolster economic growth, job creation and innovation. This relationship is highlighted in the Letta and Draghi Reports, both of which focus primarily on the economy, albeit emphasising the importance of a robust EU Defence Technological and Industrial Base. Most of their insights and proposals found their way into the White Paper.

The proposals that did not get through refer to sensitive political issues, such as the issuance of "Defence Eurobonds", or older initiatives and/or institutional arrangements that are already in place, like, for example, EDIRPA & ASAP and the proposal for a Defence Commissioner. In addition, Letta's proposal for the creation of a European Stability Mechanism (ESM)-like specialised credit line was not outrightly rejected but rather treated in a non-committing way. The White Paper vaguely notes that if the demand by member-states for funds for defence-related investments outstrips supply, then *"the Commission will continue to explore innovative instruments, such as in relation to the European Stability Mechanism"*.



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Figure 4: Proposals integrated into the White Paper/Proposal for a SAFE Regulation



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## Critical Assessment and the Road Ahead

'ReArm Europe' and the White Paper have managed to raise awareness about the need to further invest in EU defence. Politically, they have sent a strong message about the Union's commitment to security and enhancing defence capabilities. They have emphasised the necessity to direct money towards defence, reflecting a proactive approach and have signalled a level of readiness to act, especially in combination with the publication of the Preparedness Union Strategy. However, there are four main concerns that are hard to ignore:

- A.** First, as discussed above, the lion's share of the ReArm Europe plan will come from the national budgets. While the flexibility to use additional national resources is a positive first step, it remains unclear to what extent member-states will actually decide to invest in defence and, more importantly, whether those investments will be directed towards what is truly needed. In particular, the [International Classification of the Functions of Government](#) (COFOG), which will be used to measure the member-states' defence expenditures, includes a very broad set of different sub-categories. For example, COFOG Category 02 – Defence entails expenditure on military personnel, other non-combat defence forces and military aid. There is a genuine concern that, **without a robust coordination mechanism**, funds may be allocated to less pressing areas and may serve other – national and/or domestic– objectives and interests. To be more specific, there is a possibility that additional defence spending may predominantly be allocated to cover personnel costs rather than addressing critical needs, such as the development of advanced military capabilities or training. Achieving the right balance in order to guarantee long-term strategic readiness is crucial. Furthermore, efficiency and effectiveness in defence cannot be assessed solely in financial terms. Without a clear focus on **standardisation and interoperability**, progress will likely remain incremental rather than transformative. Russia's war of aggression against Ukraine has underscored the critical importance of ensuring that national armed forces are capable of operating together effectively and efficiently. As such, the European family has yet to decide how to foster standardisation and interoperability. To achieve this goal, different options exist:
- i. Alignment of EU defence initiatives with established NATO standards, and/or
  - ii. Strengthening the Coordinated Annual Review on Defence (CARD) and the Capability Development Plan (CDP) to improve alignment between member-states' defence planning and capabilities, and/or
  - iii. Use/strengthening of existing mechanisms (for example, the European Defence Agency) or launch of new – potentially pan-European – initiatives (for example, the European Defence Mechanism, see below).
- B.** Regarding the fiscal space that the national escape clause may provide, an issue not addressed is **how the (already destabilised due to the tariff war) financial markets will respond to potential increases in debt levels** across the EU member-states. Southern EU member-states have already expressed their [doubts](#) on the possibility of further indebting themselves, which will undermine – or further derail – the long-term sustainability of their sovereign debt. Instead, they favour the issuance of “**Defence**

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**Eurobonds**”, which practically entails the EU borrowing money from the capital markets and then distributing it to member-states in the form of grants. Needless to say, in this case, the identification of the distribution criteria will be challenging. Another option would be the establishment of an ESM-like intergovernmental mechanism, called **the European Defence Mechanism (EDM)**, as described in a Bruegel [proposal](#) prepared for the Polish Presidency. To be more precise, this extra-EU intergovernmental organisation could act as a “planner, funder and potentially owner of strategic enablers”, allowing the debt incurred to acquire certain defence assets to remain on the EDM’s books instead of national accounts.

- C. Although “*implementation, implementation, implementation*” is important, one of the key criticisms lies in the **creative ambiguity** that characterises parts of the White Paper. Given diverging views among member-states, certain concepts are not fully clarified and allow for multiple interpretations. For example, the Proposal for a SAFE Regulation contains a European preference clause for the procurement source (at least 65% of the costs of the final product must originate from within the Union, Ukraine or EEA/EFTA states). However, the text seems to adopt an extremely wide definition vis-à-vis the potentially eligible third countries that may participate in a procurement consortium. In particular, it states that *‘the Union may conclude bilateral or multilateral agreements with like-minded countries, namely acceding countries, candidate countries other than Ukraine and potential candidates’*. In that sense, all current and potential candidate countries constitute like-minded partners for the Union, which is – at least – disputable in the current geopolitical context.
- D. Finally, issues of implementation are closely linked to (the lack of) legitimacy. It is crucial to encourage public understanding and support for the need to boost defence investments. By having Article 122 TFEU as a legal basis, the Commission bypasses the European Parliament, although the latter has repeatedly positioned itself in favour of enhanced defence cooperation. For example, the European Parliament has recently proposed [a higher](#) budget for EDIP, indicating that it is ready to constructively back such defence-related initiatives. It has also [called](#) on the European Commission and the member-states “*to enable and strengthen parliamentary oversight of [EU external action](#)...by involving Parliament in the proper further implementation and scrutiny of the EPF and the Strategic Compass*”, thus highlighting its willingness and readiness to oversee key defence tools. **The exclusion of the European Parliament from the legislative process could lead to mounting public criticism and a growing negative public disposition to increased defence spending.**

All the aforementioned arguments are deeply interconnected with the absence of a truly common threat perception and, by extension, the member-states’ unwillingness to establish a truly Common Foreign and Security Policy. As such, it becomes nearly impossible to effectively align national defence (industrial) strategies and investments. Obviously, in the absence of such a unified vision and foreign policy framework, governments prioritise national needs over broader pan-European strategic objectives. Can we realistically expect EU defence to emerge in such a political vacuum?