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A Strategy for Greece's Defence Technological Industrial Base

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Summary

- The ability of the Greek Defence Technological Industrial Base (GDTIB) to partake in the current defence-led industrial renaissance in the EU is as crucial for Greece a strategic challenge for Greece as entry into the euro-zone two decades ago.
- The GDTIB is capable of playing an important role in the new landscape emerging across Europe, enabling Greece to ensure that its deterrence is equal to the task in the new era of 'Big War' and transform defence into the one of the leading economic sectors in the transformation of Greece's economic model.
- Specifically, the GDTIB can be in the top three DTIBs of the EU's eleven eastern frontline member states (together with those of Finland and Poland), enabling Greece to serve both the national defence effort and the EU's collective defence.
- For the GDTIB to be a meaningful player in a European context, the government needs to adopt measures including the recapitalisation of state-owned defence firms, procurement reform, greater funding for deep-tech innovation, matching funds for defence R&D, and the deliberate repatriation of top Greek scientists working in defence-related domains.
- The dynamic growth of Europe's collective defence capabilities all but guarantees that such a policy effort will have a massive military, economic and strategic pay-off for Greece. .

Introduction

The acceleration of the EU's emergence as a collective security provider, as well as the rising defence expenditures of all NATO member-countries, presents a unique set of opportunities for Greece's Defence Technological Industrial Base (GDTIB). Namely, the opportunity to enhance the effectiveness of the Greek Armed Forces; to make a meaningful contribution to the transformation of the Greek economic model; and to strengthen the country's strategic alliances.

For these opportunities to be grasped, however, concerted policy action is required from the Greek government in such domains as industrial strategy, military procurement reform, and the strengthening of the country's R&D ecosystem.

This brief note will begin by summarising the main contours of the European Defence Technological Industrial Base (EDTIB), as it is shaped by national and EU policy across Europe and connecting this fast-evolving EDTIB to Greek military, economic and strategic imperatives. Secondly, it will provide a profile of the GDTIB and its actual and latent capabilities. Thirdly, it will situate the GDTIB within its peer group—the DTIBs of the eleven Eastern front-line EU member-states, including Greece—and argue that the GDTIB can and should be one of the three leaders of this group, together with the DTIBs of Finland and Poland. Finally, it will conclude by suggesting the policy set that needs to be adopted to allow the GDTIB to grasp the opportunities that are arising to the benefit of Greece's national interest.

The opportunity: the rise of the EDTIB

The European Commission's White Paper on European Defence¹ has catalysed the policy debate on the future of the EDTIB both ahead of and subsequent to its publication.

In it, the Commission was able to recommend two important funding instruments. First, the exemption from the excessive deficit procedure allowing member countries that want to increase their defence spending to do so without breaching the EU's fiscal rules. The take-up can rise to a cumulative 650 billion euros, should all 27 member states make use of it. And, second, the 150 billion euro SAFE lending facility, offered at concessionary rates similar to Recovery and Resilience Facility (RRF) loans. Critics have, however, estimated that the two fall short of the amounts that would be required to catalyse defence investment in Europe. It has been calculated that, for France, a 10 billion euro procurement project would, if funded through SAFE, provide an 18 million euro interest rate subsidy per annum². Turning to those EU member countries who could make use of the escape from excessive deficit procedure option, they would still worry that markets could respond negatively, thereby raising their borrowing costs. More importantly, without joint EU borrowing—and thus funding—for defence, the incentives will simply not be there for EDTIB to achieve the economies of scale and interoperabilities that have eluded it thus far.

¹ European Commission, White Paper for European Defence – Readiness 2030, March 12 2025.

² Wolff, Guntram, Steinbach, Armin and Zettelmeyer, Jeromin, The governance and funding of European Rearmament, Policy Brief 15/25, Bruegel, April 2025.

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That being said, the White Paper is arguably more important as a loud and clear statement of intent for a strategically autonomous Europe, rather than for the specific funding instruments it recommends. In our estimation, as a means of funding European defence at a satisfactory level, these funding instruments will soon be overshadowed by joint bond issuance by the European Commission, or another agreed vehicle for joint bond issuance such as the European Stability Mechanism. This is because:

- The new German government has decided to remove the debt brake and generously fund its defence effort; it is untenable politically and operationally, for the effort to rebuild collective European defence to be imbalanced due to Germany's much greater fiscal space³.
- The US will accelerate its disengagement from Europe's defence, with US troop withdrawals from the Continent very much on the cards, in its effort to counter China's pacing threat⁴, and this accelerated withdrawal will further weaken the influence of those EU countries (such as Holland) that are hostile to joint bond issuance. Importantly, replacing the US's strategic enablers, such as satellite-based ISR and anti-missile defence, is so expensive it will require pan-European industrial collaboration and funding.
- The question mark hanging over the US dollar as a store of value and the world's dominant reserve currency⁵ will make the arguments for creating what the Draghi report called a 'common safe asset'⁶ even more compelling. This asset is jointly raised EU bonds, with a virtuous circle making rising bond issuance cheaper and thus more attractive for EU member countries to borrow collectively to fund the common good of European defence. Relatedly, the European collective defence that this bond issuance will fund will add further credibility to the euro as a reserve currency. Markets will perceive a strengthened European defence as a pillar of EU cohesion, and hence of the credibility of its collective borrowing.

We underline that trends that are already ongoing argue for an adequately funded EDTIB well into the future. Nearly all NATO member countries, under pressure from the Trump Administration, have committed to raising their defence budget at 2 % as a floor not a ceiling. To grasp the order of magnitude, it has been estimated that had all EU member states spent 2 % of their GDP on their defence in 2006-2025, there would have been an additional 1.1 trillion euros in defence spending over the 15-year period⁷. Relatedly, S&P has calculated that were EU member-states to raise their defence expenditure from 2.67 % of GDP (the current NATO weighted average) to 5 % of GDP (the extreme upper range of the increase President Trump is pressuring European countries to make), that would have resulted in annual defence expenditure increasing from 242 billion USD to 875 billion USD⁸.

³ For the political implications within the EU of an unbalanced growth of the German Armed Forces, see Kimmage, Michael and David-Wilp, Sudha, *The Zeitenwende is real this time – Germany's defense upgrade is necessary but could upset Europe's balance of power*, Foreign Affairs, May/June 2025.

⁴ For an analysis of the 'Asia first' policy strain in the US, crystallised in the recent appointment of Elbridge Colby as Under Secretary for Policy at the Department of Defence, see Brands, Hal, *Putting "Asia First" could cost American the world*, Bloomberg Opinion, August 5, 2024.

⁵ For a comment on these dynamics see, Martin, Felix, *Europe can take advantage of King Dollar's wobble*, Breaking Views – Reuters, April 25 2025.

⁶ Draghi, Mario. "The Future of European Competitiveness Part A: A competitiveness strategy for Europe." (2024).

⁷ Clapp, Sebastian, *Reinforcing Europe's defence industry*, Briefing, European Parliamentary Research Service, November 2024.

⁸ Bellesia, Riccardo, Gill, Frank, *European Defense Funding: What are the options?* Standard and Poors, February 13 2025.

In terms of the specific defence domains and imperatives to which this trend in increased funding for the EDTIB is connected, we highlight the following:

1. The need for stocks of war materiel both to be replenished, due to the assistance provided to Ukraine, but also raised to the level whereby Russia can be credibly deterred. To put this in context, according to credible calculations, in purchasing power parity terms Russia's defence spending exceeded the totality of Europe's defence spending in 2024, with an estimated Russian expenditure of 145.9 billion \$ equating to 461.6 \$ billion in PPP terms and exceeding Europe's 457 \$ billion⁹. The EU therefore needs to translate its decisive collective economic superiority over Russia into a decisive superiority in war materiel by substantially outspending Russia in PPP terms.
2. The need to achieve strategic autonomy from the US, which means that a rising percentage of the procurement meant to establish clear military superiority over Russia will have to be directed at European companies (including non-European companies—be they US, Israeli or Korean—which have taken the trouble to indigenize their operations in Europe). This strategic autonomy encompasses both expensive and cheap innovation, meaning it ranges from R&D in sixth-generation weapon systems such as warships and fighter aircraft to AI-driven drones, as well as strategic enablers historically provided by the US, such as strategic lift, space-based ISR and communications, antimissile defence, and last-generation fighter aircraft, which now need to be developed and manufactured by the EDTIB.
3. The imperative to 'produce and buy European' to achieve economies of scale through industrial consolidation and joint procurement, as well as the interoperability of the EU's Armed Forces. Economies of scale will enable the EU to buy more kit cheaper, while interoperability will make for a more effective collective deterrence¹⁰. Indicatively, Europe provided 7 types of Main Battle Tanks (MBTs) and 9 types of self-propelled howitzers to Ukraine, compared to the US's 1 and 2 respectively¹¹. EU funding will serve these goals by subsidizing the intra-European collaborative production and procurement of defence articles, thus incentivizing both the manufacturing and the buying of EDTIB-developed and -manufactured equipment.
4. The need to raise fiscal commitments in defence to benefit European economies, in order to legitimize the diversion of scarce fiscal resources from social welfare to defence and to maximize direct and indirect wealth generation through an innovative EDTIB. This need also has a strong regional aspect, with national governments keen to ensure that the EDTIB makes a meaningful contribution to the economic wellbeing of their less well-developed regions¹².

⁹ Mackenzie, Lucia, Russian defense spending overtakes Europe, study finds, Politico, February 12, 2025.

¹⁰ Clapp, Sebastian, Delivorias, Angelos, Lazarou, Elena, Pari, Marianna, Financing the European defence industry, Briefing, European Parliamentary Research Service, September 2024.

¹¹ See, Wolff, Guntram, Steinbach, Armin and Zettelmeyer, Jeromin, The governance and funding of European Rearmament, Policy Brief 15/25, Bruegel, April 2025.

¹² For a typical example of the political legitimization of rising defence spending see, Partington, Richard, Rachel Reeves vows to use defence spending to support UK's 'left behind' industrial towns, Guardian, March 4 2025.

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In turn, the growth of the EDTIB and the way public policy structures this growth will afford the GDTIB the opportunity to contribute to vital Greek military, economic and strategic goals¹³. In particular:

- GDTIB sales volumes can increase manifold, product and services ranges can be expanded, allowing the GDTIB to invest in upgrading its production facilities, achieve economies of scale, and reinvest in R&D—thus enhancing the security of supply to the Greek Armed Forces and contributing to Armed Forces innovation, with the two altogether meaningfully strengthening the Hellenic Armed Forces' deterrence. In other words, a GDTIB that can be an important and effective member of the EDTIB is a GDTIB that can provide both a greater quantity and quality of war material to the Greek Armed Forces. Such a GDTIB accords with Greece's need to deter against a 'Big War', as the disengagement of the US, together with the commensurately increase in Turkish revisionism, means that Greco-Turkish strategic rivalry involves not only two opposing Armed Forces, but also two opposing DTIBs¹⁴.
- As a constituent member of the EDTIB, a dynamically growing GDTIB will most probably be the Greek economy's most capital- and knowledge-intensive sector, and make a meaningful contribution to the transformation of the Greek economic model and its resulting ability to export high-value-added goods and services.
- Sales to other EU member states of critical war materiel (and its reverse: increasing Hellenic Armed Forces procurement from European firms) as well as participation in European defence supply chains and production consortia, will strengthen and expand Greece's alliances with other EU member-states, thus enhancing EU solidarity with Greece in relation to the threat posed by Turkey. This alliance-building will not necessarily exclude Israel and the US, as their major defence companies will seek EU corporate partners in order to be eligible for EU funding. Importantly, the growing contribution of the Greek DTIB to the collective defence of the EU would also give Greece a correspondingly greater claim to that common European defence.

Considering all the above, we would claim that an effective GDTIB would, as a bona fide member of the EDTIB, be the industrial equivalent of Greece's participation in the EU monetary union, as it would sustain Greece's status as a core, not marginal, member of the EU, this time in the context of the EU's collective defence endeavour.

¹³ The author has adopted the perspective of a national DTIB meeting a nation-state's military, economic and strategic goals from Dorman, Andrew, Matthew Uttley, and Benedict Wilkinson. "A benefit, not a burden. The security, economic and strategic value of Britain's defence industry." *Policy Institute at King's Policy Paper* (2015).

¹⁴ For the need to prepare for a long war of attrition, and thus also deter such a war, see Freedman, Lawrence, D., *The Age of Forever Wars*, Foreign Affairs, May/June 2025.

The GDTIB: positioning and possibilities

We would argue that the GDTIB has been underestimated for three reasons: the corruption scandals that cast a shadow over the GDTIB in the post-Imia weapons procurement spree (1996-2008), mismanagement in major state-owned defence enterprises that created cost overruns and delays in executing contracts for the Hellenic Armed Forces, and the fiscal crisis that led to Ministry of National Defence (MND) orders to Greek defence firms drying up for over a decade¹⁵.

Notwithstanding these factors, we highlight the following from the pre-fiscal crisis and fiscal crisis periods:

- At a time when other EU member-countries' DTIBs were retrenching due to the post-1989 peace dividend dynamics, the post-Imia defence procurement spree meant that a number of both private and state-owned firms performed a critical subcontracting role in the manufacturing and servicing of highly advanced weapon systems, ranging from US Patriot batteries to German T214 submarines¹⁶. The value of the offset agreements involving GDTIB production in this same period, which lasted from the 1990s to the late 2000s, has been estimated at 2.5 billion euros¹⁷ and involved industrial partnerships with four out of the eight top European defence firms: namely Rheinmetall, Leonardo, Dassault and Airbus.
- During the decade-long Greek defence procurement drought, the private firms survived and even grew on the basis of exports. The poster child of this development was Theon International, which manufactures night vision equipment, is entirely export-oriented, and counts some of the world's most advanced militaries among its clients¹⁸.
- The lack of national funding also meant that private and state defence firms, as well as university and research institute teams under the aegis of the Ministry of National Defence, focused on PESCO and EDF funding. This placed Greece among the top 5 countries in terms of number of participants, right after the leading DTIB powerhouses of Germany, France, Italy and Spain. As a result, defence-related expertise has been accumulating, and the GDTIB is thoroughly familiar with the technologies and capabilities which the EDTIB has prioritised for future development¹⁹. Crucially, these technologies and capabilities address key challenges the EU must resolve to achieve strategic autonomy²⁰—a strategic autonomy which, as we mentioned above, is no longer purely aspirational due to the behaviour of the second Trump Administration.

¹⁵ For an account of the GDTIB see, Kamaras, Antonis, *The Greek Defence Sector: Turning the page?*, Policy Paper 126, ELIAMEP, February 2023.

¹⁶ The following unpublished study is the most comprehensive treatment of this aspect of the GDTIB: Vlahou, Paraskevi, *Defence Industry, Sectoral Study 222, IOVE*, March 2009 (in Greek, unpublished).

¹⁷ This figure has been tabulated in the following unpublished study: Mosholios, Panagiotis, *Domestic Defence Industry Past-Present-Future*, PASOK, March 2025 (in Greek, unpublished).

¹⁸ See Theon International. Theon received new orders in January 2025 totaling 53 million euros, with embedded new options for an additional 95.5 million euros. It also joined the German Future Soldier Program on February 7 2025.

¹⁹ See, Blavoukos, Spyros, Politis-Lamprou, Panos, Dellatolas, Thanos, *Mapping EU Defence Collaboration – One Year on from the Versailles Declaration*, Policy Paper 133, ELIAMEP, April 20 2023.

²⁰ For an analysis of the relation between these instruments and the EU's strategic autonomy see, Fiott, Daniel, *Strategic Autonomy: towards 'European sovereignty' in defence?*, European Union Institute for Security Studies, November 2018.

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- The fiscal crisis catalysed an effective restructuring of the critical shipyard sector, with the Skaramanga, Elefsina and Syros shipyards being acquired by well-capitalised outside investors, and partial rationalization efforts being undertaken in state-owned firms in aerospace (EAV) and land weapon systems (EAS).
- Last but not least, a maturing start-up ecosystem (now more than 10 years old) has been created in Greece,²¹ due to recognition that the Greek economy needs to become increasingly innovative if it is not to relapse into systemic crisis. Greek VCs are increasingly focusing on deep tech, and are increasingly able to enter the defence market due to the European Investment Bank (EIB), which is its anchor investor, relaxing its dual use restrictions. The Hellenic Centre of Defence Innovation (HCDI), the less-than-two-years-old MND vehicle for funding defence innovation, which recently put out its first batch of calls, can now take advantage of this long-term effort in deep-tech start-up development.

In the post-fiscal-crisis environment, a geopolitically-assertive Turkey, the return of 'Big War' and territorial conquest in continental Europe, and the US's accelerating focus on Asia, has kept Greece a top spender in terms of weapon-system acquisitions and upgrades²². While the first procurement wave of this period was off-the shelf, mostly from France and secondarily from Israel with little GDTIB input, it has laid the foundations of the Greek government's current emphasis on 25 % GDTIB participation in all major procurement contracts with non-Greek firms. Importantly, the geopolitical motivation aligned with major procurement choices has catalysed engagement by the French and Israeli DTIBs with the GDTIB. In the former case, Group Naval shared on its own volition some subcontracting work for the Belharra frigates; in the latter, Israel's IAI acquiring Intracom Defence Electronics, a leading Greek private-sector defence firm. F16 upgrades to the Viper configuration by EAV, and more generally the pick-up of Follow On Support (FOS) in the Hellenic Air Force and Army and Naval Aviation, have also boosted Greece's aeronautical sector. There has been little activity, however, in FOS work in Greek armour, despite Greece having one of the largest, if not the largest, MBT and self-propelled artillery fleets in Europe.²³ In addition, as another bequest of the post-Imia procurement spree, there are at least two companies which are now part of the supply chain of the main German manufacturers of armoured vehicles—most prominently METKA, a member of METLEN, one of Greece's leading industrial conglomerates.

Equally important for the GDTIB, over the last five to seven years, several events and processes have accelerated the development of Greek competencies in the Fourth Industrial Revolution (4DI) domain, either in the private sector or through public and private partnerships outside core defence. We highlight:

1. The gathering pace of state digitization during and subsequent to the pandemic, with RRF funding prioritising digitisation. This has meant that both within the state, and in private sector firms contracted to implement a diverse set of digitisation projects, digital competencies have

²¹See, indicatively, Adams, Lucy, Greece's tech sector grew 15 % in 2024, Tech.eu, January 2 2025.

²² For a review of current and future procurement decisions by the MND see, Feistead, Peter, Hellenic defence procurement poised to embark on a new modernization plan, EURO-SD, April 28 2025.

²³ See, International Institute for Strategic Studies (IISS). "Building Defence Capacity in Europe: An Assessment." (2024).

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been deepening in Greece²⁴ with the Information and Communication Technology (ICT) sector projected to reach 4.6 % of GDP in 2029, which equals 10.4 billion euros in sales. Public and private partnerships have been proposed and are being implemented to expand the pool of ICT personnel²⁵. This investment has also included AI which, designated a strategic priority due to its undeniable significance, is receiving a mixture of national and European funds channelled to Greek research institutes.

2. The Greek state has also invested considerably in civil defence competencies²⁶, including cyber, as well as in border surveillance. In the light of the rising potency of natural disasters, cyber-attacks and population movements, these domains are both inherently synergistic and highly adaptable to the purposes of national defence.
3. The pandemic also catalysed investment by multinational firms, mostly in IT functions serving an international client-base, which has further refined and expanded the Greek IT skill pool.

The importance of such developments for the GDTIB can hardly be exaggerated; indicatively, in the context of Civil Military Fusion (CMF), even companies engaged in IT in Ireland, a country with minuscule Armed Forces, aspire to integrate themselves into the EDTIB²⁷.

Becoming a leader among the DTIBs of Eastern frontline EU member-states

Greece is one of the eleven EU member-states which have eastern front-line status; the other ten are Finland, Latvia, Estonia, Lithuania, Poland, Hungary, Slovakia, Romania, Bulgaria and Cyprus. Greece's DTIB strategy should therefore aim to both present itself as, and aspire to becoming, one of this peer group's three leaders, along with Finland and Poland.

On a geographic distance from Moscow basis, Greece it is the only comparable high spender in defence within the EU-27 which is not physically proximate to Russia. In context, in 2024 the only EU member-states apart from Greece to spend above 3 % of GDP on defence were Poland, Estonia and Latvia, with Lithuania hovering under 3 % and Finland just under at a still high by EU standards 2.5 %²⁸ (Cyprus' defence spending is just below 2 %; it should be borne in mind that the Greek Armed Forces are also organised to

²⁴ The growth of the ICT sectors has been well-documented in Greece, with the pandemic in particular and the post pandemic RRF funded state digitization acting as a catalyst. See indicatively, Deloitte, Study of the sufficiency of ICT specialists in the Greek labour market, December 2022 and Deloitte, The prospect of the ICT sector in Greece, December 2024.

²⁵ Ibid.

²⁶ Investments in civil defence have increased know-how of the use of drones and of sophisticated command and control systems while in Greece's newly established National Cybersecurity Authority, a distinguished MIT scientist has assumed the reins. See indicatively, European Investment Bank, Greece to bolster civil protection with new EIB loan of 220 million euros, April 12 2024 and Ministry of Digital Governance, Michail Bletsas is the governor of the National Cybersecurity Authority, April 24 2024 (Υπουργείο Ψηφιακής Διακυβέρνησης, Ο Μιχάλης Μπλέτσας Διοικητής Της Εθνικής Αρχής Κυβερνοσφάλειας).

²⁷ See Webber, Jude, Tech Groups pivot to defence in neutral Ireland as EU rearms, Financial Times, April 28 2025.

²⁸ See, Wolff, Guntram, Steinbach, Armin and Zettelmeyer, Jeromin, The governance and funding of European Rearmament, Policy Brief 15/25, Bruegel, April 2025.

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defend the island in an event of military conflict with Turkey). Of course, Greek defence spending is so high for the same reason, though the threat is not Russia, but Turkey and its aggressively revisionist agenda.

Establishing the GDTIB in the top three of this peer group will—given the high legitimacy the group enjoys (not for nothing are the EU Commissioners of External Affairs and Defence from the Baltic countries, while the Report which informed the EU's Preparedness Strategy bears the name of an ex-President of Finland)—allow Greece to promote an agenda that much more effectively within the EU that is facilitative both of its wider national defence effort and of the development of its DTIB.

On the military side, an effective Greek DTIB in the top three of this peer group would translate into being able to provide equipment and solutions to all the front-line states, given the commonality of the threat environment.

On the economic side, Greece can develop a common agenda whereby above-average defence spending in the front-line states does not develop into an inequitable core-periphery relationship with the countries with the stronger DTIBs (such as Germany, France, Italy and Sweden) being the major beneficiaries of the transfer of resources from EU member-states with a weaker industrial base and fewer fiscal resources to develop such an industrial base. Not only would such an arrangement be inequitable, and thus ultimately unsustainable politically, it would also be wasteful of the skills and know-how that front-line states can mobilise in shaping the cause of an innovation-prone EDTIB²⁹. And if Ukraine has proven anything, it is that those nation-states which face the greatest existential threat also have the greatest incentive to innovate defence-wise.

In this context, Greece can partner with Poland and other Central Eastern European (CEE) front-line states to demand a partial recycling of their defence expenditures into their own R&D defence efforts. This would allow their DTIBs to mitigate the core-periphery last-link-in-the-chain conundrum—a policy challenge that has been particularly prominent for CEE countries since their accession to the EU³⁰.

On the strategic side, Greece shares a geopolitical hedging strategy with all the other front-line states³¹, whereby they purchase their highly advanced weapon systems from non-EU defence firms, primarily from the US and secondarily from such close US allies as the UK, Israel and Korea. We mention, indicatively, the decision taken by Finland and Greece to buy US F35s, Greece's prioritization of Israeli systems for its air defence, and Poland's acquisition of US Abrams and Korean K2 MBTs. Greece therefore has an interest in developing a common agenda which: a) enables, under conditions acceptable to other EU member-states and premised on European indigenisation, the participation of the DTIBs of non-EU member countries in the common EU defence, and b) excludes Turkey from this arrangement, for as long as Ankara avoids joining the EU's democratic and geopolitical canon. Indicative of the possibilities of developing a joint

²⁹ For a need for such an arrangement see, Witney, Nick, Commissioning defence: how to build a European defence Union, October 30 2024.

³⁰ For a discussion in particular of Poland's developmental cul de sac, due to the hierarchical supply chain system which has driven its growth post 1989, see Boguslawski, Jan, Economic dependence curbs Poland's rise, Politico, June 22 2023.

³¹ Based on the 'European Defence in a New Age' research project, to which the author has been participating, and which profiles most national DTIBs in Europe, see indicatively, Molling, Christian, Helmonds, Soren eds, Security, Industry and the lost European vision, DGAP Report, No 10, October 2023.

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agenda of this sort is the annulment in 2014 of the sale of two Mistral amphibious assault ships to the Russian Federation by President Francois Hollande, following a concerted lobbying effort by the Baltic countries and Poland³².

Is such leadership a realistic prospect, however, and are the benefits that would accrue from it feasible? The answer is a decisive yes.

Unlike Greece, all the CEE countries underinvested in defence in the 1990s and 2000s. This meant they could not benefit from the extensive industrial partnerships and knowhow transfer which, as we pointed out above, forms the foundations of Greece's current DTIB³³. The fact that defence was not a priority sector, given the peace dividend dynamics, particularly in Germany, meant that far less effort was expended on trying to incorporate the strong manufacturing sectors of CEE countries into defence-sector supply chains than, say, the civilian automotive sector. Typically, countries like Bulgaria and Romania underinvested in their Eastern Bloc-vintage defence sectors, which mostly exported military equipment of Soviet vintage in Africa and Asia. Accelerating efforts to rearm, particularly after the conquest of Crimea by the Russian Federation, could not make up for this lost time, while the most ambitious rearmament effort of all, by Poland, prioritized speed of delivery and/or cementing the security relationship with the US. Poland, which has undertaken the most ambitious rearmament effort of all EU member-states, has also experienced deep-seated politicization and limited R&D expenditure leading to the under-performance of its DTIB, in a situation not unlike that in Greece³⁴.

Limited interest in defence, or in the EU as a collective defence provider, as well as the small size of several of the eleven front-line states, also meant a limited uptake of EDF and PESCO facilities. In contrast to Greece, which belongs to the 'vanguard' category in terms of its PESCO/EDF uptake, Poland and Romania are in the 'lukewarm' category, while Finland, Bulgaria, Hungary, Lithuania, Latvia, Slovakia and Cyprus are in the 'loiterer' category³⁵.

Furthermore, extensive FDI undertaken by Greek corporations in Bulgaria and Romania post-1989, coupled with a leading Greek presence in the Cypriot economy, means that Greek conglomerates already own subsidiaries in these three peer countries that could be part of a Group approach in terms of defence-related production. No doubt, due to the growth of the EDTIB, there will be additional incentives for M&A acquisitions in defence, with Greek corporates taking the initiative as integrators and mobilisers of needed capital.

Last but not least, Greece is also number two among Eastern front-line states on the European Innovation Scoreboard, after Finland (admittedly, the gap is a large one)³⁶. Among the larger front-line countries that can occupy the top three DTIB positions, Finland is number three among the EU-27 on the European Innovation Scoreboard, while Greece is number 20, Hungary number 21, Poland number 23, Slovakia

³² For a discussion from a Greek perspective of the Mistral Case see, Kamaras, Antonis. "Greece's call for an embargo on weapons sales to Turkey." Policy Paper, 44, November 2020.

³³ Molling, Christian, Helmonds, Soren eds, Security, Industry and the lost European vision, DGAP Report, No 10, October 2023.

³⁴ See, Minder, Raphael, Poland struggles to rearm for era of war on its borders, Financial Times, May, 4 2025.

³⁵ See, Blavoukos, Spyros, Politis-Lamprou, Panos, Dellatolas, Thanos, Mapping EU Defence Collaboration – One Year on from the Versailles Declaration, Policy Paper 133, ELIAMEP, April 20 2023.

³⁶ See, European Commission, European Innovation Scoreboard, 2024.

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number 24, Bulgaria number 26 and Romania number 27. This means that the Greek research ecosystem can sustain Greek leadership among the front-line peer group. Even more so if, through its own and the European funding facilities this paper recommends, it manages to entice to defence-relevant domains a critical mass of its US-based scientists, given that this scientific pool is the deepest not only within the front-line peer group but among all EU-27 member countries bar Germany, and only then in absolute not relative-to-general-population terms³⁷.

We would be remiss in this analysis if we failed to highlight Finland's leading status among the ten front-line countries, Greece included, in terms of the governance, strategic focus and outcomes of its DTIB³⁸. Finland's DTIB has benefited massively for Finland's strategic isolation, which has translated into efficient use of scarce resources, a focus on an extensive Maintenance Repair and Overhaul (MRO) effort which has resulted in the life cycles of weapon systems procured from abroad being maintained and extended, efficient niche strategies—in, for instance, ship hull design and manufacturing—which have addressed the particular needs of the Finnish Defence Forces, and a distinct lack of corruption and politicization in the DTIB. This set of features constitute a compelling template for Greece and Poland. As they seek to improve the performance of their DTIBs, and considering that the status of the US as the ultimate guarantor of their territorial integrity is now uncertain, it behoves them to see their respective DTIBs as a genuine, not nominal, pillar of their deterrence —just as Finland has done for decades.

Greek leadership of such a peer group would, of course, require recognition by the other nine members that such a group does exist, and that it is useful for each and all of its constituent members for this group to exist. We would argue that Greece's status as the only Mediterranean country, together with Cyprus, to be a front-line state in the EU's east validates both these propositions for three interdependent reasons. First, because it makes the imperatives of territorial defence a cause that is not limited to the centre and north of Europe's eastern border, but also extends to the south. Second, because it makes this cause agnostic to the origin of the threat, thus universalizing it, increasing its normative strength within the EU along, by extension, with the credibility of the EU's collective defence—a feature even more important today when even Denmark's territorial integrity is being questioned from the West (i.e. the US). Third, because it adds numbers to the particular concerns of front-line states—ensuring that defence funding integrates elements that are equitable, for instance, and enable the full participation of all EU member-states in the innovation that European collective defence needs and from which the economies of EU member states can benefit.

³⁷ See, Yuret, Tolga. "An analysis of the foreign-educated elite academics in the United States." *Journal of Informetrics* 11.2 (2017): 358-370.

³⁸ For these features of Finland's DTIB see, Suorsa, Olli Pekka, and Brendon J. Cannon. "Ensuring security of supply: pragmatic defence autarky and Finland's defence industry." *Defence Studies* (2025): 1-21.

Building on the foundations of Greece's extant DTIB

Given its present status, the GDTIB can, with the appropriate level of government support, become one of the three leaders of the eleven front-line EU DTIBs. Achieving this would translate into major benefits for the effectiveness of the Greek Armed Forces, the competitiveness of its economy, and the strength of its alliances. We believe that the following set of policies can be decisive in achieving this goal.

1. Fully capitalize the state-owned defence enterprises, namely EAV and EAS, and lift all restrictions on their managerial authority by taking them off Central Government supervision, as in their ability to offer competitive salaries. Doing so will a) improve their performance in critical undertakings for the Greek Armed Forces, as in case of EAV's F16 upgrades to the Viper configuration and FOS on the Hellenic Army and Hellenic Navy Aviation branches; b) secure the human and capital equipment resources, in the case of EAS, required to allow the GDTIB to partake in the restocking of critical munitions at the pan-European level; c) allow the GDTIB to participate in newly-founded pan-European consortia for next-generation weapon platforms, as much as in the creation of European strategic enablers that will replace those historically provided by the US.

In a nutshell, the Greek government needs to invest amply in order to ensure: (a) that these two firms' spare capacity is fully utilised in terms of facilities, production lines - including testing sites and skilled personnel, as spare capacity is in great demand throughout Europe due to the decades-long running down of the EDIIB, from 1989 to 2022; (b) with additional funding and expertise-injection, their embedded knowledge and skills become a stepping stone to participation in pan-European consortia, not only as subcontractors but also as innovative developers able to capture part of the value added to be created. After an accelerated restructuring effort of this sort, both EAV and EAS will also become attractive acquisition targets to both Greek and non-Greek investors, thus leveraging the government effort via additional inflows of capital and expertise. The private-sector firms, by aggressively expanding the manufacturing capability of their defence subsidiaries through ambitious investment plans (as in the case of METLEN most prominently³⁹, one of Greece's leading industrial conglomerates) are proof positive of what these two state-controlled enterprises can aspire and plan to achieve within the EDTIB, if liberated from their present constraints.

2. If Thessaloniki-based ELVO has retained important production capabilities and licenses—meaning spare capacity that can be resuscitated—ensure that ELVO acquires a credible industrial owner so that it play a role similar to that of EAV and EAS in its domain of expertise, which is military vehicles assembly and their FOS. As per the White Paper recommendations, investors in ELVO and other defence firms in Greece's regions could make use of EU Cohesion funding, but only if Greek central and regional authorities act fast and make full use of the scheduled revision of this funding source.
3. Double the budget of HCDI, so it can issue more calls and finalise more contracts in order both to accelerate the introduction of innovative technologies in the Hellenic Armed Forces and to give Greek defence high-tech firms a fighting chance to export their goods and services in the pan-

³⁹ Findikakis George, METLEN'S plan for the next day in 12 slides, euro.2day.gr, April 29,2025 [Φιντικιάκης Γιώργος, Το σχέδιο της ΜΕΤΛΕΝ για την επόμενη μέρα σε 12 διαφάνειες, euro2day.gr].

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European market with the added credibility of already having the Greek Armed Forces as a client. Employ this additional HCDI allocation to defence tech and dual use firms which can submit proposals, on their own or in partnership with research teams from universities and research institutes, for innovative tech to HCDI beyond the remit of the calls issued by the latter. By doing so, HCDI can catalyse the growth of the GDTIB as a growing number of companies and research teams will be able to consider potential defence applications of their technologies and knowledge. We mention here that dual use investments are included in the White Paper and accepted as bona fide investments in defence by the GFOG classification system. Relatedly, Turkey is dedicating a bit more than 10 % of its public R&D budget to defence compared with a little less than 5 % in Greece⁴⁰.

We also note that enhancing the ability of Greek defence tech and dual use firms to produce asymmetric advantages for the Greek Armed Forces, and enhance Greek deterrence, is synergistic with the defence effort of the other ten frontline EU member-countries; they face similar operational challenges, ranging from Finland's archipelagic defence in the Baltic Sea to enhanced border surveillance in Poland. Enhancing the funding of defence startups can have another advantage: drawing to Greece startups with diaspora founders who, apart from gaining access to cost-competitive skilled staff in Greece, may also gain a 'passport' into a growing European defence market. Also reserve fiscal space for these deep-tech, Greek-only procurements so that successful prototyping can be converted into production and deployment by the Hellenic Armed Forces without delay.

4. Expand the FOS budget to all functional and upgradable platforms on a value-for-money basis, so that the Hellenic Armed Forces rapidly restore their strength and the GDTIB both gains valuable expertise and is further integrated into pan-European value chains. This imperative is particularly pertinent with regard to land systems, as in the case of MBTs and self-propelled artillery.
5. Strengthen the scientific capacity of the General Secretariat for Defence Investments and Acquisitions by hiring high-quality permanent civilian staff. On the basis of lessons learned from Ukraine about procurement in wartime, revamp the MND's procurement processes. Also judiciously adopt Israeli practices aimed at enabling civilian firms to design and implement defence solutions, so that CMF can be better implemented in the defence domain in Greece. With additional technical expertise and facilitative processes, the MND would be able to catalyse defence innovation undertaken by the GDTIB, and especially innovation originating from Greece's dynamically growing ICT sectors, as highlighted above⁴¹.
6. In view of the tumult in the US research ecosystem, create a fund designated to attract top Greek diaspora scientists specialising in defence-relevant domains ranging from aerospace to automotive technology to AI, so as to deepen the scientific capital from which the GDTIB can draw

⁴⁰ Mejino-Lopez, Juan, Wolff, Guntram, A European defence strategy in a hostile world, Policy Brief 29/24, Bruegel, November 2024.

⁴¹ Ukraine and Israel are the templates for institutionalising the integration of technologies originating from the civilian sector into Armed Forces operations through suitable procurement processes and technical support for innovative firms. See respectively Bondar, Kateryna, How Ukraine Rebuilt Its Military Acquisition System Around Commercial Technology, Center for Strategic & International Studies, January 2025 and Evron, Yoram. "4IR technologies in the Israel Defence Forces: blurring traditional boundaries." *Defence Innovation and the 4th Industrial Revolution*. Routledge, 2022. 122-143.

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ideas, and to enable its integration into the most cutting edge EDTIB projects. We reiterate that Greece has, relative to its population, by far the most numerous and distinguished scientific diaspora (i.e. Greek nationals who received their undergraduate education in Greece) in the US among the EU-27.

7. Be ready to offer matching funds, as per the recommendation of the PWC study on Greek manufacturing, in order to allow the major firms in the GDTIB to participate in the more ambitious EDTIB consortia. There should be a particular focus here on sea warfare, manned and autonomous, given Greek shipyards' ability to exploit synergies with their civilian work, which itself benefits significantly from its access to the globally dominant Greek merchant marine. Put in place the foundations for this process now by reviewing and selecting for future support the most promising domains among the EDF and PESCO projects in which Greek defence firms and research teams have participated.
8. In coordination with the ten other frontline EU member-states, which spend far more than all other EU member-states on defence, undertake the initiative to receive disproportionate R&D funding for defence from collective EU funding sources on the basis of the national weighted average spending on defence as a percentage of GDP over the last five years. Such an initiative needs to be contextualized by the fact that, in the growing European defence market, frontline states would tend to channel a growing percentage of their comparatively larger defence budgets to non-frontline states such as France, Germany, Italy and Spain (and the UK which, while a non-EU member, is asked to financially contribute to common European defence) which have the most highly advanced DTIBs. Include in this support scheme the proposed institution of the EU professor: leading scholars from member-states, either resident or repatriated, who will have their salaries paid directly by the EU, so they may be compensated above the low civil service salaries in their homelands, which would render their repatriation unfeasible.

We underline that, barring such remedies, the growth of the EDTIB will further entrench intra-EU disparities as stronger national DTIBs, and better-funded national research ecosystems, would be able to attract the lion's share of the collective resources the EU allocates for defence.

9. Aggressively pursue military mobility funding opportunities from the EU, so as to further increase Greece's significance for the EU's common defence, and cement relations with the other frontline member-states while improving the transportation infrastructure in Northern Greece.
10. Utilise the recently established General Secretariat of National Defence to coordinate the ministries of National Defence, Finance, Development, Citizen Protection, Education, Merchant Marine, and Digital Governance in pursuit of the policy aims listed above, as well as others aimed at facilitating the growth of the GDTIB.

Concluding Remarks

Considering both existing and highly probable trends in the funding of the EDTIB, as well as the foundations of the extant GDTIB and Greek dual use competencies, it is well within Greece's grasp to build one of the top three DTIBs among the EU's eleven front-lines states in the years to come.

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Doing so will prove decisive in upgrading the deterrence of the Greek Armed Forces in an era of 'Big War', creating the most knowledge- and capital-intensive sector in the Greek economy, and putting Greece at the core of the EU's collective defence effort.

This task is well within Greece's fiscal and reform capacity.

Judicious recapitalisations and reforms in the major state-owned defence firms will position them so they can contribute to the restocking of Europe's war materiel and participate in the next-generation weapon-systems development and manufacturing undertaken by pan-European consortia.

An increase in funding to defence deep tech linked to reforms in weapons procurement can also rapidly boost the Greek Armed Forces' asymmetric advantages and create export opportunities to the EDTIB.

Larger private-sector core defence and dual use firms can also grow further and deepen their links with the EDTIB on the back of FOS provided to the Greek Armed Forces, as well as their ability to act as subcontractors to Greece's major foreign suppliers of highly-advanced weapon systems. With matching funds by the Greek state, they will be able to build on their FOS and subcontractor skills to add value, on their own or as members of consortia, through de novo weapon systems developed via common EU funding.

Finally, all three cohorts of the GDTIB stand ready to make use of investments by the Greek state and the EU in Greece's research ecosystem, as in the case of subsidising dual use consortia including both firms and research teams, repatriating distinguished defence-relevant scientists from the Greek diaspora, and funding basic and applied research applicable to defence purposes.

Almost a quarter of a century ago, and following years of systematic policy effort, Greece reaffirmed its status as a core member of the EU by adopting the euro as its currency. It is now well within the nation's capabilities, as well as vital to its national interest, to maintain this status by developing an effective DTIB which is instrumental to both national and European defence.