

A CERTAIN IDEA OF EUROPE: ADVANCING SECURITY AND PROSPERITY THROUGH DEFENCE REFORM

By PROFESSOR MATT QVORTRUP, DR THEO ZENOU
and OBAN MACKIE; Ed. DR HELENA IVANOV



**CENTRE FOR
RESILIENT
SOCIETY**

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The Henry Jackson Society is a think-tank and policy-shaping force that fights for the principles and alliances that keep societies free, working across borders and party lines to combat extremism, advance democracy and real human rights, and make a stand in an increasingly uncertain world. The Henry Jackson Society is a company limited by guarantee registered in England and Wales under company number 07465741 and a charity registered in England and Wales under registered charity number 1140489.

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The **Centre for Resilient Society (CRS)** is a citizen-focused, international research centre within the Henry Jackson Society, which seeks to identify, diagnose and propose solutions to threats to the social resilience of liberal Western democracies.

The centre's work includes addressing the twin challenges posed by radicalisation and terrorism. The centre is unique in addressing violent and non-violent extremism. By coupling high-quality, in-depth research with targeted and impactful policy recommendations, it aims to combat the threat of radicalisation and terrorism in our society.

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Executive Summary

This paper examines the evolving geopolitical landscape and argues that a more unified European Union is essential – particularly in the realm of defence. In light of growing global instability and emerging security threats, we make the case for a bold shift in EU policy: a commitment to defence spending of at least 3% of GDP. We outline the strategic risks of failing to pursue this path, including continued fragmentation, vulnerability to external pressures and diminished global influence. Conversely, we detail the potential benefits of increased defence investment, such as enhanced deterrence, a stronger economy, deeper transatlantic partnerships and a more resilient European security architecture.

Beyond financial commitments, we propose a series of structural reforms aimed at boosting EU defence coherence. These include the appointment of an EU Defence Envoy to coordinate strategy at the highest levels, the establishment of a European Defence Board to streamline decision-making and procurement, and improved interoperability among member state armed forces. Together, these measures would position the EU as a more capable and credible geopolitical actor in an increasingly volatile world. While, the UK cannot be in this, it needs to work constructively with this new entity especially as the US is likely to disengage with Europe in the future.

Introduction

“My absolute priority will be to strengthen Europe as quickly as possible so that, step by step, we can really achieve independence from the USA,” said Friedrich Merz on 23 February 2025.¹ It was a defining moment. His Christian Democrat Union (CDU) had just topped the polls in Germany’s federal election.

Once a dyed-in-the-wool Atlanticist, Merz was surprised, regretful even, that it had come to this. “I never thought I would have to say something like this on a television program,” he told a journalist. “But after Donald Trump’s statements... it is clear that the Americans, at least this part of the Americans, this administration, are largely indifferent to the fate of Europe.”²

And there we have it: the once seemingly unshakable bond between the European Union and the United States now appears more fragile than ever. But this fragility did not come out of nowhere. In fact, Merz’s statements echo statements expressed nearly a decade ago by French President Emmanuel Macron. In September 2017, early on in his first term, Macron warned against “the gradual and inevitable disengagement by the United States”.³

Now, just a few months after Trump’s return to the White House, things appear to be taking a turn for the worse. Many are left questioning whether the European-American alliance has a future at all. Ditto, it is unclear what the implications are for the security of Europe and for the stability of NATO. Adding further complexity to the picture is the current geopolitical climate – shaped by Russia’s invasion of Ukraine and China’s increasingly assertive behaviour – which demands that all actors, particularly Europe, take matters into their own hands and establish robust security mechanisms.

In short, Europe now stands at a crossroads. It must either fade into irrelevance or emerge as a power in its own right.

It is evident that leaders such as Merz and Macron favour the latter. That does not mean it will happen, though. France and Germany face resistance from recalcitrant – if not outright obstructionist – governments in Hungary and Slovakia. In times like these, a clear statement of intent and a concrete plan of action are essential. Without them, Europe risks becoming fragmented, mired in internal discord and left with fragile security structures. These vulnerabilities could, in turn, be exploited by hostile actors like Russia and China.

Some countries have already taken steps in the right direction. Merz, for instance, has put his words into action. Working closely with the Social Democrats and the Greens, he ensured the outgoing German parliament passed a Constitutional Amendment reversing Angela Merkel’s Debt Break (which had hitherto limited German budget deficits to 0.35% of GDP). It is estimated that this decision will lead to an increase in German defence and infrastructure spending by €1tn. This is likely to yield, in turn, a 1% increase in the country’s sluggish GDP.

However, achieving genuine European unity and a common defence requires broader consensus. More countries must commit to a shared vision of a more cohesive and secure Europe.

¹ Friedrich Merz, quoted in: Tim Ross and Nette Nöstlinger, “Germany’s Merz vows ‘independence’ from Trump’s America, warning NATO may soon be dead”, *Politico*, 23 February 2025, <https://www.politico.eu/article/friedrich-merz-germany-election-united-states-donald-trump-nato/>.

² Ibid.

³ Emmanuel Macron, quoted in: Sylvie Kauffmann, “Europe’s moment is more than reheated Gaullism”, *Financial Times*, 18 March 2025, <https://www.ft.com/content/af23ff94-5578-4d7a-b4db-47d010cb7b11>.

In this report, we argue that it is in Europe’s strategic interest to unite and commit to defence spending of at least 3% of GDP across EU member states. We examine the current state of defence cooperation among European countries, identifying which nations are most – and least – inclined to support greater unity in this area.

We also demonstrate how deeper defence collaboration can not only bolster the economies of EU countries but also help counter the troubling rise of populism across the continent. In addition, we explore how increased investment in defence and closer cooperation are essential if Europe is to maintain its geopolitical relevance in an increasingly unstable world.

Finally, we offer a set of policy recommendations aimed at advancing European unity and defence integration. On top of suggesting that EU states need to commit to defence spending of at least 3% of GDP, we also argue in favour of the establishment of an EU Defence Envoy, the creation of a European Defence Board and greater interoperability among EU armed forces.

PART I: Where Europe is at on Defence

Pursuing defence integration in Europe will be tough.

It will require the same drive that has built the EU over the last 40 years into a political and economic union. But recent geopolitical shifts make it urgent. It is crucial for Europe to have an autonomous defence structure.

There has been movement in the right direction. On 6 March 2025, at the behest of Commission President Von der Leye, the 27 countries in the EU produced a unanimous agreement on an ambitious €800bn plan to rearm Europe by 2030.⁴ ReArm Europe, as the plan is called, consists of a €150bn loan scheme secured against unused EU funds, combined with €650bn of increased flexibility for EU states from loosening fiscal rules (permitting up to 1.5% of additional defence spending through borrowing).⁵

But the unity was short-lived. A second proposal, opposing President Trump's negotiating stance on Ukraine, was rejected by Hungary.⁶ What's more, the €800bn agreement depends on whether individual EU states choose to use the new 1.5% headroom for defence spending or fund it by other means. It highlights the EU's limited supranational power: real control still lies with national governments. Their positions will decide whether defence cohesion is possible.

As of now, EU countries can be divided into three blocks:

Pro-Cohesion Bloc

Most EU states fall into the camp backing greater defence spending and European unity. France and Germany are leading the charge, each planning new ways to raise military budgets. In France, high debt levels – 112% of GDP as of September 2024 – initially raised doubts. But despite new austerity measures, Paris appears committed to spending more on defence.^{7, 8} Bpifrance (its public investment institution) launched a €450m defence-focused reserve, unlocking capital for the defence industry.^{9, 10} President Macron's own belief that the EU's recent agreement is “not enough” may pave the way for further defence spending increases, however he has ruled out raising taxes to finance this.^{11, 12}

⁴ David J. Galbreath, “European leaders agree defence ramp-up to support Ukraine – but Hungary continues to block progress”, *The Conversation*, 7 March 2025, <https://theconversation.com/european-leaders-agree-defence-ramp-up-to-support-ukraine-but-hungary-continues-to-block-progress-251656>.

⁵ Jennifer Rankin, “‘Watershed moment’: EU leaders agree plan for huge rise in defence spending”, *The Guardian*, 6 March 2025, <https://www.theguardian.com/world/2025/mar/06/watershed-moment-eu-leaders-close-to-agreeing-800bn-defence-plan-ukraine>; Paula Soler, “How can the EU unlock up to €800bn for its ‘rearmament plan’?”, *Euronews*, 5 March 2025, <https://www.euronews.com/my-europe/2025/03/05/how-can-the-eu-unlock-up-to-800bn-for-its-rearmament-plan>.

⁶ Rankin, “‘Watershed moment’”.

⁷ Denis Cosnard, “French public debt hits new high”, *Le Monde*, 28 September 2024, https://www.lemonde.fr/en/economy/article/2024/09/28/french-public-debt-hits-new-high_6727571_19.html.

⁸ Richard Partington, “Why has France's austerity budget caused a political storm?”, *The Guardian*, 29 November 2024, <https://www.theguardian.com/business/2024/nov/28/why-france-austerity-budget-political-storm>.

⁹ “France to launch 450 million euro defence fund amid growing security concerns”, *Reuters*, 20 March 2025, <https://www.reuters.com/world/europe/france-launch-450-million-euros-defence-dedicated-fund-2025-03-20/>.

¹⁰ Laura Kayali, Clea Caulcutt and Anthony Lattier, “Macron turns the screws on ministers to boost defense spending”, *Politico*, 13 March 2025, <https://www.politico.eu/article/emmanuel-macron-spending-minister-defense-donald-trump-us-france/>.

¹¹ Henry Foy and Paola Tamma, “EU defence summit as it happened: Bloc leaders endorse new defence funding initiatives; Macron says EU defence funding initiatives are ‘not enough’”, *Financial Times*, 6 March 2025, <https://www.ft.com/content/Oede2e02-d0ac-4dea-90d2-05b122a8a886>.

¹² Zane Lilley, “Macron's TV address: Key points on defence, Russia, the US and nuclear capacity”, *The Connexion*, 6 March 2025, <https://www.connexionfrance.com/news/macrons-tv-address-key-points-on-defence-russia-the-us-and-nuclear-capacity/711258>.

Germany has gone even further, approving a major reform of its constitutional “debt brake”. The change allows a significant increase in debt-funded spending on defence, cybersecurity, intelligence and civil protection – rising above 1% of GDP.¹³ Incoming Chancellor Friedrich Merz pushed the reform through before the previous Bundestag dissolved, securing the two-thirds majority needed. He called it a “first major step towards a new European defence community”.¹⁴ Combined with President Macron's call for a “true, European army” in 2018, the two largest EU economies now lead the call for European defence unity.¹⁵

Poland, which borders Russia, Belarus and Ukraine, has become one of NATO's top defence spenders – a position it now aims to strengthen in step with most of its EU partners.¹⁶ President Andrzej Duda announced that defence spending will rise from 4.1% to 4.7% of GDP in 2025. He urged EU allies to help protect the eastern flank, declaring: “There is no alternative.”¹⁷ Notably, Poland has backed President Trump's call for NATO countries to raise defence spending to 5% of GDP – a stance that contrasts with much of Europe's unease over his recent pivot. It aligns Poland with the UK, which has pledged to raise defence spending to 2.5% by 2027 and to 3% after the 2029 election, while maintaining a less confrontational stance toward the Trump Administration.¹⁸

Another sign of this bloc's push for defence cohesion is the use of the EU's relaxed fiscal rules under the ‘ReArm’ initiative. Greece was the first to act, announcing a €25bn rearmament programme to be rolled out over several years. At its core is a six-pronged system known as the ‘Shield of Achilles’, designed to bolster existing air defences with new anti-missile, anti-ballistic, anti-aircraft, anti-ship, anti-submarine and anti-drone capabilities. It marks a major upgrade for a country already ramping up its defence spending, which has risen from €3.5bn in 2019 to €6.1bn in 2025, backed by cross-party support.^{19, 20}

Moderately Committed

This bloc includes states that are less firmly committed to a unified defence strategy. Some struggle to invest in new capabilities; others have inconsistent track records.

Italy is perhaps the most prominent example. Long behind on the 2% NATO target, it only pledged to meet it by June 2025 in response to recent events. Its approach to pan-European defence has remained cautious and uneven.²¹ Italy joined the rest of the EU27 in

¹³ Wesley Rahn, “Germany: Upper house signs off on landmark debt reform plan”, *DW News*, 21 March 2021, <https://www.dw.com/en/germany-upper-house-signs-off-on-landmark-debt-reform-plan/a-71992709>.

¹⁴ Byfemke Colborne, “German MPs approve fiscal ‘bazooka’ package – paving way for over €1 trillion in defense spending”, *Fortune*, 19 March 2025, <https://fortune.com/europe/2025/03/19/germany-fiscal-bazooka-defense-spending-friedrich-merz-infrastructure-russia-ukraine-trump-nato/>.

¹⁵ “France's Macron pushes for ‘true European army’”, *BBC News*, 6 November 2018, <https://www.bbc.co.uk/news/world-europe-46108633>.

¹⁶ Kateryna Kvasha, “‘Security, Europe!’: Poland's Rise as NATO's Defense Spending Leader”, *Wilson Center*, 6 March 2025, <https://www.wilsoncenter.org/article/security-europe-polands-rise-natos-defense-spending-leader>.

¹⁷ “Poland's president vows to spend 4.7% of GDP on defence this year”, *Euronews*, 5 February 2025, <https://www.euronews.com/my-europe/2025/02/05/polands-president-vows-to-spend-47-of-gdp-on-defence-this-year>.

¹⁸ Alix Culbertson, “UK defence spending to rise to 2.5% of GDP by 2027 – as Starmer hits out at ‘tyrant’ Putin”, *Sky News*, 25 February 2025, <https://news.sky.com/story/starmer-says-he-wants-to-increase-uk-defence-spending-to-3-and-announces-foreign-aid-cut-13316719>.

¹⁹ John T. Psaropoulos, “Greece launches ‘drastic’ rearmament programme to the tune of \$27bn”, *Al Jazeera*, 3 April 2025, <https://www.aljazeera.com/news/2025/4/3/greece-launches-drastic-rearmament-programme-to-the-tune-of-27bn>; Sarantis Michalopoulos, “Greece passes new budget, reassures defence spending”, *Euractiv*, 16 December 2024, <https://www.euractiv.com/section/politics/news/greece-passes-new-budget-reassures-defence-spending/>.

²⁰ Sarantis Michalopoulos, “Greece passes new budget, reassures defence spending”, *Euractiv*, 16 December 2024, <https://www.euractiv.com/section/politics/news/greece-passes-new-budget-reassures-defence-spending/>.

²¹ Donato Paolo Mancini, “Italy to Raise Defense Budget to 2% After US Demands EU Step Up”, *Bloomberg*, 8 April 2025, <https://www.bloomberg.com/news/articles/2025-04-08/italy-to-raise-defense-budget-to-2-after-us-demands-eu-step-up?embedded-checkout=true>.

backing the ‘ReArm’ plan in principle, but reversed its position in March 2025, favouring private investment over increased public debt to fund rearmament.²² The reversal surprised many, given that Prime Minister Meloni’s Government had previously called for defence spending to be exempt from EU debt rules. But Italy’s weak fiscal position may explain the shift. It has the highest bond yields in the Eurozone, and credit rating agencies remain wary of its debt-to-GDP ratio, which stood at 135.3% in 2024.^{23,24} Public opinion may also be a factor. Support for the ‘ReArm’ plan in Italy stands at just 49% – the lowest in the EU – adding political pressure on Prime Minister Meloni.²⁵

Portugal is another state showing little urgency. While it plans to raise defence spending to the NATO target of 2% of GDP by 2029, it has shown little interest in speeding up that timeline despite recent events – even after encouragement from NATO Secretary-General Mark Rutte.²⁶

In parallel, Finance Minister Joaquim Miranda Sarmento supported common EU instruments for defence funding, voting in favour of the ‘ReArm’ plan a few months later. This reflects Portugal’s support for European defence unity: supportive of collective action, but not willing to act domestically.²⁷ Since ‘ReArm’ relies on member states borrowing individually from the €650bn allowance, Portugal’s stance suggests a willingness to act collectively – but only if the burden doesn’t fall directly on its shoulders.²⁸ Portugal has shown little sign of speeding up its plans, even as other allies commit to higher defence spending.

Despite its reputation as a core NATO ally, the Netherlands has faced political divisions over defence spending. In September 2024, it increased its defence budget by €2.4bn, reaching 2.05% of GDP and just passing the NATO target.²⁹

But plans to go further have met resistance. When the ‘ReArm’ proposal was put to a vote in Parliament, it was narrowly rejected by just two votes. Parties like the New Social Contract opposed the plan, warning that “a new debt crisis would be a disaster” – a clear reference to the Eurozone crisis of the early 2010s.³⁰

Though the vote was non-binding, and final approval rests with the Cabinet, Prime Minister Dick Schoof has voiced his own doubts. He said defence could be funded “within the current fiscal rules” and opposed joint borrowing, pointing to the €150bn loan element in ‘ReArm’.³¹ Given

²² Tom Kington, “Italy opposes EU defense-spending scheme, checking bloc’s momentum”, *Defense News*, 20 March 2025, <https://www.defensenews.com/global/europe/2025/03/20/italy-opposes-eu-defense-spending-scheme-checking-blocs-momentum/>.

²³ Sara Rossi and Valentina Consiglio, “Italy defence drive could derail debt, hit ratings”, *Reuters*, 4 April 2025, <https://www.reuters.com/world/europe/italy-defence-drive-could-derail-debt-hit-ratings-2025-04-04/>.

²⁴ “Italy Government Debt: % of GDP”, CEIC Data, <https://www.ceicdata.com/en/indicator/italy/government-debt--of-nominal-gdp#:text=Italy%20Government%20debt%20accounted%20for,Dec%201995%20to%20Dec%202024>.

²⁵ Paddy Belton, “100,000 march in Rome against EU rearmament plans”, *Brussels Signal*, 8 April 2025, <https://brusselssignal.eu/2025/04/100000-march-in-rome-against-eu-rearmament-plans/>.

²⁶ Natasha Donn, “NATO rebuff: PM refuses to be rushed into increased defence spending”, *Portugal Resident*, 30 January 2025, <https://www.portugalresident.com/nato-rebuff-pm-refuses-to-be-rushed-into-increased-defence-spending/>.

²⁷ “Portugal calls for joint EU funding for defence spending”, *Reuters*, 9 December 2024, <https://www.reuters.com/world/europe/portugal-calls-joint-eu-funding-defence-spending-2024-12-09/>.

²⁸ Natasha Donn, “NATO rebuff: PM refuses to be rushed into increased defence spending”, *Portugal Resident*, 30 January 2025, <https://www.portugalresident.com/nato-rebuff-pm-refuses-to-be-rushed-into-increased-defence-spending/>; Fernando Heller and Sara Madeira, “Spain, Portugal double down on 2% defence target”, *Euractiv*, 28 January 2025, <https://www.euractiv.com/section/politics/news/spain-portugal-double-down-on-2-defence-target/>.

²⁹ “The Netherlands ramps up its defence budget in response to Russian threat”, *The Brussels Times*, 5 September 2024, <https://www.brusselstimes.com/1213230/the-netherlands-ramps-up-its-defence-budget-in-response-to-russian-threat>.

³⁰ “Dutch MPs vote no to EU’s €800bn defence spending plan”, *DutchNews*, 11 March 2025, <https://www.dutchnews.nl/2025/03/mps-vote-narrowly-against-eus-e800bn-defence-spending-plan/>.

³¹ *Ibid.*; “Dutch PM agrees to EU rearmament plan, but again stressed objection to joint loans”, *NL Times*, 21 March 2025, <https://nltimes.nl/2025/03/21/dutch-pm-agrees-eu-rearmament-plan-stressed-objection-joint-loans>.

internal divisions and reluctance to borrow for defence, it’s unclear whether the Netherlands can be a reliable partner in building a new European defence framework.

Anti-Cohesion Bloc

Two countries stand out for opposing support for Ukraine and a common European defence policy: Hungary and Slovakia. Their resistance has held back unity.

Hungary has consistently opposed EU aid to Ukraine, maintained close ties with Russia and taken a more illiberal foreign policy approach. Its vote for the ‘ReArm’ plan was a rare exception. Even then, it rejected the idea of a shared EU defence budget, arguing that each country should pay for its own defence.³²

In November 2024, Hungary announced plans to cut its defence budget from 2.2% to 2% of GDP. Prime Minister Orbán warned that higher NATO targets could “shoot the Hungarian economy in the lungs”. While the ‘ReArm’ initiative offers a way to boost defence without raising taxes, Orbán has shown no interest in using it.³³

Under Prime Minister Orbán, Hungary has seen steady democratic backsliding.³⁴ The Government has taken control of independent institutions, acquired private media, shifted judicial oversight to the executive and packed the Constitutional Court with loyalists. The European Parliament has not recognised Hungary as a full democracy since 2022, and the country was fined €200m by the European Court of Justice for breaking EU asylum law in 2024.³⁵

This authoritarian turn has gone hand in hand with a pro-Russian foreign policy. Orbán has visited Moscow to negotiate with President Putin and has consistently opposed sanctions on Russia since 2022. His resistance to deeper European defence cooperation fits this pattern – aligning more closely with Russian political norms and pushing back against a supranational organisation whose core values his government no longer upholds.³⁶

Slovakia has joined Hungary in resisting greater defence cohesion. Prime Minister Robert Fico has echoed pro-Russian talking points, claiming that President Zelensky “needs” the war because “there cannot be democratic elections” during conflict – suggesting Zelensky is acting like an autocrat.³⁷ Without surprise, then, Slovakia has opposed EU efforts to boost support for Ukraine and build an independent European defence framework. It has also refused to raise defence spending to 3% of GDP, with Defence Minister Kaliňák calling the idea “unimaginable”.³⁸

³² Galbreath, “European leaders agree defence ramp-up to support Ukraine”.

³³ Marton Kasnyik, “NATO Member Hungary Plans Defense Cuts Amid Budget Squeeze”, *Bloomberg UK*, 15 November 2024, <https://www.bloomberg.com/news/articles/2024-11-15/nato-member-hungary-plans-defense-cuts-amid-budget-squeeze>; “Orban Says Higher NATO Defense Targets Would Cripple The Hungarian Economy”, *RadioFreeEurope/RadioLiberty*, 21 December 2024, <https://www.rferl.org/a/orban-hungary-nato-defense-spending-trump/33248327.html>.

³⁴ Robert Benson, “Hungary’s Democratic Backsliding Threatens the Trans-Atlantic Security Order”, *Center for American Progress*, 22 January 2024, <https://www.americanprogress.org/article/hungarys-democratic-backsliding-threatens-the-trans-atlantic-security-order/>.

³⁵ Seb Starcevic, “Hungary fined €200m for breaking EU asylum rules”, *Politico*, 13 June 2024, <https://www.politico.eu/article/hungary-fined-200-million-breaking-eu-migration-unprecedented-serious-asylum-rules-european-court-justice-viktor-orban/>; “MEPs: Hungary can no longer be considered a full democracy”, *European Parliament*, 15 September 2022, <https://www.europarl.europa.eu/news/en/press-room/20220909IPR40137/meps-hungary-can-no-longer-be-considered-a-full-democracy>.

³⁶ Jaroslav Lukiv and Nick Thorpe, “Hungary’s Russia-friendly PM meets Putin in Moscow”, *BBC News*, 5 July 2024, <https://www.bbc.co.uk/news/articles/cml29r8d2zxo>.

³⁷ Daria Shulzhenko, “Fico says Zelensky ‘needs this war’”, *The Kyiv Independent*, 22 February 2025, <https://kyivindependent.com/fico-says-zelensky-needs-this-war-justifies-russias-invasion-of-ukraine/>.

³⁸ Natália Silenská, “Slovak minister: 3% GDP defence spending ‘unimaginable’”, *Euractiv*, 19 December 2024, <https://www.euractiv.com/section/defence/news/slovak-minister-3-gdp-defence-spending-unimaginable/>.

Widespread opposition among Slovak parties also blocks any increase. Andrej Danko, a senior figure in the ruling coalition, has even called the current 2% NATO target “very high”.³⁹ In February 2025, NATO Secretary-General Rutte tried to persuade Slovak leaders to raise defence spending – but failed. Under Fico, the Slovakian government goes to great length to avoid antagonising Russia.⁴⁰

Fico’s sympathy for Russia was clear in his election platform, which promised to end military support for Ukraine and to pressure Kyiv to allow Russian gas to flow into Slovakia.⁴¹ Slovakia is also following Hungary’s lead in drifting from the EU’s political mainstream. The Government has expanded control over the media and shut down the office responsible for tackling corruption.⁴²

In the end, Hungary’s and Slovakia’s rejection of core EU values is what makes them unreliable partners for defence cooperation. Their governments are turning away from a shared European identity – and toward the very state that Europe is preparing to defend against.

For most other EU members, defence cohesion remains strong. But concerns over debt and fiscal pressure explain why some are holding back. These concerns either shape the views of national leaders or fuel divisions within their parliaments.

Still, the biggest obstacle to unity is political. Hungary and Slovakia are not just cautious on defence – they are openly Eurosceptic and sympathetic to Russia. In other areas, like democracy and the rule of law, the EU has struggled to rein them in.

The question now is whether they will be part of a future EU defence framework – or opt out entirely, as they have with the Euro and Schengen, drifting further into Putin’s orbit. Britain while not part of the EU since Brexit will need to work with the first of these groups.

³⁹ Silenská, “Slovak minister: 3% GDP defence spending ‘unimaginable’”.

⁴⁰ Natália Silenská, “Slovakia still hesitant to boost defence spending”, *Euractiv*, 27 February 2025, <https://www.euractiv.com/section/politics/news/slovakia-still-hesitant-to-boost-defence-spending/>.

⁴¹ Nicolas Camut, “Slovakia’s Fico announces halt of military aid to Ukraine”, *Politico*, 26 October 2023, <https://www.politico.eu/article/slovakia-robort-fico-announce-halt-military-aid-ukraine/>; Rob Cameron and Jack Burgess, “Slovakia threatens to cut benefit for Ukrainians”, *BBC News*, 2 January 2025, <https://www.bbc.co.uk/news/articles/czr3j5y0lddo>.

⁴² Ketrin Johecová and Tom Nicholson, “Slovakia’s Fico plots to dismantle the free press”, *Politico*, 11 May 2024, <https://www.politico.eu/article/slovak-robort-fico-government-shuns-independent-press-wants-turn-public-broadcaster-into-state-run-tv/>; Tomas Madlenak, “Slovakia Gov’t to Disband Police Agency Investigating Corruption”, *Organized Crime and Corruption Reporting Project*, 9 August 2024, <https://www.occrp.org/en/news/slovakia-govt-to-disband-police-agency-investigating-corruption>.

Part II: Increased Spending – The Way to Go

Despite concerns in some EU member states about increasing defence spending, there remain compelling reasons to move in that direction. As outlined below, many of these concerns can be addressed – with the benefits of higher spending, according to experts, extending well beyond security. These benefits include not only potential economic gains but also a reduction in populist sentiment across the bloc. In the following section, we outline the key advantages Europe stands to gain from bolstering its defence budget.

Economic benefits

As a component of aggregate demand, Keynesian theory generally states that an increase in government expenditure will, other things being equal, positively impact output and real GDP growth through its expansion, assuming sticky prices.⁴³ Operating in tandem with this mechanism is the multiplier effect: increases in each aggregate demand component will lead to an amplified increase above the initial sum invested, describing the elasticity of output.⁴⁴

A key control to this, however, is the extent of a nation’s marginal propensity to consume (MPC), as the increased incomes of workers derived from higher public or private investment must be diverted to increasing the consumption component of aggregate demand for the multiplier to be noticeable.⁴⁵

By this logic, the increase in military expenditure by EU countries and the UK (estimated to rise to 2.4% of Euro area GDP by 2027) will have a noticeable multiplier effect.⁴⁶ Analysis by Goldman Sachs has estimated this could be 0.5% over two years, meaning that every €200 spent on defence could boost GDP by approximately €100 over two years.⁴⁷ Such econometric analyses, however, come with certain caveat. The economic models do not cater for import of foreign products. And, clearly, the macroeconomic effect would be smaller if the investment is in overseas products.

In the UK, the Office for Budget Responsibility predicted a larger “near-term demand-side boost” to the economy of raised defence spending to a peak of 0.06% in 2026-27.⁴⁸ This illuminates a positive GDP result due to increased defence spending, bolstered by a multiplier effect acting on top of nominal increases to government expenditure.

As the US shifts its focus away from Europe, European states are starting to shed their long-held reluctance to borrow for defence. Reduced reliance on America means higher spending – and a new mindset on how to fund it.⁴⁹ Germany’s debt brake has limited its ability to pursue expansionary fiscal policy or benefit from the usual fiscal multiplier. But it has also helped maintain a AAA credit rating and low bond yields – making large-scale borrowing for defence more feasible. Incoming Chancellor Friedrich Merz called getting rid of the debt brake

⁴³ Sarwat Jahan, Ahmed Saber Mahmud and Chris Papageorgiou, “What is Keynesian economics?”, *Finance & Development* 51, no. 3 (2014), 53-54, https://www.imf.org/external/pubs/ft/fandd/basics/pdf/jahan_keynes.pdf.

⁴⁴ Ibid.

⁴⁵ “Marginal Propensity to Consume (MPC) in Economics, With Formula”, *Investopedia*, 19 August 2024, <https://www.investopedia.com/terms/m/marginalpropensitytoconsume.asp>.

⁴⁶ “How much will rising defense spending boost Europe’s economy?”, *Goldman Sachs*, 6 March 2025, <https://www.goldmansachs.com/insights/articles/how-much-will-rising-defense-spending-boost-europes-economy>.

⁴⁷ Ibid.

⁴⁸ “Economic and fiscal outlook”, Office for Budget Responsibility, 26 March 2025, https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_March_2025.pdf.

⁴⁹ Rahn, “Germany: Upper house signs off on landmark debt reform plan”.

essential for ending a “false sense of security” and rebuilding Germany’s defence as part of a new “European defence community”.^{50, 51, 52}

Germany’s weak military in an unstable world is a clear vulnerability, but it is also a chance to fix two problems at once. Merz believes that increased defence spending will not only strengthen national security but also help lift Germany out of economic stagnation. With low bond yields keeping debt servicing costs down, he is betting this can be done without major tax hikes.

Ursula von der Leyen praised Germany’s fiscal shift as a sign of its “determination to invest massively in defense”. She has backed similar moves to expand defence spending across Europe.⁵³ It’s worth noting that EU supranationalism doesn’t extend fully to defence. Policy is still driven by European Council meetings and emergency summits, not a unified budget. Still, at an emergency summit in Brussels on 6 March 2025, leaders backed Ursula von der Leyen’s €800bn plan to boost defence spending. The first step is a €150bn joint loan scheme, alongside €650bn in fiscal space created by looser budget rules.^{54, 55}

Several interests lie behind this push for fiscal expansion. Strategically, there is a clear goal: to build a security architecture fully under European control. As Von der Leyen put it, “Europe must become more sovereign, more responsible for its own defence and better equipped to act and deal autonomously with immediate and future challenges.”⁵⁶ But this also serves an economic aim. With Eurozone GDP growth falling to 0% at the end of 2024, increased defence spending offers a way to stimulate demand and avoid further stagnation.⁵⁷ Spanish Prime Minister Pedro Sanchez criticised Europe for having “delegated its defence and security to other actors” when highlighting Spain’s “opportunity to improve its productive fabric in areas such as satellite communications.”⁵⁸

In the end, many European states are turning to a Keynesian playbook – using defence spending not just for security, but to boost growth. The aim is twofold: short-term stimulus through the multiplier effect, and longer-term gains by reviving Europe’s defence industry and manufacturing base. This could help rebalance service-heavy economies and strengthen industrial capacity, especially if scale and coordination are achieved. The full benefits depend on smart planning and execution, but it could ease the concerns of more sceptical governments.

Geopolitics

The world is steadily turning away from the principles of liberal institutionalism and the rules-based global order that have long underpinned international relations. While this erosion has

⁵⁰ “Ratings of the Federal Republic of Germany”, Finanzagentur GmbH, <https://www.deutsche-finanzagentur.de/en/federal-funding/government-as-issuer/ratings>.

⁵¹ “German bonds”, Trading View.com, <https://www.tradingview.com/markets/bonds/prices-germany/>.

⁵² “Germany’s Bundestag votes in favor of reforming ‘debt brake’”, *DW News*, 18 March 2025, <https://www.dw.com/en/germanys-bundestag-votes-in-favor-of-reforming-debt-brake/live-71956815>.

⁵³ *Ibid.*

⁵⁴ Jennifer Rankin, “‘Watershed moment’: EU leaders agree plan for huge rise in defence spending”, *The Guardian*, 6 March 2025, <https://www.theguardian.com/world/2025/mar/06/watershed-moment-eu-leaders-close-to-agreeing-800bn-defence-plan-ukraine>.

⁵⁵ “Starmer welcomes EU moves to boost defence spending”, *BBC News*, 7 March 2025, <https://www.bbc.co.uk/news/articles/c9wpy9x890wo>.

⁵⁶ Rankin, “‘Watershed moment’”.

⁵⁷ Bert Colijn, “Eurozone growth stalls as policymakers show sense of urgency”, *ING*, 30 January 2025, <https://think.ing.com/snaps/eurozone-growth-stalls-as-policy-makers-show-sense-of-urgency/>.

⁵⁸ Javier Iniguez De Onzono and Jerry Fisayo-Bambi, “Sanchez backs EU plan to increase military spending, says it will reindustrialise Spanish economy”, *Euronews*, 13 March 2025, <https://www.euronews.com/2025/03/13/sanchez-backs-eu-plan-to-increase-military-spending-says-it-will-reindustrialise-spanish-e>.

been unfolding for some time, it accelerated markedly following Russia’s full-scale invasion of Ukraine in 2022. Since then, global politics has increasingly been shaped by a multipolar dynamic, dominated by realpolitik – a return to hard power, self-interest and transactional diplomacy.

This approach is reaching a critical juncture with the return of Donald Trump to the White House. His tenure, thus far, is characterised by a series of unilateral actions, such as imposing tariffs and engaging in direct talks with President Putin that excluded both Ukrainian President Zelensky and the European Union.⁵⁹ These moves underscored Trump’s willingness to sideline traditional allies and institutions in favour of striking deals that serve narrow national interests – a hallmark of realpolitik.

European leaders are only now beginning to fully grasp the implications of this shift and they risk paying a steep price if they fail to adapt swiftly. Internally, the European Union is grappling with a host of challenges: the rise of far-right parties, the management of migration, debates over enlargement and the need to define a coherent role in responding to major global crises, including Russia’s aggression in Ukraine and the war in the Middle East. Most worryingly, the EU remains deeply divided on how to tackle these issues. Compounding these difficulties is the waning reliability of the United States as a strategic partner, with Washington increasingly retreating from its international commitments and institutions.

In this context, the EU must begin acting as a genuine realpolitik player – one capable of protecting its interests, addressing its internal fractures and asserting itself on the global stage. If it fails to do so, it risks sliding into irrelevance in a world where power is increasingly defined by strength, cohesion and credibility.

We argue that increasing defence spending should be the EU’s first step toward becoming a more capable and unified geopolitical actor. For one, aside from obstructionist positions in countries like Slovakia and Hungary, there is relatively broad consensus among EU member states on the need for greater defence investment – offering a rare opportunity for unity at a time when cohesion is desperately needed. This consensus could also generate a positive spillover: by demonstrating the EU’s ability to come together on one critical front, it may pave the way for greater unity in tackling other pressing challenges. In this sense, defence spending could serve not only as a strategic imperative, but also as a political catalyst, reinforcing solidarity and trust among member states at a pivotal moment.

Secondly, the global security environment is becoming increasingly unstable, and the EU must prepare for the very real possibility that it may be left to face serious threats alone. Donald Trump’s return to the White House is already accelerating America’s retreat from global leadership and its longstanding commitment to NATO. His rhetoric – questioning NATO’s relevance and openly suggesting that the US may not defend allies who fail to meet defence spending targets⁶⁰ – must be taken seriously. As a result, Europe now finds itself dangerously exposed, without the reliable security guarantee it has depended on for decades. Increasing defence spending is therefore not only about strengthening military capacity; it is about responding to the urgent reality that the EU must now take full responsibility for its own security and territorial integrity.

Finally, for the EU to be taken seriously in contemporary geopolitical affairs, it must develop the military muscle to match its economic and political power. Without it, the bloc risks being

⁵⁹ “Europe to be excluded from Russia-Ukraine peace talks, US envoy confirms”, *Al Jazeera*, 15 February 2025, <https://www.aljazeera.com/news/2025/2/15/ukraine-peace-talks-will-not-include-europe-us-envoy-says>.

⁶⁰ “Trump casts doubt on willingness to defend Nato allies ‘if they don’t pay’”, *The Guardian*, 7 March 2025, <https://www.theguardian.com/us-news/2025/mar/07/donald-trump-nato-alliance-us-security-support>.

sidelined in crises. Strengthening defence spending is not merely about preparing for the worst; it is about ensuring that Europe can shape outcomes rather than be shaped by them. Only by doing so can the EU preserve its relevance and safeguard its future in a dramatically changing world order.

In sum, the EU stands at a geopolitical crossroads. The international order is shifting rapidly, and the luxury of relying on transatlantic security guarantees is no longer assured – particularly with the prospect of a more isolationist and transactional United States under Donald Trump. If the EU is to remain a credible global actor, it must act with urgency, beginning with a significant and coordinated increase in defence spending. Doing so would not only enhance Europe’s ability to protect itself in an increasingly volatile world but also provide a rare opportunity to foster greater internal unity – serving as a foundation for addressing wider political, strategic and institutional challenges. The time for hesitation is over. To preserve its security, relevance and influence, the EU must embrace a more pragmatic and self-reliant posture on the global stage.

A uniting of Europe is not just important for geopolitical reasons but also for cultural and historical ones. Europe needs strong defence because the Europeans have something to defend, namely the values that were created in this, the smallest of the continents; the universalism of the Roman Catholic Church, the individualism of the Reformation, the entrepreneurial spirit of the Italian city-states, the tolerance of the Dutch renaissance, the critical rationalism of the French enlightenment, and above all the spirit and institutions of democracy first pioneered by the Greeks. It is to defend these values and to provide a beacon to other countries that common defence and the institutions the go with, it that we need a ‘certain idea of Europe’.

Populism

A spectre haunts the European Union – the spectre of populism. Since the turn of the 21st century, populist political parties on the continent have grown more and more influential. They are already in power in Hungary and in Slovakia. They sit in coalition governments in Italy and in Austria. And they form the main opposition parties in France and Germany.

European populists may not all share the same economic or foreign policy doctrine, but they do share the same scapegoat: the EU. They portray Brussels as a distant institution. They blame it for economic decline and mass immigration. In their narrative, the EU is not a guarantor of peace and prosperity. The very opposite. At best, they see it as an ineffectual bureaucratic organisation. At worse, it is a “globalist” force eroding “sovereignty”.

For the EU, populists are the enemy within. They threaten the very stability of the European project. The reason: they make it difficult to pursue long-term policies. Take the case of higher defence spending in Europe. It’s all well and good that EU countries support it today. But what happens if, say, the National Rally were to win the presidential election in France in 2027? What if President Le Pen or President Bardella pulled France out of the ReArm Europe Plan? Or, even worse, what if they follow Hungary’s lead and align with Russia? This is not unlikely. After all, according to multiple reports, the National Rally has been financed by a Russian bank.⁶¹

But such scenarios should not discourage European leaders from building a joint defence. Far from it. In fact, they make higher defence spending more urgent, not less. Why? Because done

⁶¹ See, for instance, Paul Sonne, “A Russian bank gave Marine Le Pen’s party a loan. Then weird things began happening”, *The Washington Post*, 27 December 2018, https://www.washingtonpost.com/world/national-security/a-russian-bank-gave-marine-le-pens-party-a-loan-then-weird-things-began-happening/2018/12/27/960c7906-d320-11e8-a275-81c671a50422_story.html.

right, higher defence spending can actually make populists less popular in Europe. In other words, it can make them less likely to win elections.

There are four reasons for that. The first is economic. As we have seen, defence spending, if done right, could create jobs, stimulate growth and boost industry. And that matters.

Populists thrive when the economy is doing poorly. This isn’t a revolutionary insight. According to a study of 24 EU countries over the last 40 years, populists do better when the economy does worse. Doing worse doesn’t necessarily mean that economic indicators are flashing red. It can simply mean that the economy is in upheaval and people have limited trust that things will get better. As researcher Giray Gozgor puts it: “Economic uncertainty is positively associated with populist support.”⁶²

The flip side can also be true. Economic confidence could be positively associated with populist decline. Of course, defence spending won’t solve every economic problem. But it is very likely to help. Investing in the European arms industry will create good-paying jobs in sectors like engineering, manufacturing and logistics. Crucially, many of these jobs should be based in the disaffected regions where populists perform best. Think eastern Germany (where the AfD is the number one party) and northern France (where the National Rally is the number one party).⁶³ These areas were once industrial powerhouses. Then they were left behind. Defence reindustrialisation gives the EU a chance to bring them back in.

The second reason higher defence spending will help push back on populism is political. Populists have worked hard to delegitimise the EU. They paint it as slow, weak and unable to solve real problems. And many voters have come to agree. Support for populist parties has risen as trust in Brussels has collapsed.

Higher defence spending is very likely to help turn that around. It can show that the EU is more than a bureaucratic institution. Instead, it is a catalysing force that can unite European countries around a common agenda. Far from undermining Europe, it protects it from external threats.

This will help restore the EU’s credibility in the eye of voters. They are more likely to trust the European project if they see it delivering. A serious defence push will show that the EU is not a hindrance but an asset. The stronger the EU looks, the less convincing the populist message will be.

The third reason for supporting higher defence spending is democratic. Populists don’t just play on economic fears or attack Brussels, they tap into something deeper: a loss of faith in democracy itself. Many Europeans no longer believe that democratic institutions are working. They feel shut out.

The EU cannot respond to this simply by performing better. Yes, it needs to deliver. But it also needs to rebuild democratic trust. That means bringing people back into the democratic process.

Defence is a difficult area in this respect. It has traditionally been controlled by national governments. It is often discussed behind closed doors. That makes it an easy target for populists, who portray it as the work of disconnected elites.

⁶² Giray Gozgor, “The role of economic uncertainty in the rise of EU populism”, *Public Choice* 190 (2022): 229-246, <https://link.springer.com/article/10.1007/s11127-021-00933-7>.

⁶³ Siobhan Robbins, “German election results show stark east-west divide decades after fall of Berlin Wall”, *Sky News*, 25 February 2025, <https://news.sky.com/story/why-was-the-afd-so-successful-in-east-germany-13316403>; Stéphanie Maurice, “Dans le Nord-Pas-de-Calais, la vague RN a déferlé”, *Libération*, 30 June 2024, https://www.liberation.fr/politique/elections/dans-le-nord-pas-de-calais-la-vague-rn-a-deferle-20240630_GMNVNEN7LVE73JHESH6PHGM12A/.

But this can change. The EU has already started experimenting with new forms of citizen engagement. One example is the European Citizens' Panel. In May 2025, 150 randomly selected citizens met over three weekends to develop recommendations on the next EU budget. This is a serious effort to involve citizens in shaping policy, even on sensitive issues.

Defence has been a major part of the conversation. Their conclusions were published on 20 May. "We recommend that the European Union allocates budget funding to strengthen defence capacities across Member States and promote military harmonisation within the EU," the Citizens' Panel wrote. As they see it, "Enhancing our defence independence is essential because it allows the EU to protect its citizens without being overly reliant on external powers (e.g. the US) who may be unable or unwilling to assist."⁶⁴

Initiatives like the European Citizens' Panel should be repeated. If Europe is to build a joint defence, it must not do so without public support. It should bring citizens in. Involving people in major policy debates, especially those with real strategic and ethical weight, can help restore trust in democracy. It shows that European defence is not just a project of the elite. It is a project shaped by the people.

The fourth and final reason is sociological. Populists succeed not just by exploiting economic anxieties or political grievances, but also by tapping into a sense of identity. They are nationalists who appeal to the mythos of the homeland. By contrast, proponents of the European project stand at a disadvantage. Yes, there is a European flag, a European hymn and a European Parliament, but most Europeans do not see those things as their own. National identities trump a fledgling sense of European identity.

If it leads to a joint defence policy, higher defence spending across the EU will start to change that. It will show Europeans that their destinies are bound together. The Russian threat means that Europeans are forced not just to stick together, but also to see themselves as Europeans. European identity won't replace national identity, but it can coexist harmoniously with national pride. This, in turn, will be a boon for pro-European parties.

Ultimately, higher defence spending is more than a security policy. It can also boost the European economy and, in the process, strengthen European democracy. During the Second World War three political prisoner in Italy wrote in the famous *Ventotene Manifesto*. Their words written in the darkest days of the war, at a time when victory for the democratic forces was uncertain, is still inspirational, "The dividing line is between those who let the incandescent lava of popular passions set in the old moulds, and thus allowing old absurdities to arise once again...[and] those who see the creation of a solid international State as the main purpose; they will direct popular forces toward this goal, and, having won national power, will use it first and foremost as an instrument for achieving international unity".

⁶⁴ "European Citizens' Panel on a new European Budget fit for our ambitions: Final recommendations", European Commission, 20 May 2025, https://citizens.ec.europa.eu/european-citizens-panel-new-european-budget_en.

Policy recommendations

Prescribing policy on defence spending across the European Union can feel like an exercise in wishful thinking. Political divisions, competing national priorities and limited budgets often stand in the way. But that is exactly why the issue cannot be ignored. There are no quick fixes. No single pledge or target will guarantee Europe's security. The aim here is not to present a grand strategy. It is to propose clear, actionable steps.

1. Each EU country should invest at least 3% of GDP in defence

EU member states must significantly increase defence spending. This is important not only because it will enhance security but also because it can boost European countries' economies and counter populism. Increasing military budgets could stimulate growth through a proven multiplier effect if done correctly, with every €200 invested in defence expected to generate around €100 in GDP within two years. By investing strategically, Europe can rebuild industrial capacity and deliver economic gains that undercut populist narratives.

2. The EU should appoint an EU Defence Envoy

The EU needs a single, visible figure to champion defence across the continent: an EU Defence Envoy. This envoy could be an ex-European head of state with expertise in defence. They could engage directly with parliaments and the public, making the case for defence in a way that Brussels has often failed to do. This would be different from the EU Commissioner for Defence and Space, who has little visibility in the media and is virtually unknown.

3. EU countries should create a European Defence Board

Europe's defence industry is divided and uncoordinated. Every country does its own thing. A European Defence Board would allow EU countries to pool resources, invest in joint capabilities and conduct hi-tech research together. Rather than duplicating projects or competing for limited contracts, member states could collaborate on key technologies from drones and cyber-defences to next-generation air systems. This is not just about saving money. It's about scale, speed and sovereignty. A shared fund would ensure that European defence companies can compete globally, and that Europe can defend itself without relying on others.

4. EU armies should develop greater interoperability

Europe needs its armies to work better together. Interoperability – shared standards, joint training, compatible equipment – is what turns national forces into a credible collective defence. At present, EU militaries operate dozens of different systems for tanks, jets and rifles. That slows response times and wastes money. By aligning procurement and integrating command structures, Europe can build a force that is faster, leaner and stronger. As a group of scientific advisers to the Armament Industry European Research Group stated in a 2022 open letter: "To face the Russian threat, Europeans need to spend together – not side by side."⁶⁵ Down the line, if the people of Europe agree, this will make it easier to build a European Defence Force.

⁶⁵ Various Authors, "To face the Russian threat, Europeans need to spend together, not side by side", *Euractiv*, 19 April 2022, <https://www.euractiv.com/section/defence/opinion/to-face-the-russian-threat-europeans-need-to-spend-together-not-side-by-side/>.

Title: "A CERTAIN IDEA OF EUROPE:
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THROUGH DEFENCE REFORM"

By Professor Matt Qvortrup, Dr Theo Zenou
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