Europe’s Defense Problem Isn’t Spending

It’s That Its €800 Billion Spend Can’t Convert Into Capability

Sinéad O’Sullivan

IDEA IN BRIEF

THE HEADLINE

Europe is spending record amounts on defense: EU-27 expenditure hit €381 billion in 2025—a 63% increase since 2020, while the ReArm Europe plan aims to mobilise €800 billion by 2030. The capital, in other words, is flowing.

THE PROBLEM

The system receiving the money cannot convert it into capability at speed. Twenty-seven separate procurement systems produce fragmented demand, duplicated weapons programmes, and subscale production runs. For every weapon type the United States fields, the EU operates more than five variants. When urgency hits, 78% of procurement goes to non-EU suppliers—mostly American—because they can deliver faster. The spending increase is real, but Europe’s coordination architecture is missing.

THE IMPLICATION

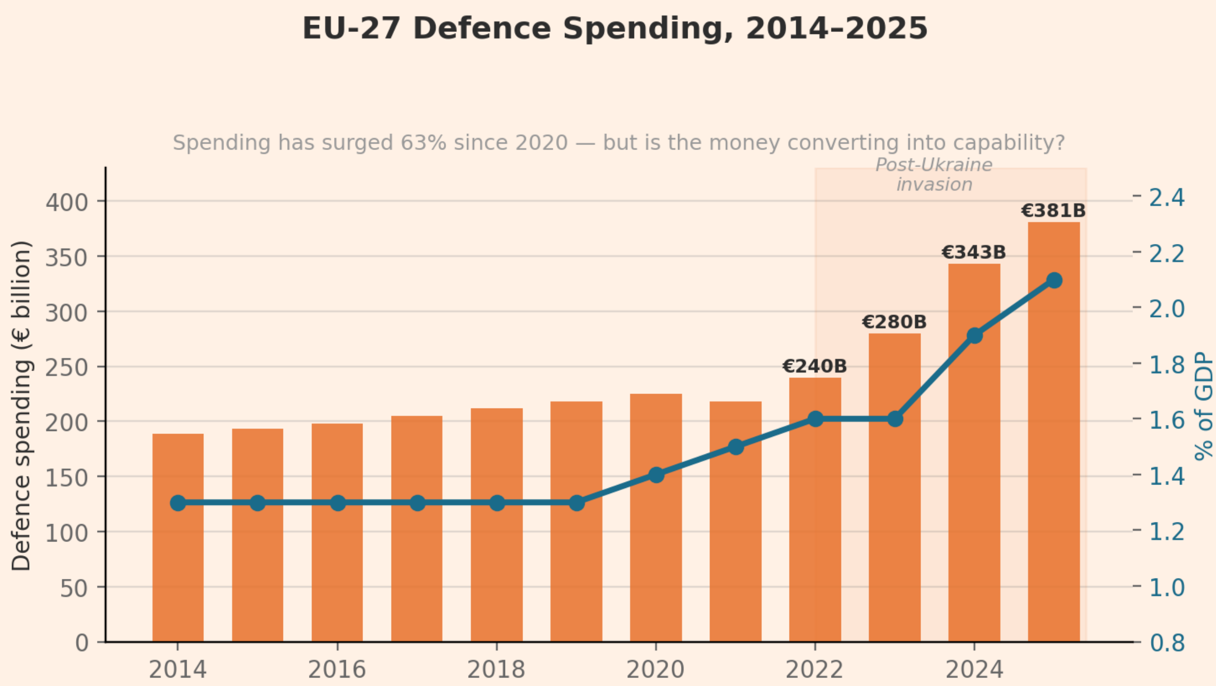
Europe’s defense industrial base will not be fixed by additional capital; it requires a coordination architecture capable of converting twenty-seven national procurement decisions into a functioning market. Without that architecture, €800 billion cannot buy deterrence.

Europe is rearming, and the numbers are extraordinary. EU-27 defense spending hit three hundred and forty-three billion euros in 2024—a nineteen percent increase in a single year—and rose again to an estimated three hundred and eighty-one billion in 2025. The European Commission’s ReArm Europe plan, launched in March 2025, aims to mobilise eight hundred billion euros by 2030. Germany alone has unlocked four hundred billion in new borrowing capacity for defense. The SAFE loan instrument offers a further hundred and fifty billion in EU-backed credit. NATO’s new spending target has been raised to five percent of GDP by 2035.

The political will is unprecedented, while the fiscal commitments are real. The capital is finally flowing through the defense industry’s plumbing.

And yet, the system receiving the money is structurally incapable of converting it into military capability at the speed or scale required.

This is not primarily a spending problem, although Europe does face structural financing issues. Rather, the primary issue is a coordination architecture problem. Europe has twenty-seven separate national procurement systems, each optimized for domestic political economies rather than collective defense output. The result is fragmented demand, duplicated weapons programmes, subscale production runs, and an industrial base that cannot achieve the economies of scale that modern defense manufacturing requires.



Source: European Defence Agency. EU-27 defense spending has risen for ten consecutive years, accelerating sharply after Russia's invasion of Ukraine in 2022. Projected 2025 figure: €381 billion (2.1% of GDP).

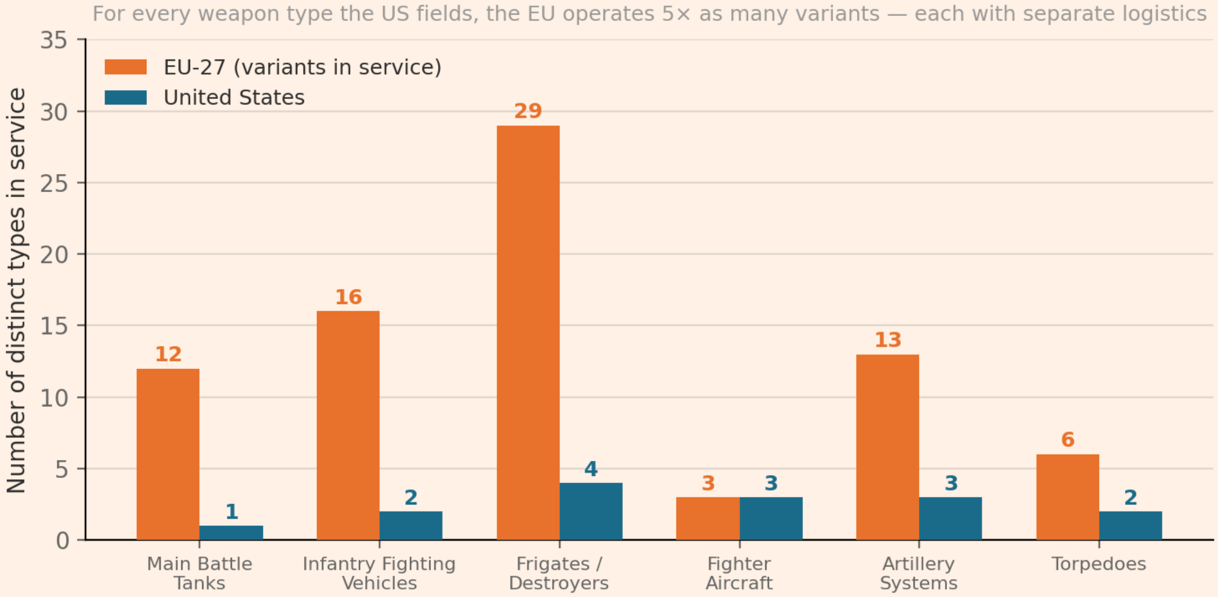
THE FRAGMENTATION TAX

The scale of European defense fragmentation is difficult to overstate. For every single weapon type produced in the United States—tanks, infantry fighting vehicles, frigates, artillery systems—the European Union fields more than five times as many variants. Over sixty percent of EU-produced weapons are used exclusively in one country, while each variant requires its own logistics chain, its own spare parts inventory, its own training pipeline, and its own maintenance contracts.

Consider combat aircraft: Europe currently produces three separate fighter programmes: the Eurofighter Typhoon (a German-Italian-Spanish-British consortium), the Rafale (France), and the Gripen (Sweden). Together, these three programmes have generated roughly eighteen hundred and sixty orders. The American F-35 programme, a single consolidated platform, has generated over thirty-five hundred—nearly twice the combined European total. The cost implications of this fragmentation compound across every stage of the lifecycle: development, production, maintenance, upgrades, and eventual replacement.

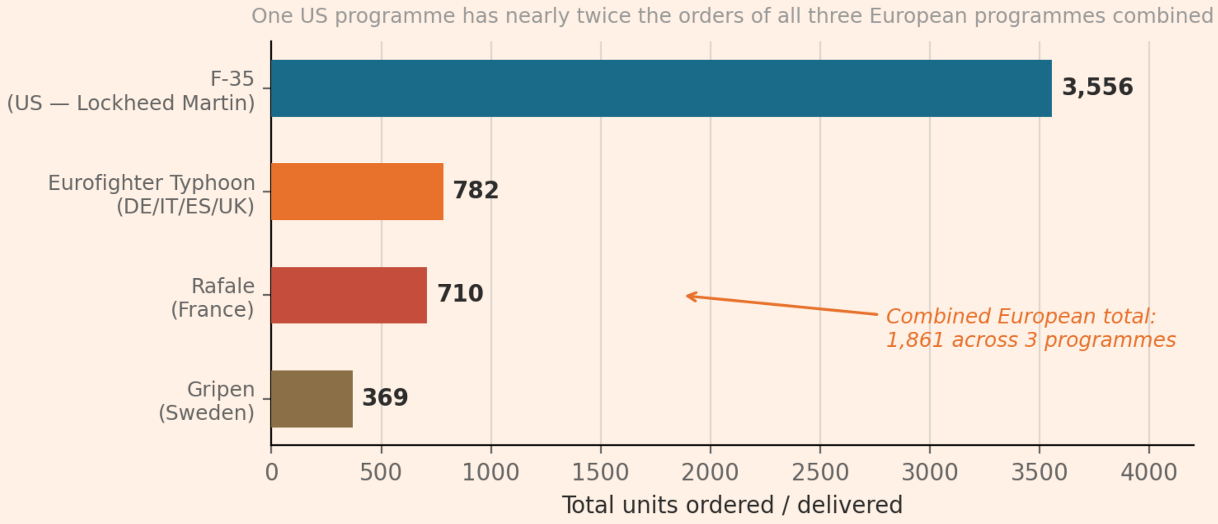
This is the predictable outcome of twenty-seven nations each running independent procurement processes designed to protect national industrial champions, distribute workshare to domestic constituencies, and maintain sovereign control over defense decisions. Each of these motivations is individually rational. Collectively, they produce a system that cannot achieve scale.

The Fragmentation Tax: Weapon Types in Service



Approximate number of distinct weapon types in active service across EU-27 versus the United States. Each EU variant requires separate logistics, training, spare parts, and maintenance. Sources: IISS Military Balance, CARD Report, European Commission EDIS.

The Scale Gap: Combat Aircraft Orders



Total units ordered or delivered across current-generation combat aircraft programmes. One US programme has nearly twice the production run of all three European programmes combined. Source: manufacturer data, IISS.

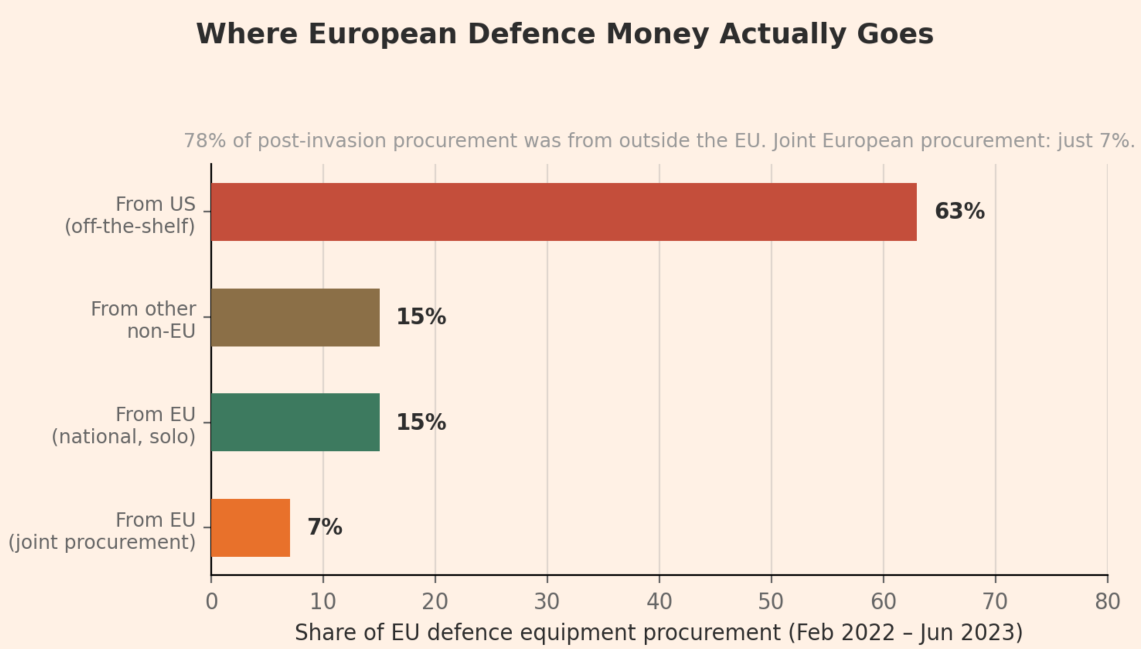
WHERE THE MONEY ACTUALLY GOES

When urgency forces European governments to procure at speed—as it did after February 2022—the fragmented European system fails its most basic test. According to European Commission data, seventy-eight percent of EU defense equipment acquisitions between February 2022 and June 2023 came from outside the EU, with sixty-three percent from the United States alone.

This is not because European industry lacks capability; consider that Europe's defense sector generated a hundred and eighty-three billion euros in turnover in 2024 and exported sixty billion in arms. The problem instead is that when individual governments need equipment quickly, the easiest option is to buy American off-the-shelf—systems that are already in production, already proven, and already integrated into NATO command structures.

Joint European procurement—the mechanism that would actually generate scale for European industry—accounted for roughly eighteen percent of total spending. The EU's attempts to incentivize it have been modest: three hundred million euros through the EDIRPA programme, which the Commission claims has leveraged eleven billion in joint orders. But this is a rounding error against total procurement volumes exceeding a hundred billion euros annually.

This pattern is ruthlessly self-reinforcing. Governments buy American hardware and services because European industry simply cannot deliver at scale. And European industry cannot deliver at scale because it does not receive consolidated orders. Thus, each procurement cycle deepens the dependency.



Breakdown of EU defense equipment procurement by source, February 2022–June 2023. Nearly two-thirds of emergency procurement went to US suppliers. Joint European procurement: 7% of the total. Sources: European Commission EDIS, Bruegel.

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THE COORDINATION PROBLEM

Despite the lack of progress on European integration, Brussels has not been idle. Since 2022, the EU has launched an alphabet soup of defense industrial programmes: EDIRPA for joint procurement incentives, ASAP for ammunition production, EDIP for industrial capacity, SAFE for financing, and the broader Readiness 2030 roadmap.

These programmes represent genuine ambition and real institutional innovation, but they are fighting against the same structural constraint: defense procurement in Europe remains a national prerogative. Article 346 of the EU Treaty allows member states to exempt military procurement from EU public procurement rules, and most do. France runs a state-led defense industry. Germany's is entirely private, while export control regimes vary widely. Thus, industrial workshare negotiations for any collaborative programme become exercises in political arithmetic rather than efficiency.

The Franco-German-Spanish Future Combat Air System is the most egregious illustration of this. Conceived as Europe's answer to the F-35, FCAS has been plagued by disputes over technology sharing, intellectual property, workshare allocation, and programme leadership. Meanwhile, Germany has purchased F-35s for its nuclear sharing role—a procurement decision that potentially undermines the very programme that is supposed to demonstrate European defense autonomy.

This is the coordination architecture problem in its purest form. The capacity to produce technological autonomy exists, and the capital has come online, but what is missing is a system capable of converting twenty-seven sets of national requirements, twenty-seven procurement offices, and twenty-seven industrial policy priorities into consolidated demand that European industry can actually serve.

THE LOCK-IN TRAP

Procurement decisions in defense have unusually long lock-in effects. For example, a fighter aircraft purchased today will be in service for thirty to forty years, requiring maintenance contracts, software upgrades, spare parts, and eventual modernisation—all of which flow back to the original equipment manufacturer and its supply chain. An F-35 purchase is not a one-time transaction. From an industrial policy perspective, it is a thirty-year dependency on Lockheed Martin and on the United States for sustainment, spare parts, and software updates.

When European governments make off-the-shelf purchases from US suppliers under time pressure, they are not just solving an immediate capability gap. In reality, hey are foreclosing options for European industry for decades. Every F-35 purchased displaces potential orders for the Typhoon, Rafale, or a future European platform. Every Patriot system purchased reduces the market for European air defense alternatives. Hence the decision to buy fast today creates a structural constraint on what can be built in Europe tomorrow.

This is why the ReArm Europe plan's insistence that member states *"spend better, together, and European"* is correct in principle but insufficient in practice. For without a coordination mechanism that actually works—one that can aggregate demand, standardise requirements, and allocate workshare without years of political negotiation—the instruction to "buy European" collides with the reality that European industry often cannot deliver what is needed, when it is needed, at the scale that is needed.

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WHAT WOULD ACTUALLY WORK

The ReArm Europe plan is right that Europe needs to spend more on defense, and it is also right that the spending should be coordinated, European-sourced, and focused on joint procurement. But the plan underestimates the institutional architecture required to make any of this happen.

First, consolidated demand. The single most effective thing Europe could do is aggregate national procurement into genuinely joint orders—not in the weak sense of two or three countries co-signing a contract, but in the strong sense of defining common requirements and placing a single order of sufficient scale to change the production economics. This is how the F-35 achieved its cost position: thirty-five hundred aircraft across multiple allied nations on a single production line. Europe has the aggregate market to do this; what it lacks is the mechanism.

Second, a functioning European defense procurement authority. Notably, this does not mean another coordination body, nor another incentive programme. Rather, an authority with the mandate to define common requirements, aggregate demand, negotiate contracts, and manage programmes on behalf of participating states. The EU has created the institutional scaffolding—EDIP, SAFE, SEAP—but without *genuine* decision-making authority over procurement, these remain instruments that do little more than signal encouragement instead of actually coordinating.

Third, honest confrontation of the workshare problem. Every European collaborative programme is slower and more expensive than it needs to be because workshare is allocated on political rather than industrial strategy. If Europe wants scale, it needs to accept that not every country will build every component. This, however, requires trust, compensation mechanisms, and political courage that has historically been absent.

Fourth, speed as a design criterion. European procurement timelines are measured in decades. For example, the FCAS programme was conceived in 2017 and is not expected to deliver an operational aircraft until the 2040s. In the same period, the United States will have produced thousands of F-35s, and China will have fielded at least two new combat aircraft types. If European procurement cannot be restructured for speed, the money will arrive too late to matter.

THE REAL QUESTION

The debate in Brussels has been framed as a spending problem: how much, from where, under what fiscal rules. This framing is understandable, as it is easier to argue about money than to restructure institutions.

But the binding constraint on European defense is not fiscal, it is architectural.

Europe already spends more on defense than Russia and China combined. Thus, the question is not whether Europe can afford to defend itself, because it can, but whether twenty-seven nations can build a coordination system capable of converting that spending into deterrence outcomes.

Eight hundred billion euros is an extraordinary capital allocation. Poured into the current system, it will buy more of what Europe already has: fragmented capability, duplicated programmes, deepening dependency on American platforms, and an industrial base that remains subscale despite the continent's aggregate wealth.

Poured into a reformed system with consolidated demand, genuine joint procurement, and a coordination architecture designed for speed, it could build something that currently does not exist: a European defense industrial base capable of equipping a continent.

The frameworks in this article—coordination architectures, adaptive bandwidth, and the institutional conditions for market formation—are developed formally in two companion papers by Sinéad O'Sullivan. Copies available on request: *s@sinead.co*