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Never Enough: EU Military Spending Challenges in the Face of Open Conflict

**Katherine Wallentine*

Introduction

The Russian invasion of Ukraine in February 2022 sent a jolt of tension and anxiety throughout the European Union, as well as the rest of the world. Lawmakers and strategists scrambled to find a suitable response in the immediate aftermath and now, a year later, the conversation continues as to what the best course of action is for the EU. Should it amplify and radically increase its supranational defense budget and if so, how should it accomplish this monumental task? How much of it should fall on the Member States to meet the two percent threshold as laid out by NATO? The EU has come to a proverbial fork in the road. For decades, the EU has heavily relied on the United States for its military capabilities and provisions under the NATO umbrella. However, the current Russian aggression cannot be ignored or kept at arm's length. This war has revealed a certain fragility within the EU's defense infrastructure and as such, there are lingering questions. What precisely does the EU institutional leadership plan to do with its 8-billion-euro European Defence Fund (EDF)? Where does the European Peace Facility (EPF) fit in? How much variation is there among the national budgets? What is the quantifiable output of the EU private defense industry? Where is the divide between funding for research and development vs. that of acquisition and procurement in these European Commission-led efforts? This paper seeks to analyze these entities, as well as the responses of EU and national leadership. The EU has certainly taken productive steps in the past year to unify and project strength. Nevertheless, can the EU evolve to treating the US military as a true partner rather than a strategic fail-safe, as HR-VP Borrell and others advocate for? It will take years for experts to assess the overall impact of the war. In the meantime, it is important to consider what is unfolding in

real time across national parliaments and in the European Commission. Russia does not show any signs of slowing down their assault on Ukraine. Where does that leave the EU? How can it respond in a timely, effective way without necessitating NATO's primary involvement? Ultimately, the war in Ukraine has had terrible consequences, but it has also drawn attention to the supranational experiment's precarious predicament.

European Defence Fund

First, consider the European Defence Fund (EDF). It has a budget of almost eight billion euros for 2021-2027, which is divided between almost 3 billion euros for collaborative research and over five billion euros for development projects (EU Defense Industry, n.d.). The EDF has annual work programs consisting of 17 categories of action. The Commission's intent behind the EDF is to complement national efforts, not supersede them. The Fund functions financially via grants and incentives, to entice subject matter experts (SMEs) and cross-collaboration among Member States (in addition to Norway). Some of this money is earmarked for high-risk innovation (Csernatoni and Oliveira Martins, 2019). However, the authors note that there is uncertainty surrounding what qualifies as "disruptive technology" within this four to eight percent range (Csernatoni and Oliveira Martins, 2019). A natural question that arises is "where is this money coming from?" The answer is murky, at best. The EU is funding it through its supranational budget, but it is also relying on Member States to a certain degree. The Commission indicated that it may withhold EDF funds from individual Member States if they do not cooperate with each other and propose concrete defense projects.

Since the Russian invasion of Ukraine, there has been renewed attention and interest in the EDF. The Joint Communication published in May 2022 identified a "defense gap" of 160 billion euros (EUR-Lex, 2022). At the end of last year, the Commission released over one billion euros for 61 research projects, but it remains to be seen if the recipients can work together and produce something in the near-term (Tani, 2022). There is some concern about the transparency of the project – about

who is running it and who benefits most. Considering that the EDF is helmed by the European Commission, how much overlap is there with national defense policies? In the wake of Russian aggression, the EU has had to play "catch-up". All things considered, eight billion euros is a paltry sum over the course of a seven year budget.

European Peace Facility

In contrast to the EDF, the European Peace Facility (EPF) is an off-budget entity. It maintains peacekeeping missions around the globe (of which there are currently seven), under the distinct aims to "prevent conflicts, build peace and strengthen international security" (European Council, n.d.). It is chaired by a committee of representatives from each Member State and overseen by the presidency of the council. Its budget for 2021-2027 has a planned ceiling of almost six billion euros. One could say that while the EDF focuses on future preparation, the EPF focuses on current implementation.

The EPF is actively evolving alongside the ongoing war in Ukraine. As of 2 February, the EU announced that it has increased its support for Ukrainian armed forces to over three billion euros (European Council, n.d.). These seven active EU military operations – the majority of which take place in Africa – require a lot of manpower and resources. Now that the pledge has vastly increased for supporting the Ukrainian military, it has mobilized more than half of the seven-year budget in just the first eight months of the conflict (Bilquin, 2022). It is certainly an opportunity for good optics, as EU lawmakers are quick to publicly applaud Ukrainian President Zelensky and make promises for solidarity – even EU membership. The fact of the matter is that it is the EU Member States that bear most of the costs of launching/sustaining military operations under the Common Security and Defence Policy (CSDP). Essentially, this translates to the Member States bearing the brunt of substantive financial promises made by EU institutions. Also, at the current rate of expenditure, how economically feasible and sustainable is the Facility? Will other peacekeeping missions become underfunded or

simply conclude? Time will tell, but 50 billion euros of direct support among various funds to Ukraine is bound to have ripple effects for Member States.

National Defense Budgets

As discussed, the EU has its own initiatives in the pipeline, yet there are enduring issues regarding fragmentation and lack of policy cohesion at the Member State level. On a positive note, the war has created a renewed sense of togetherness and prompted unity in a manner that has not been seen in decades. Unfortunately, the reverse side of this cheery, quasi-intimidating façade is the fact that in 2022, "only 18 percent of all investment in security programs were conducted in cooperation" with "no improved coherence" (Gosselin-Malo, 2022). This is true for scattershot coordination efforts with the EU *and* between Member States' policymaking institutions. Who are the unifying leaders of this somewhat controversial set of policy goals? One could argue that they remain controversial precisely because there is no clear leader. Even the European Commission cannot necessarily force Member States to comply with their initiatives in all instances. The EU cannot serve as a surrogate decision-maker in every case, when some decisions must be made by the Member States themselves (Tani, 2022). Also, when it comes to defense budgets, national parliaments vary in their approaches and commitments. Consider the following quote from a recent Politico report, which summarizes the EDF budget prior to the events of February 2022:

> The EU also cobbled together a European Defence Fund that, while standing at "only" €8 billion for 2021 to 2027, matches the national research and development budget of a sizeable member country; and the European Commission is now the third largest investor in defense technologies in the bloc, after France and Germany. (Tocci, 2022)

The important takeaway here is that in the past, Member States did not commit to high investment in the defense industry or their individual military forces. Even France and Germany have fallen short of

the two percent GDP goal set by NATO (Tocci, 2022). This is due in large part to the vocal, prominent partnership with (and unspoken reliance on) NATO to protect Europe in times of strife.

The defense budgets of the Member States differ in size and scope. Member State leadership are not immune to skepticism of the EU's practices. Scazzieri (2023) writes for the Centre for European Reform that smaller Member States are skeptical that EU initiatives like the EDF will benefit them, too. Do the industrial giants, like France and Germany, ultimately walk away with more than the "little brothers" of the EU? The answer to this question is unclear. What *can* be discerned is that following the Russian invasion, all 27 Member States have drastically increased their defense budgets. As they prepare to defend their homelands, they have committed a large amount of cash in foreign aid for the Ukrainian military and its civilians. This comes on the heels of years of reducing defense spending – even as Russia increased theirs – because of the innate expectation that NATO would handle a true threat from the Russian Federation. This "pattern of free riding" may have even created a hole in the fabric of NATO and EU defense, giving Russia a certain advantage in its attack on Ukraine (George, 2022). This statement does not justify the horrific attacks on Ukraine, by any means, but it may help in explaining the subsequent chain of events.

EU Defense Industrial Complex

As previously discussed, the European defense industry is explicitly tied to EU decision-making and policy coordination, which in turn is dependent on the cohesion of the Member States. If this coordination is not smooth, the resulting fragmentation could ultimately weaken the European defense industry (Scazzieri, 2023). EU defense corporations – especially large ones – benefit from EDF grants. However, the timeline does not solve short-term issues of supplying both the Ukrainian military and domestic militaries. Stockpiles of ammunition and weapons, much of it dating back to the Cold War, are rapidly depleting. European companies are struggling to replace the reserves at an

accelerated rate. Evidently, it becomes difficult to be an equal strategic, military partner to the US and NATO if European industries cannot meet the production demand.

There is a distinct difference between the EU industries' output versus their acquisition and procurement via foreign supply chain management. This distinction is especially evident in the wake of the Russian invasion of Ukraine. The Coordinated Annual Review on Defence Report at the end of 2022 highlighted a few problems. One of which is "spending in isolation and leaning towards non-EU suppliers" (European Defense Agency, 2022). Unfortunately, if Member States are unconvinced by EU-led initiatives, it is likely to lead to more nationalistic "tunnel vision". With Member States looking abroad for military procurement, it is important to remember that even with higher commitments to defense budgets, high inflation can increase the cost of the equipment and hence decrease the "buying power" of said budgets (Scazzieri, 2023). As a brief case study, consider the Italian defense budget. It has been steadily rising over the past few years, but the Russian invasion has led to even more attention directed to conventional warfare. The 2022 budget was unveiled with 18 billion euros dedicated to defense and of that total, almost eight billion just for procurement alone. This is a marked increase from the previous year (Kington, 2022). Even with the further advancement of the Tempest fighter jet program – which is a collaborative project with the UK and Sweden – can Member States really keep up with the pace of strategic adversaries like Russia, China, and Iran?

NATO and the EU

This essay would be remiss if it did not delve into NATO as it currently stands, especially in relation to the EU. Both entities work very closely together, overlapping in some respects. As previously outlined, NATO sets a standard of two percent of GDP spending. Most nations within NATO and the EU are not even close to hitting two percent, though they claim they will be on track to following the Russian attack on the Ukrainian state. In a quantitative study that spans almost seventy years, there is a true mix of positive, negative, and null trends. With few countries on the positive side,

this apparent disconnect and fragmentation does not set Europe up for success as it faces significant challenges from rival, rogue nation states (Coggin, 2022).

The EU has had to recalibrate and recalculate its defensive abilities and positioning over the past decade. EU leaders have weighed how involved to get in simmering tensions around the world, as in the case of China and its challenges to Hong Kong/Taiwanese sovereignty or whether Member State peacekeeping operations – like French troops in the unstable Sahel region – should continue their work or pull out. The EU has deliberated and debated – all the while, its Member States were on different pages about production, procurement, military training, and recruitment, among other relevant actions. Also, it is intriguing to analyze the transatlantic relationship between the EU and US vis-à-vis NATO at this point in time. Case in point:

> The United States faces the obvious dilemma of needing to be seen to encourage EU initiatives which, if successful, would reduce reliance on the United States within the North Atlantic Treaty Organization (NATO) while also securing U.S. industry's continued access to the European defence market(s), for example through Foreign Military Sales (FMS) and under the reciprocal defense procurement agreements which open transatlantic defense markets. (Butler et al, 2022)

There is a divide between those who think that the US as a hegemonic power presents a possible conflict of interest for EU partnership and those who think that the EU is (or should be considered) equal to the US under NATO in terms of core military strength. The concept of "strategic autonomy" has been introduced into the European diplomatic and strategic dialogue in recent years, especially by leaders such as European Commission President Ursula von der Leyen. However, it could be argued that strategic autonomy in this sense does not fully match the verbiage and public statements about the EU-NATO relationship. NATO has said that "the EU is a unique and essential partner for NATO. The two organisations share a majority of members, have common values and face similar threats and

challenges" (NATO, 2023). This is a lovely sentiment, but how true is it? How much of a true partner is the EU, in actuality?

The unprovoked invasion of Ukraine yielded more meetings, summits, talks and a third Joint Declaration on EU-NATO Cooperation (especially considering the impending accessions of Sweden and Finland) (NATO, 2023). One gets the sense that even amid these instances of collaboration and diplomatic relations, Presidents Michel and von der Leyen are in "listening" roles, not an "action" role when compared to Secretary General Stoltenberg. This is not to say that the EU does not have a lot to offer or that it does not bring valuable insights and capabilities to the table. Other scholars seem to agree:

> The key challenge in European security over the coming years will be strengthening deterrence against Russia while retaining the ability to tackle other threats. NATO and the EU should both play a role in this. NATO remains the unquestioned framework through which to organise deterrence and defence, and the EU recognises NATO's primacy. (Bond and Scazzieri, 2022)

Such sentiments of "primacy" are potentially problematic and glossing over a core issue. How much can the EU contribute when it is struggling to be more ambitious and take more R&D risks? To the earlier point, what is the EU's "role"? Ultimately, the fragmentation and disjointed nature of the EU's governance structure lends itself to reliance on US leadership in military matters. Some may argue that without the US, what is NATO? What would become of it? Is it purely defensive or can it be on the offensive, should it choose to be?

When considered with a critical eye, it seems apparent that it will take a significant amount of time for the EU to achieve strategic autonomy – separate from reliance on American firepower. The war in Ukraine has reinforced the centrality of US power in relation to European security (Cottey, 2023). What does strategic autonomy even look like, in practical terms? That may be up for spirited

debate. It seems that there may be more questions than succinct answers about the complex relationship between NATO and the EU.

Additionally, it matters what EU leaders think and how they act with regard to the supranational organization's position in the world. High Representative – Vice President (HR-VP) Josep Borrell has been quite vocal since becoming HR-VP in 2019. Prior to the Russian invasion in 2022, Borrell had commented that "diplomacy cannot succeed unless it is backed by action. But let's be clear, our might is not the military component. The EU is not a military alliance and it was even built against the very idea of power politics" (European Union External Action, 2020). It would seem that Borrell has changed his tune in the past year, since he has since called on the EU to expand beyond its exertion of "soft power" (economic relations and regulatory oversight). For instance, in March 2022, the so-called Strategic Compass had to be rapidly rewritten to respond to the immediate urgency of the conflict in Ukraine. EU leaders gathered to figure out how to move forward as a unified bloc, especially assuaging some concerns from Baltic and Eastern European countries that "the EU is not intending to duplicate NATO capabilities" (Gijs and Barigazzi, 2022). It is true that EU leaders have appeared more unified than ever – and the increase in their military spending reflects their acknowledgement of the pressing need to do so – but it remains to be seen if the EU can ever actually take its place among others as a veritable "hard power".

Conclusion

Indubitably, the war in Ukraine has changed the political landscape and altered diplomatic responses to Russian outright and unencumbered aggression. The EU has rushed to aid Ukraine in a remarkable display of generosity and solidarity. Perhaps, if the invasion had not occurred, the EU would have continued its slow – but steady – increase of military spending. The EU would have continued its focus on maintaining a strong single market and economic partnerships with foreign actors, but not necessarily looked closely at its increasingly agitated neighbor. The war can be

classified in many ways by social scientists, experts, and lawmakers: a watershed moment, a paradigm shift, a turning of the tide, a critical juncture. The EU cannot put its head in the sand and hope that NATO will handle the conflict. This is why EU initiatives like the EDF and EPF, though they are somewhat flawed and incomplete, mark an important step in the right direction for the EU to assert itself in global politics. Plainly speaking, there were certain miscalculations and missteps on the road to where the EU finds itself today, like poking at Russia by promising NATO membership for Ukraine, which Borrell admitted was a "mistake". That said, what can be confusing is the seemingly contradictory language by foreign policy leaders like Borrell. Does the EU want to be a hard power or not? In a speech given a year ago, the HR-VP stated quite boldly,

> the European Union is not a military organisation, the European Union is a peace force that tries to bring along changes through trade and through the implementation of human rights, the rule of law, civilian instruments. You cannot ask the European Union to take militarily action as if we were some kind of European NATO. (European Union External Action, 2022)

He has walked that back a bit, by emphasizing in recent months that the EU needs to do all it can to provide ammunition and manpower to Ukraine. The fairly flippant language about a "European NATO" seems to contradict some of the explicit (and implicit) aims of the EDF and EPF.

The European Union is doing its best to project that it can maintain peace and provide its own defense, even as its industries are lagging in researching cutting edge technologies or delivering projects in a timely fashion. For example, such projects include fighter jets, amphibious vessels and advancements with artificial intelligence and cybersecurity. When partnering with the US via Foreign Military Sales agreements, the EU maintains a solid business transaction. Even so, even with the budgetary increase for military preparedness/engagement, will it be enough? What is next for the European Union's defense capabilities? The war in Ukraine does not look like it will end any time soon. Even when it ends, it is difficult to conceptualize what a "victory" looks like. The EU has spent

a significant amount of time tiptoeing around Russia, Iran and even China. Despite accusations that the EU was "missing in action" at the beginning of the Russian-Ukraine crisis, the bloc has done a commendable job in committing itself to assuring peace and counteracting human rights violations in the region. Nevertheless, it seems more likely that the EU will continue to take a back seat to NATO and the US in setting the tone, taking charge, executing decisions, and paving the way for the preservation of a better, more stable world order.

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