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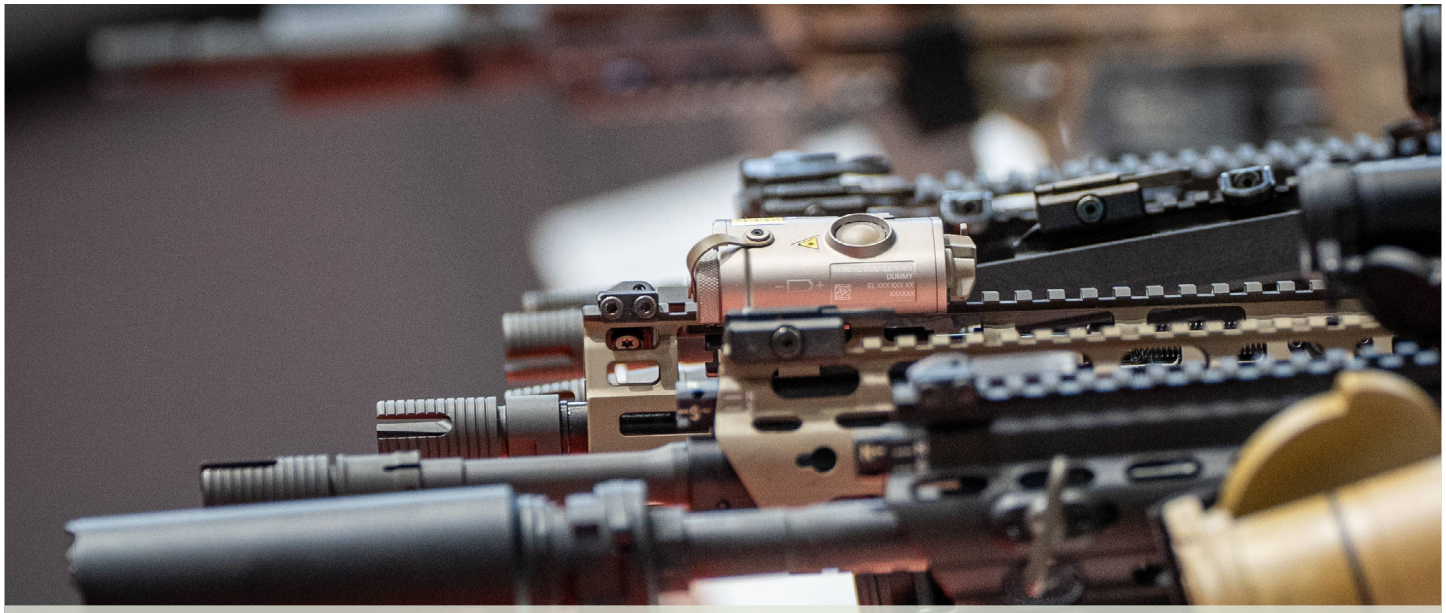

From spending to delivery

Coalition-based governance to scale Europe's defence industry at speed

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Brief Summary

Europe's defence landscape is entering a new and decisive phase – not only in spending, but in how spending is translated into capability. After years of underinvestment, governments are now committing resources at levels once deemed politically impossible, driven by Russia's threat and shifting US priorities. In this brief, we argue that the current model underpinning European defence procurement, production and innovation is ill-suited to a rapidly evolving threat landscape. Instead, **Europe needs a governance model built for speed, flexibility and scale.**

From spending to delivery

In 2025, EU member states' defence spending reached €381 billion, or 2,1 percent of combined GDP, marking a more than 60 per cent increase in spending over five years and a 150 per cent surge in investments. With the Commission's ReArm Europe/Readiness 2030 plan and the Council's February 2026 approval of SAFE loans for 16 member states, this momentum is set to continue.

Yet, budgets alone will not close Europe's defence gap. **Europe's Achilles heel is no longer financial, it is institutional.** Europe lacks the ability to turn budgets into credible and integrated defence capabilities at the speed and scale required by today's security environment. Capability gaps are well-documented, priority lists exist, and strategic documents and declarations of intent are abundant. **What is missing is delivery.**

This is not simply a matter of inefficient rules and procedures. It is a structural governance problem. The current model underpinning European defence procurement was designed for a different era. It incentivises national protectionism, risk-aversion, and slow, consensus-bound decision-making – exactly the opposite of what is needed now.

In this brief, we argue that **coalition-based cooperation** should be the core organising principle of Europe's defence industrial efforts. Under the

current Treaty framework, it is the only realistic approach that can enable an elastic industrial base, accelerate platform-based production, and support high-velocity data sharing, while allowing ambitious states to progress when EU-wide agreement lags.

Need for speed and flexibility

To achieve defence readiness in today's volatile security landscape, **speed and flexibility are essential**. To illustrate, innovation cycles in the Russia-Ukraine war do not take months; they take from two to six weeks. Electronic warfare, drones, missiles and air defence is continuously developed, fielded, tested and scaled in real time, fundamentally changing the course of the war several times over.

In contrast, Europe's defence industrial cooperation, procurement and innovation still reflect assumptions from an earlier geopolitical era. National procurement agencies and markets remain a major source of fragmentation. As a recently published Bruegel policy brief shows, "defence procurement in Europe is geared towards large and established players", leaving limited space for small businesses and start-ups despite their innovation potential.

Surely fragmentation is not a new problem. As Defence Commissioner Kubilius notes, it is "a legacy" of Europe's historical experience with divided defence policies. Its roots lie in divergent – and often competing – strategic outlooks, the prioritisation of national defence industries, and peacetime procurement and certification procedures that reinforce national rather than European approaches.

Russia's threat to Europe's security, following the invasion of Ukraine in February 2022, has led the EU to introduce a wide array of instruments and initiatives to amplify national defence investments, reduce fragmentation, promote cooperation and, ultimately, strengthen the competitiveness of the European defence industrial base. These include EU budget instruments, such as the European Defence Fund (EDF), the Act in Support of Ammunition Production (ASAP), the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA) and the European Defence Industry Programme (EDIP). Likewise, financial support instruments such as the SAFE loans and (non-) legislative proposals – under the Defence Readiness Omnibus – for simplifying procedures and regulations are geared towards taking away barriers to foster more cooperation.

Despite good intentions, one key problem persists: states still tend to prioritise and promote their national defence industries. The dispute between France's Dassault Aviation and Germany's Airbus Defence and Space over governance of the Future Combat Air System (FCAS) is the clearest example. But the problem goes beyond this single headline-grabber. The frequent use of article 346 from the Treaty on the Functioning of the EU, which allows member states to bypass single-market rules to protect what they consider essential security interests, is another – and much broader – symptom. As a result, most contracts still go to domestic suppliers, and competition among EU firms remain limited.

In the current geopolitical era, Europe's defence industrial **fragmentation** is no longer a secondary concern. It **is a key source of vulnerability**. Fragmentation exposes Europe to great power politics and constrains its capacity to innovate, produce and deliver capabilities at the speed demanded by today's security environment. Simply spending more, or engaging in cooperation for its own sake, will not remedy this. What Europe now needs is cooperation that enables rapid innovation and quickly scalable industrial output, rather than arrangements that merely reproduce existing inefficiencies.

A coalition-based approach

An effective defence industrial policy requires aligning a state's security and defence objectives – ranging from deterrence to military aid – with its industrial priorities, such as job creation and regional economic development. Achieving this balance is already challenging within a single state; doing so collaboratively across multiple states inside and outside the EU is even more complex.

Ukraine has furthermore demonstrated to Europe the urgent need for a fundamentally new approach to defence procurement, innovation and production. Europe needs a procurement, innovation, and production model built on governance structures that foster cooperation while prioritizing flexibility, modularity and rapid iteration, unconstrained by national borders or policies. Although the EU recognizes the importance of speed – as reflected in the recent Commission proposal for a €115 million Programme for Agile and Rapid Defence Innovation (AGILE) - a more systemic shift is necessary.

To get there, **we plea for pragmatism**. Under the current Treaty framework that reserves defence as

a national prerogative, it is unrealistic to assume that a credible, competitive and flexible European defence market can simply be engineered top down. Progress instead depends on identifying and nurturing synergies among the industries of countries that share similar strategic outlooks and economic preferences – and are therefore most willing and able to cooperate.

In our view, **a realistic approach requires a governance model that creates space for cooperation within and between coalitions of the willing and able**. Bottom-up coalitions of willing states and firms are particularly well-suited to ensure that Europe moves from spending to smart delivery, as they can move faster than EU-wide processes and tailor solutions to specific capability needs.

Imperatives for Europe's defence industry

A coalition-based governance model will be essential for Europe's defence industrial transformation. We see **five imperatives** that show how such a model can accelerate Europe's defence industrial output.

First, procurement contracts need to enable **an elastic European production base**. Coalition-based cooperation provides a natural mechanism to achieve this. Groups of like-minded and willing states can pool demand without over-specifying end products, allowing industry to respond more dynamically and flexibly. To make this possible, a greater share of contracts should go to Small and Medium-sized Enterprises (SMEs), while medium and large producers should receive framework agreements focused on delivering capabilities, rather than fixed, predefined products. An important prerequisite will be to establish an effective and well-functioning export control regime for supply chains (including transit licenses) concerning export of end products.

The US has already put in place similar market mechanisms, including so-called "multiple award indefinite-delivery, indefinite-quantity (IDIQ) framework contracts." In a European context, coalitions could apply comparable logics to jointly procure capabilities across domains, from drones, to missiles and mobile platforms. Ukraine's Brave1 initiative, as well as its extensions such as BraveTech EU and Brave-Norway, illustrates how flexible, multi-actor cooperation can accelerate innovation, testing and scaling of defense products for the war against Russia outside rigid top-down frameworks. This should and could happen in accordance with existing EU and national regulations while avoiding overly strict interpretations of these.

Second, Europe should move towards **platform-based production.** This model aligns naturally with a coalition approach. Shared platforms make it possible for different countries and firms to come together and develop interoperable components with multiple potential functions, while allowing for healthy internal competition. Europe could here draw useful lessons from the automotive and AI industries, where both software and hardware are built around common platforms that support integration of systems and components of varying sizes and functions.

Aso here, Ukraine provides a clear example: drones are increasingly conceived as modular frames that can host a range of components and accommodating different functions. This allows for enabling component-based scaling, enabling industry to supply interchangeable capabilities to a shared platform – much like plugins in an open software ecosystem.

Third, the future of warfare is autonomous and AI-guided. Europe needs **a high-velocity data-management capability** that fosters rapid learning and innovation. High speed data-driven innovation will be decisive, and the EU must ensure that all dimensions of its armed forces are fully digitalised, with sufficient capacity to convert battlefield experience into structured, real-time data and feed it back to the defence technology and industry base. Coalition-based cooperation among like-minded states and firms with a shared strategic outlook creates higher levels of trust, making rapid information-sharing easier than would be possible, for example, at the EU level. This, in turn, can accelerate learning cycles.

This dynamic is already visible in Ukraine. The importance of rapid data-sharing and real-time feedback is illustrated clearly by the DELTA data room, Ukraine's cloud-based situational awareness platform. While such a system cannot be fully replicated in peacetime, the speed of these feedback loops offers Europe a clear lesson about the accelerating pace of modern warfare. European states also have a strong interest in supporting Ukraine to gain access to this battlefield experience, and Ukraine has opened access to its DELTA data room for precisely that purpose. Treating Ukraine as an integral part of Europe's defence innovation ecosystem is therefore essential. The steps towards

operationalization of Ukraine's enhanced partnership in the Joint Expeditionary Force through "exchange of tactical and operational experience on modern warfare" are promising and could serve as example.

Fourth, future-proofing the Europe's defence technological and industrial base will be impossible without **financing mechanisms that stimulate cooperation and innovation**. Rather than imposing top-down 'buy European' clauses or restricting states from procuring abroad, financing schemes should create incentives to buy European, procure European, and produce European. The SAFE loan mechanism is a step in the right direction, but it still comes with considerable constraints on joint procurement, and offers no meaningful incentives to reform often rigid, national procurement systems. The Commission proposal for a European Competitiveness Fund (ECF) for 2028-2034, including a major €131 billion defence, security, and space window, is as well a promising initiative to foster joint R&D and scale up of production, under the condition that it comes with clear financial incentives to bring together likeminded states around strategically selected priority domains.

Fifth, to move from investment to fast, large-scale delivery, Europe must embrace **a learning (and innovation) culture that scales successes** and let's go of what does not work. Project assessment, including in the EDF, is today very much project-specific and mostly procedural, not taking a strategic view. For instance, joint projects such as the IRIS-T air-to-air missile or the Multi-Role Tanker Transport aircraft, which have delivered European capabilities, can be leveraged more to identify best practices and avenues for improvement, and to show that European defence cooperation (at scale) is possible.

In conclusion, moving from spending to delivery requires more than new instruments; it **demands a governance model built for speed, flexibility and scale.** Europe's current framework is not fit for that purpose. The EU is pressing up against the constraints of today's competence distribution, underscoring the need for Treaty reform as the Union prepares for further enlargement. In the meantime, coalition-based cooperation is mushrooming and should become a central organising principle for European defence industrial efforts. Enabling those willing and able to move faster, innovate, scale production, and deliver capabilities at the pace the security environment demands should now be an urgent priority.

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