

How Much Does Defending Ourselves Really Cost?

Exploring Smart Ways to Build the Strength Needed for Strategic Autonomy in an Efficient Way

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1. Why Europe Must Act

Europe's strategic environment has entered its most turbulent period since the end of the Cold War. The return of largescale war to the continent, the weaponisation of trade, technology and energy, and intensifying rivalry among global powers have exposed vulnerabilities that accumulated during decades in which the European Union could rely on economic interdependence and U.S. security guarantees. Russia's aggression against Ukraine has acted as a catalyst for deeper European defence cooperation. As a result, **European strategic autonomy**, a contested political concept just a decade ago, **has become a strategic and operational necessity**. The core question is no longer whether the EU should strengthen its capacity to act independently when necessary, but rather **how it can do so efficiently, sustainably and at acceptable political and economic cost**, while addressing other pressing priorities, such as the green and digital transitions, declining competitiveness and demographic change.

Russia's fullscale invasion of Ukraine in 2022 fundamentally shattered the assumption that Europe's security order was stable and predictable. The war has demonstrated that the EU lacks the military capabilities, industrial capacity, and strategic resilience required to deter or sustain highintensity conflict on its own. The Niinistö Report (2024) on EU preparedness and readiness underlines that Europe must be ready for external armed aggression and warns that its defence industrial base is currently unable to meet even the ammunition and equipment needs generated by the war in Ukraine. The **challenge is therefore not only to spend more, but to spend better, faster and together**, overcoming decades of underinvestment, fragmentation, and dependence on external suppliers. Recent U.S. policy messages have reinforced this reality, calling on Europe to assume greater responsibility for the conventional defence of the continent and place support for Ukraine on a credible long-term footing. At the same time, Europe increasingly faces hybrid threats that combine military and non-military instruments to destabilize societies and undermine democratic institutions. Russia has been actively deploying such methods against Europe. In this context, there is a growing need for

comprehensive responses to challenges such as drone attacks, attacks on critical infrastructure, and foreign information manipulations and interference (FIMI).

However, the threats facing Europe extend far beyond Russia. The EU's Strategic Compass and Economic Security Strategy highlight a broader spectrum of risks: coercive economic practices, cyberattacks, hybrid operations, disinformation, terrorism, instability in the neighbourhood, and vulnerabilities in critical infrastructure, supply chains and space systems. **The geoeconomic environment has become increasingly adversarial**, with major powers using trade, investment, export controls and access to critical resources as tools of strategic influence. The Draghi Report (2024) warns that the EU risks falling behind irreversibly unless it closes productivity and innovation gaps, strengthens industrial capacity, accelerates decarbonisation and enhances security-related capabilities. **Competitiveness, resilience and defence can no longer be treated as separate policy domains.**

China's dominance in critical raw materials, batteries, solar panels, and rare earth elements creates structural dependencies that could be exploited in times of crisis. Europe imports over 90% of its rare earths from China, and remains heavily dependent on Chinese processing capacity for lithium and other materials essential for defence, energy, and digital technologies. These dependencies directly impact Europe's capacity to manufacture missiles, drones, advanced sensors, and green technologies. In a world where supply chains are increasingly being weaponised, **economic security has become national security.**

Even the United States, Europe's closest ally, is a source of strategic uncertainty. Shifts in U.S. domestic politics, growing isolationist tendencies, and the strategic prioritisation of IndoPacific raise questions regarding the longterm reliability of American security guarantees. Measures such as the Inflation Reduction Act, export controls, and tariff-based industrial competition demonstrate that U.S. economic interests do not always align with Europe's. At the same time, Washington's global commitments, from the IndoPacific to the Middle East, inevitably constrain what can be dedicated to Europe. Recent operations such as Operation EPIC FURY, together with ongoing commitments in the Strait of Hormuz, illustrate how U.S. military attention and defence-industrial capacity are stretched across multiple theatres. This reinforces the message that **Europe must step up**, not to replace NATO or the U.S., but **to become a stronger and more capable pillar within the transatlantic alliance.**

In short, Europe faces military, economic, technological, and resourcebased vulnerabilities simultaneously. Strategic autonomy is therefore not about disengaging from allies or pursuing selfsufficiency. It is about **ensuring that Europe has the capacity to decide, the capability**

to act and the resilience to withstand shocks when external support is delayed, limited or politically uncertain. A stronger, more capable Europe is not only essential for its own security, but also a prerequisite for a more balanced and sustainable transatlantic relationship.

2. How to Build Smart and Affordable Capabilities

The **European defence market remains highly fragmented, insufficiently coordinated and structurally inefficient**. This fragmentation is one of Europe's greatest strategic weaknesses, generating duplicate procurement, higher lifecycle costs, interoperability gaps and logistical complexity. At the same time, European NATO members remain heavily dependent on the United States for nuclear deterrence and for critical strategic enablers, including intelligence, surveillance and reconnaissance (ISR), air-to-air refuelling, strategic airlift, ballistic missile defence and airborne electromagnetic warfare. A majority of these high-end enabling capabilities are still provided by the United States, underlining the **urgency of a more balanced transatlantic burden-sharing model and stronger European capability ownership**.

Recent strategic assessments, notably the **Draghi and Letta Reports**, have shaped the debate on how EU Member States should allocate defence expenditure in the coming years. Their central message is clear: **Europe must spend more, but above all spend better, jointly, strategically and efficiently**.

The 2025 **White Paper on European Defence** marked a major shift in the Union's approach to security, industrial policy and preparedness. Its flagship framework, initially labelled ReArm Europe and later reframed as **Readiness 2030**, seeks to **mobilise up to €800 billion** in additional defence-related investment by 2030. This reflects the recognition that Europe faces interconnected crises and must strengthen its capacity to act. It also gives renewed momentum to the broader concept of a **European Defence Union (EDU)**, still politically evolving, but increasingly visible as a framework for deeper integration of defence planning, capability development and industrial cooperation.

These EU efforts are reinforced by NATO's commitment, agreed at the 2025 Hague Summit, to move towards **5% of GDP security and defence-related spending by 2035**, including at least 3.5% of GDP for core defence requirements. This creates an opportunity to align NATO capability targets with EU industrial and financial instruments, avoiding duplication while strengthening the European pillar of the alliance.

Strategic autonomy is not about isolation or decoupling, but about reducing excessive dependencies and ensuring the freedom to act when necessary. This requires the creation of a genuine **Single Market for Defence**, capable of strengthening the European Defence Technological and Industrial Base (EDTIB). Today, Europe still suffers from too many platforms, too many national standards and too few common procurement programmes.

To secure technological leadership and strategic resilience, the EU should prioritise investment in five key domains:

1. **Artificial intelligence** – for decision support, autonomous systems and data fusion.
2. **Quantum technologies** – for secure communications, sensing and resilient navigation.
3. **Space capabilities** – for geospatial intelligence, communications and strategic autonomy in positioning and timing.
4. **Cyber defence** – to protect critical infrastructure and develop credible deterrence.
5. **Advanced manufacturing and dual-use innovation** – including semiconductors, drones, robotics and resilient supply chains.

The European Commission is already assuming a stronger role through instruments such as the European Defence Fund (EDF), EDIRPA, SAFE and proposed European Defence Projects of Common Interest (EDPCIs). These tools represent an important shift toward common financing, joint procurement and cross-border industrial consolidation. However, lessons from previous initiatives, such as PESCO, CARD and EDF, show that **institutional proliferation alone will not close capability gaps**. Future instruments require **predictable long-term funding, stronger implementation incentives, and better synchronisation of national defence planning cycles**. Greater synergy between PESCO and EDPCIs is particularly important: the former offers an intergovernmental capability framework, while the latter provides a more supranational industrial-financing logic. Together, they can become complementary pillars of European defence integration.

In 2025, the Commission also identified four flagship projects: the **European Drone Defence Initiative, Eastern Flank Watch, European Air Shield, and European Space Shield**. These projects illustrate the scale of ambition required to create genuine pan-European strategic capabilities. For example, a continent-wide integrated air and missile defence architecture would require decades of sustained political commitment, substantial financial resources and large-scale industrial mobilisation. Successful civilian precedents such as

Galileo and **Copernicus**, where the EU holds legal ownership and ensures common governance, offer useful institutional models. Similar arrangements should be considered for selected strategic defence assets where collective ownership would generate efficiencies and interoperability gains.

Regional cooperation formats can also play a valuable supporting role. The **Visegrád Four** (V4), despite political divergences in recent years, retain potential as a practical platform for defence-industrial cooperation, joint maintenance hubs, ammunition production, military mobility, training and eastern flank resilience. **Smaller regional formats can often move faster** than EU-wide frameworks **and later feed successful projects into broader European structures**. Similar logic has been applied to Nordic, Baltic or Benelux cooperation models. At the same time, Ukraine's integration into the European industrial defence architecture has already begun and needs to deepen further contributing to Europe's strategic resilience.

Europe's changing relationship with the United States reinforces the need for a clearer strategic direction. The second Trump administration has accelerated debates about burden-sharing, economic competition and long-term U.S. prioritisation of the Indo-Pacific. Whether or not transatlantic ties remain strong, Europe must be prepared for greater strategic responsibility. This requires updating its strategic doctrine. Earlier frameworks such as the **2016 Global Strategy** and the **Strategic Compass** were important milestones, but they no longer fully capture the scale of current challenges posed by Russia, China, instability in the Middle East, technological rivalry and internal economic weakness.

Europe therefore needs not only more money, but a smarter grand strategy: a renewed European Security Strategy that links defence spending with industrial renewal, technological leadership, energy resilience and geopolitical credibility. Strategic autonomy will only be affordable if it is built efficiently, collectively and with clear priorities.

3. How to Finance and Deliver Those Capabilities

According to recent data from the European Defence Agency (EDA), the increase in defence spending across the EU represents a structural and sustained shift in Europe's security posture rather than a temporary response. Total defence expenditure was projected to reach €392 billion in 2025, or around 2.1% of GDP, reflecting a sustained upward trend driven by a deteriorating strategic environment. Data from the Stockholm International Peace Research Institute (SIPRI) reinforce this picture, showing **that military spending by European NATO**

members in 2025 grew at the fastest rate since 1953. This highlights both Europe's push for greater defence capacity and increasing transatlantic pressure to strengthen burden-sharing within NATO.

At the same time, the **Readiness 2030 initiative**, which envisages up to €800 billion in additional fiscal space, signals a shift from incremental increases to systemic rearmament and large-scale capability development at Union level. **If implemented, this could push spending towards or above 3% of GDP in the coming years**, bringing the EU and European NATO members significantly closer to NATO's 3.5% target by 2035.

In parallel, the European Commission's proposed **2028-2034 Multiannual Financial Framework** further reinforces this pivotal shift, earmarking **€131 billion for defence, space and security** to strengthen strategic autonomy and support the European Defence Union. Its simplified structure and focus on partnership and innovation in defence industry helps to achieve broader competitiveness goals, to reduce capability gaps, and to enhance the readiness of European armed forces by 2030.

Overall, **from a macroeconomic perspective, the conditions for a substantially stronger European defence posture are increasingly in place**, even under scenarios of significantly reduced U.S. engagement. Recent analyses, including a joint assessment by Bruegel and the Kiel Institute for the World Economy, suggest that such an increase in defence spending could be sufficient for Europe to defend itself, assuming an effective U.S. withdrawal from Europe. However, this trajectory remains contingent on addressing persistent challenges related to efficiency, coordination and the absorptive capacity of the European defence industrial base. In this context, **a second edition of the SAFE loans programme beyond 2030 would be essential** to support industrial scaling, enable more effective joint procurement and create the fiscal space required for Member States to sustain elevated defence spending levels over the long-term.

Additional defence spending should primarily reinforce the ongoing shift towards higher investment shares within national budgets, particularly in research, development and procurement of advanced capabilities. According to EDA, Member States allocated around 31% of total defence expenditure to investment in 2024, the highest level ever recorded. Within this framework, **additional resources should be strategically directed towards building a comprehensive EU-wide digital infrastructure**, including cybersecurity, cyber defence, AI, cloud technology and secure data-sharing systems.

Public-private partnerships between defence and civilian tech sectors can enhance innovation and competitiveness in the field of dual-use. Start-ups are especially important in delivering cutting-edge yet cost-effective solutions. To achieve this, it is necessary to bring together major defence industry companies and start-ups. Life-cycle costing planning (emphasis of total cost of investment from procurement to maintenance, training and upgrade) are crucial for long-term sustainability. At the same time, the growing use of AI, autonomous systems and other disruptive technologies raises ethical and legal concerns. Europe should therefore establish **common EU-level regulatory principles and operational standards** to ensure innovation remains consistent with democratic values and international law.

Despite the challenges faced by NATO during the second Trump administration, **NATO and the U.S. remain the cornerstone of European defence in the long-term, primarily because of U.S. nuclear deterrence and integration capacity**, including the intelligence architecture, satellite communications, and precision strike capability. EU capability development initiatives and the CSDP should therefore be understood as complementing and strengthening the European pillar of the transatlantic alliance. Coherence between the EU standards (EDSTAR) and NATO STANAGs is essential to avoid duplication and ensure interoperability.

National sovereignty concerns often hinder deeper integration in the field of defence. In this context, **Mario Draghi's proposal of pragmatic federalism offers a realistic path forward**: coalitions of willing Member States should be enabled to advance integration in a flexible and scalable manner in the field of defence. At the same time, **cooperation should remain open and inclusive, extending to non-EU European NATO members**, particularly key military and political actors such as the United Kingdom and Turkey. Targeted regional specialisation in joint procurement and capability development, such as among V4 countries, can also help reduce duplication, generate economies of scale and accelerate delivery.

The succession of external crises and the fundamental shifts in geopolitics have done what years of internal debate could not: **for the first time in decades, there is broad political consensus that the EU must assume far greater responsibility for its own defence**. Recent EU initiatives have expanded both the fiscal and institutional space for Member States to make the major investments required, enabling most European NATO members to reach the 2% GDP benchmark and anchoring a more coherent European pillar within the transatlantic alliance. Analytical frameworks provided by the Draghi, Letta and Niinistö Reports further

contribute to translating strategic autonomy from political ambition into capability-driven agenda.

4. Main Policy Recommendations

Building on the analysis above, **Europe should adopt a multi-track approach** that simultaneously strengthens NATO, develops flexible European cooperation formats and leverages EU-level instruments more effectively.

- **Maintain a strong transatlantic alliance** while reducing key dependencies.
- **Strengthen the European pillar within NATO** through greater European leadership, coordination and alignment with EU instruments.
- **Develop flexible European security formats** by linking regional initiatives and enabling rapid decision-making by coalitions of willing states.
- **Use the EU as the main industrial and financial driver** by deepening the defence single market, expanding joint procurement and integrating key partners.
- **Translate higher spending into real capability** by prioritising key gaps – especially in strategic enablers – improving governance and reducing fragmentation.

Ultimately, Europe's challenge is not only one of resources, but of organisation, governance and political will. Increased defence spending will only translate into real strategic autonomy if it is embedded in coherent institutional frameworks and aligned with clear operational priorities.

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