

# Improving the quality of European defence spending

## Cost of non-Europe report

Building a European defence union is at the top of the EU policy agenda and is essential to shielding EU citizens' security and wellbeing from current and future geopolitical threats. A study of the efficiency and quality of defence spending is a crucial first step in this process. This cost of non-Europe report investigates the potential gains to be made from deeper European cooperation on defence spending that would leverage economies of scale regarding: military forces and strategic assets; defence equipment procurement; and research into emerging disruptive technologies. The cost of non-Europe in defence spending is estimated to range from €17 to €58 billion per year. EU action to boost the efficiency and quality of European defence spending could also create jobs, improve the certainty of the business environment and strengthen the rule of law.

### Why this study?

In response to heightened geopolitical risks and security challenges, including Russia's war of aggression in Ukraine, EU leaders have called for action to [boost defence readiness](#). In this context, the EU institutions have put forward several initiatives and reports. The [European defence industrial strategy](#) presents a range of ambitious measures to help Member States move towards a European defence union. The [Letta Report](#) calls for a 'radical transformation to build a common market for the security and defence industry'. The [Draghi Report](#) presents 10 proposals to improve the competitiveness of the European defence sector. The [Niinistö Report](#) argues that security is a public good and that readiness is a common responsibility. One way to respond to current and future challenges is to deepen cooperation across Member States to leverage European economies of scale on defence spending and activity, something that has traditionally been organised mainly at national level.

### What is the study's scope?

Investigating the quality of European defence spending, this 'cost of non-Europe' report evaluates the extent to which deepening cooperation could leverage European economies of scale and boost efficiency, considering the nature of defence as a public good. It assesses the potential gains to be had from scaling up different categories of defence spending to European level.

### What are the study's key findings?

The cost of non-Europe in defence spending – in other words, the cost of not leveraging European economies of scale – is estimated to range from €18 to €57 billion per year.

European economies of scale can be leveraged by means of deeper cooperation between Member States for all defence activities, including at the planning stage. The more ambitious and deeper the cooperation in the EU, the greater the potential gains for all Member States. The EU could provide complementary executive capacity and act further in the general interest of its citizens, through the provision of financial incentives, facilitation and technical assistance.

The EU could also reinforce the coordinated annual review on defence (CARD) process to broaden areas of common strategic interest, in particular over a 20-year timeframe. Efforts to improve the quality of European defence may promote higher standardisation and better quality European military equipment, while generating other gains for society, for instance creating jobs, establishing a more predictable business environment and reinforcing the rule of law.



EU could do more to improve the quality of defence spending

# Summary of findings

**Key EU action**



**Military forces and strategic assets**

- Streamline decision-making processes in troop deployment.
- Remove regulatory barriers and infrastructural bottlenecks in military mobility.

**Defence equipment procurement from EU countries**

- Provide technical assistance to identify and address barriers to collaboration between Member States.
- Provide financial incentives to widen collaboration with more Member States and to deepen collaboration to include the planning stage.

**Defence equipment procurement from non-EU countries when an EU equivalent is not available**

- Facilitate joint procurement of defence equipment of strategic EU interest from non-EU countries.
- Promote development of defence equipment with like-minded countries that are of mutual strategic interest.

**Research on emerging disruptive technologies**

- Align defence innovation expertise across Member States with common European strategic priorities in the short, medium and long term (from 2040 and beyond).
- Pool defence innovation spending to support a common European defence innovation agency similar to Defence Advanced Research Projects Agency in the US.

## Cost of non-Europe

**Potential budgetary savings - low ambition scenario**



Up to €11.2 billion per year

Up to €3.2 billion per year

Up to €3.0 billion per year

Up to €820 million per year

**Potential budgetary savings - high ambition scenario**

Up to €45.3 billion per year

Up to €10.9 billion per year

**Other potential gains**



**Economic dimension:** a more competitive European defence industry thanks to greater scale and ability to take on larger projects and risk; more technological breakthroughs for defence and civilian applications; enhanced future defence capabilities; upward convergence in military capabilities across the EU.

**Social dimension:** more defence industry jobs including high-tech jobs; higher returns on public spending; greater security of population; enhanced rule of law; improved security of business operating environment; increased mutual trust.

**Environmental dimension:** longer lifespan of defence equipment due to enhanced interoperability and lower fragmentation.

Source: EPRS

The full report is available on the European Parliament [Think Tank](#).

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