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Taking Stock: Europe's Rearmament, One Year On

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Key Issues

- Confronted with a war unseen in the continent's recent history, European states have increased their defence spending in an unprecedented effort to reinforce their long-weakened militaries.
- The pressure to deliver rapidly risks unbalanced spending, whereby some capabilities receive greater emphasis while others are being overlooked and where short-term considerations are being given priority over the medium- and long-term needs that are in fact critical if Europe is to become a serious defence actor.
- Europe needs to spend more and better for both quality and quantity. This entails balancing: i) direct needs against long-term effects, including when it comes to production sources; and ii) equipment and stock investments across the traditional and non-traditional domains with maintenance, infrastructure and personnel spending.

Within days following Russia's invasion of Ukraine on 24 February 2022, the first defence budget increases were announced in Europe. By the summer, [29 European states](#) had pledged to reinforce their militaries, together vowing to spend an additional [€200 billion](#) on defence over the next few years. Indeed, even if Europe's defence spending had already been on the rise following the NATO Wales Summit in 2014, Putin's move served as a catalyst for some states and an accelerator for others in what can be considered, across the board, a true "European *Zeitenwende*". Whereas before the war European budgets were estimated to rise by [14%](#) in the period 2021-2026, today this increase is expected to range between [53% and 65%](#). Even if much of the implementation is ongoing and long-term results remain to be seen, one year into

the war some initial effects of Europe's spending spree can be observed.

This Policy Brief conducts a preliminary, capability-focused stocktake across Europe to examine the extent to which new budgets have been spent, or at least allocated, and which investment areas appear to take priority. It highlights key changes in Europe's defence landscape over the past year, carries out a preliminary analysis of recent investment prioritisation, discusses bottlenecks that risk undermining Europe's defence reinforcement efforts and makes some recommendations heading into this year's NATO Vilnius Summit.

A war-invoked spending spree

Following the initial armament pledges, governments across

Europe have begun to detail how additional defence funding would be spent. France, already one of Europe's top military spenders, is increasing its defence budget by [40% to €413 billion](#) in the period 2024-2030, a level unseen since France pursued its nuclear deterrent in the 1960s. In a speech at the Mont-de-Marsan air force base in January 2023, President [Macron announced](#) that the additional funds would be directed towards improved intelligence capacities, nuclear modernisation and new equipment including a new fighter carrier, fighter jets, tanks and drones. In the short-term, additional spending will additionally focus on refurbishing existing equipment and replenishing stocks.

Meanwhile, Germany is using its [€100 billion](#) "Special Fund" (*Sondervermögen*) to fund long-standing capability and equipment gaps, including nuclear-capable F-35A fighter jets, a space surveillance system, the modernisation of its command and control infrastructure, armed drones, heavy transport helicopters, corvettes, frigates, submarines, an [anti-missile shield](#) as well as clothing and protective gear. Still, serious hurdles remain. Germany's regular defence budget is set to slightly [decrease](#) in 2023, pushing the NATO 2% target back to 2025. Furthermore, spending under the Special Fund has been delayed due to [slow and inefficient procurement](#) processes that similarly stall the replenishment of ammunition stocks. An order to replace howitzers sent to Ukraine in June 2022 will not be presented to the German parliament for approval [until mid-2023](#).

For Germany's eastern neighbour, the war-invoked spending spree appears to be going a lot better. Having announced multiple budget increases in the war's first year, Poland has bought hundreds of tanks, howitzers, light combat aircraft and rocket artillery launchers from [the US](#) and [South Korea](#), leading Poland's defence minister to proudly declare that ['the great reinforcement of the Polish artillery is getting closer'](#).

Among Europe's more modest defence spenders further away from the eastern flank, changes have perhaps not been as spectacular but no less significant. [Spain](#) broke with a decades-old defence spending taboo by injecting an additional €1 billion into its military and committing to doubling its defence spending to 2% of its national income by

2029. [The Netherlands](#), which had already announced an additional €2 billion per year some two months before the war broke out, added in May 2022 an extra €3 billion to be spent on defence annually and is now set to reach the 2% norm in 2024. With personnel expenditure remaining largely the same, [much of this budget](#) will be dedicated towards investments, increasing the equipment share from just over 20% of its overall budget in 2021-2022 to 30% by 2024. Notably, [these investments](#) will go to purchasing cruise missiles for the navy's surface and submarine fleets, adding a F-35 squadron to the air force and boosting the army's artillery.

Most recently, in launching its Integrated Review Refresh on 13 March 2023, the UK [announced](#) that it would spend an extra £5 billion on defence over the next two years. Of the additional budget, £3 billion [will be spent](#) on its nuclear capability, including the development of submarines within the AUKUS framework, and the remaining £2 billion on replenishing stockpiles and military aid to Ukraine. Finally, a word should be added on Italy, where the war in Ukraine appears to have little effect on the speed at which Rome plans to reach the NATO target (currently by 2028). Even so, from 2023 onwards Italy [has earmarked](#) 27% of its budget for capital investments – marking an increase of 30% compared to previous years.

Europe's shopping list

Across Europe, defence planners have largely focused on filling the capability gaps and [stock shortages](#) that had come to characterise the European defence landscape. For many central and eastern European states, the war has provided an opportunity to replace obsolete Soviet-era stockpiles with up-to-date western weaponry. Soviet-calibre artillery shells, legacy fighting vehicles, T-72 tanks and S-300 air defence systems from Polish, Romanian, Slovakian and Slovenian arsenals have been flowing into Ukraine with MiG-29 fighter jets expected to follow suit. Yet it is not just Soviet equipment that needs replacing: everywhere in Europe, capabilities have aged, while stockpiles have shrunk to about [half the size](#) of what they used to be. Unsurprisingly, therefore, most of the resources made available for defence today are directed towards covering essential capability gaps, on the one hand, and replenishing depleted ammunition stocks, on

the other. As Europeans are rushing to do so, various short-term considerations appear to take priority over medium- and long-term needs that are crucial if Europe is to become a serious defence actor.

To begin with, states tend to focus on a limited selection of high-end capabilities that are critical but which may direct attention away from less prestigious capabilities on which a capable military *also* depends. To illustrate, a significant share of the recent increase in the Dutch defence budget has been allocated to additional F-35s alongside armed MQ-9 Reaper drones, leading some defence experts [to note](#) that virtually *any* occasion in the Netherlands is used to buy more of the US fighter jets. Meanwhile, steps across Europe to fill critical gaps, including joint and enabling technologies such as air-to-air refuelling, suppression of enemy air defence or combat support, are undertaken at a [much slower pace](#). Furthermore, defence policymakers appear to be paying most attention to the air-, land- and sea domains. Even if various governments – including France, Norway and

Everyone for themselves?

Crucially, pressure to deliver capabilities and ammunition rapidly has led various European states to turn to non-European producers for off-the-shelf products. This tendency long precedes the current war but European producers' inability to quickly provide credible capability alternatives has further underpinned European militaries' dependencies on foreign supplies. Indeed, as budgets rose across Europe, [US arms sales](#) to the continent unsurprisingly soared. But other arms producers also profit from Europe's rearmament: for instance, since the war began, [Poland](#) and to a lesser extent [Turkey](#) have turned to South Korea for tanks, howitzers, rocket launchers and ammunition while [Germany](#) and [Romania](#) have purchased Israeli air defence systems.

Needless to say, defence industrial procurement and cooperation is also taking place between European states, with Slovakia buying British [infantry fighting vehicles](#) worth €1.3 billion; Poland purchasing Italian

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Sweden – have promised to strengthen their military intelligence and cyber capacity, some [analyses](#) indeed question whether efforts are sufficiently focused on the non-traditional domains of space and cyber.

In addition to concerns about *which* capabilities Europeans are rushing to buy, emphasis has generally been with procurement rather than maintenance and personnel. To be sure, Sweden is [doubling its number of conscripts](#), Latvia is reintroducing its [compulsory military service](#) and Belgium is [increasing its military staff](#) by 16% by 2035 – there are efforts then. However, in light of long-existing problems to attract and retain military personnel in Europe, it is questionable whether such actions will suffice. Finally, with Europeans eager to show rapid and concrete results, spending efforts appear to [insufficiently focus](#) on long-term investments in research and development (R&D) including innovation.

[helicopters](#) and French [military observation satellites](#); Norway choosing German [Leopard 2 heavy tanks](#); Spain replacing its F-18s with [Eurofighters](#); and Belgium, Bulgaria, Hungary, Poland and Romania looking to buy French-Israeli [Rafael Spyder air defence systems](#). What is more, two flagship projects to develop next generation fighter aircraft, the Future Combat Air System (FCAS) and Global Combat Air Programme (GCAP), are being [slowly but surely](#) advanced by Europe's key defence-industrial players.

Crucially, the [European Commission](#) has proposed an instrument to advance common procurement of critical defence capability gaps, even if various member states [remain wary](#) of Brussels' push for a “buy European” agenda. Also bilaterally, initiatives for joint procurement are taking hold, with [Sweden and Finland](#) jointly procuring portable firearms and anti-tank weapons. Still, when it comes to coordinated and

collaborative European defence spending, the war seems to sustain if not accelerate the [downward trend](#) of the past few years.

Bottlenecks

A number of structural issues are worth mentioning as they undermine, to varying extents, the effects of Europe's investment efforts. First, the unprecedented inflation at least partially evaporates budget increases, with [some estimating](#) defence spending to actually drop in real terms as equipment simply becomes more expensive. According to [one recent report](#), in Europe the cumulative loss of buying power from 2022 to 2026 may reach €300 billion if inflation is to average 5% over this period; or, in a more conservative scenario, be limited to €185 billion if inflation is to average 3%. Such effects are compounded by a strong US dollar, making American equipment especially costly. In Sweden, the falling krona will make foreign purchases [especially expensive](#), leading the country to reach the 2% norm probably sooner than estimated.

Second, rising defence budgets will be partially spent on military aid for Ukraine. Resources allocated to the war are significant: for instance, [Norway has planned](#) to allocate €7 billion over next 5 years while [Germany](#) has earmarked €2.2 billion in 2023 for security capacity building, to be used primarily for Ukraine. Even though Norway will use its sovereign wealth fund – which saw [a significant uptick](#) as its oil and gas exports soared as a result of the war – for such expenses, other European states may rely on their regular defence budgets. And with the war unlikely to end any time soon, these expenses will continue to weigh on European budgets.

Third, Europe faces significant industrial bottlenecks that could seriously impede its military build-up. Most crucially, Europe's defence industry is in peacetime mode, meaning that it is predominantly geared towards the production of [small batches](#) of highly sophisticated weaponry over extended periods of time – not towards the rapid and large-scale replenishment of depleted stocks. To illustrate, shells in France produced over a single year [amount to](#) one week of firing in today's war. Overcoming undersized production will require billions of investment. In addition, some supply chain issues stemming from the pandemic, as well as various [resource shortages](#) that emerged amidst surging demand, prevent a rapid upscaling of Europe's industrial

capacity. As a result of such industrial bottlenecks, [European buyers](#) have turned to foreign suppliers.

Conclusion

Overall, Europe's war-invoked spending efforts have centred around capability and stock investments, with more limited attention paid to personnel and maintenance or long-term investments in R&D. Zooming in on capital investment, a number of high-end capabilities appear to receive a somewhat disproportionate amount of attention, to the detriment of, among others, joint and enabling capabilities. What is more, even if most states recognise the need for cooperation and coordination to boost the European industry and avoid further fragmentation, industrial bottlenecks and the desire to procure quickly have led states to choose non-European sellers over European ones.

In light of this preliminary analysis of Europe's increased defence spending emerging from the war in Ukraine, defence policymakers should consider the following. While the increases in budgets are extremely welcome, focusing solely on spending inputs is ineffective. Heading into this year's Vilnius Summit, [some states](#) are pushing to make the NATO target of 2% of GDP a baseline rather than a ceiling. While understandable, such discussions can be divisive and draw attention to *what we spend* rather than *the way we spend*. This is undesirable: in European Commissioner Thierry Breton's words, '[we need to spend more, but we \[also\] need to spend better](#)'.

Spending better entails weighing direct needs against long-term impacts; balancing equipment and stock investments across the traditional and non-traditional domains with maintenance, infrastructure and personnel spending; and investing in quantity as well as quality – the first contingent on significant support for Europe's defence industry and the latter on innovation through long-term investments in R&D. As scale matters, joint procurement and investments remain key; and soaring inflation only makes coordination all the more important. As it turns out, European states have enough to focus on before turning to [divisive discussions](#) on budget goals that do not necessarily contribute to more efficient and effective spending – or a more robust European defence posture for that matter.

