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European Defense. The Commission's proposals to boost EU's security

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Roberto A. Jacchia
Marco Stillo

On 19 March 2025, the Commission presented several strategic defense initiatives to respond to the crisis in Ukraine but also to address the long-standing need to boost Europe's security and defense infrastructures as well as to reduce its reliance on external allies.

The White Paper for European Defence

The White Paper[1] finds its rationale in the deep changes Europe is undergoing because of its pivotal role in the major geopolitical challenges of the past century, which highlighted a severe under-investment and lack of efficient spending in its military capabilities. The Paper aims at offering lines of action to close this critical capability gap and encourages Member States to invest in defense and defense systems and build up the readiness of the European defense industry over the long run.

In the first place, the Paper sets out seven priority areas[2] which are critical to build a robust European defense, filling the capability gaps already identified by Member States. Since the scale, cost and complexity of most projects in these areas go beyond Member States' individual capacity, a coordinated action benefiting from the Union's support would facilitate cost-effective procurement and prompt the ramp-up of European defense industrial resources. In this regard, the Paper points at collaborative procurement as the most efficient means to acquire large quantities of consumables such as

[1] Joint Comm. JOIN (2025) 120 final of 19.03.2025, *Joint White Paper for European Defence Readiness 2030*.
[2] In the specific i) air and missile defense, ii) artillery systems, iii) ammunition and missiles, iv) drones and counter-drones systems, v) military mobility, vi) AI, quantum, cyber & electronic warfare, and vii) strategic enablers and critical infrastructure protection.

ammunition, missiles and drones, as well as deliver on more complex projects since aggregation of demand curtails costs, shortens lead times and ensures interoperability and interchangeability.

In the second place, the Paper outlines a vision to increase direct military assistance and associate Ukraine in its development and procurement of defense capabilities. More particularly, the support to Ukraine should focus on two mutually reinforcing priorities. On the one hand, the EU and its Member States should, amongst others, i) provide large-caliber artillery ammunition with a minimum objective of 2 million rounds per year, ii) train and equip Ukrainian brigades and actively support the regeneration of battalions, iii) directly support Ukraine's defense industry through direct procurement orders, and iv) grant enhanced access to EU space assets and services. On the other hand, the Ukrainian defense industry should be integrated into the European Defence Technology and Industrial Base (EDTIB)[3], which will help it to scale up, modernize and provide cost-efficient products in the global market.

In the third place, the Paper points out that, despite being indispensable for defense readiness, the European defense industry still features structural weaknesses preventing it from producing systems and equipment in the quantities and with the speed needed by Member States. Therefore, a massive ramp-up of European production capacity is a prerequisite for Member States to acquire the critical capabilities they currently lack. Industry access to critical inputs is also a cardinal factor, to avoid relying only on one or a handful of suppliers of key-goods, services or other inputs. Moreover, EU policies and investments should strengthen European economic security by minimizing the potential for the weaponization of dependencies or economic coercion. Finally, Member States should work together to build a true EU-wide Market for Defense equipment, which would help achieve key objectives such as global competitiveness, readiness and greater industrial scale.

The ReArm Europe Plan

The ReArm Europe Plan is a package outlining the legal and financial means to support the defense investments of Member States, expected to enable the spending of over €800 billion, structured around three pillars.

First, in light of the current extraordinary geo-political situation, the Commission proposes[4] to unlock additional flexibility for higher defense spend through a coordinated activation of the national escape clause, which allows Member States to deviate from their net expenditure path, set by the Council in the context of its medium-term fiscal structural plan, in case of exceptional circumstances outside the control of their national authorities and which have a major impact on their public finances, provided that such deviation does not endanger fiscal sustainability over the medium term[5]. The flexibility range under

[3] Comm. Com. COM(2013) 542 final of 24.07.2013, *Towards a more competitive and efficient defence and security sector*.
[4] Com. Comm. C(2025) 2000 final of 19.03.2025, *Accommodating increased defence expenditure within the Stability and Growth Pact*.
[5] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, *OJ L 2024/1263 of 30.04.2024. Article 26 of the Regulation, named* "National escape clauses", states: "*… Following a request from a Member State and on a recommendation by the Commission based on its analysis, the Council may within four weeks of the Commission recommendation adopt a recommendation allowing a Member State to deviate from its net expenditure path as set by the Council where exceptional circumstances outside the control of the Member State have a major impact on the public finances of the Member State concerned, provided that such deviation does not endanger fiscal sustainability over the medium term. The Council shall specify a time limit for such deviation.*

the national escape clause should be capped at 1.5% of the gross domestic product (GDP) compared to the net expenditure path set by the Council, a threshold designed to ensure that fiscal sustainability is preserved while allowing all Member States to benefit from greater flexibility. The new mechanism would be available for four years starting from 2025, after which Member States would need to be ready to sustain a structurally higher spending level through a gradual re-prioritization within their national budgets, and increases in defense expenditure would be calculated compared to the 2021 levels.

Second, the Commission launched a Security Action for Europe (SAFE)[6], a new financial instrument which will provide Member States with up to EUR 150 billion of loans[7] backed by the EU budget, helping them to boost their defense capabilities through common procurement[8]. In this regard, Member States may request financial assistance where they plan to carry out activities, expenditures and measures through common procurement with the aim of supporting the adaptation of the EDTIB to the structural changes[9]. More particularly, Member States will need to submit a European Defense Industry Investment Plan including, amongst others, a description of the activities, expenditures and measures for which the loan is requested, the defense products it intends to procure, and, where relevant, the foreseen involvement of Ukraine in the activities[10]. The Commission will then assess if the plan submitted fulfils all the conditions required, making the financial assistance available by means of an implementing decision[11].

Finally, the Plan relies on the European Investment Bank Group (EIB) to widen the scope of its lending to defense and security projects while safeguarding its financing capacity, which, besides unlocking substantial funding, also ought to send a positive signal to the markets.

The European Council is now expected to deliberate on both proposals at its upcoming meetings, which should lead to concrete commitments to materialise the vision outlined therein.

Following a request from the Member State concerned and on a recommendation by the Commission, the Council may extend the period during which that Member State may deviate from the net expenditure path as set by the Council, provided that the exceptional circumstances persist. An extension may be granted more than once. However, each extension shall be for an additional period of up to one year…".

[6] Com. Comm. COM(2025) 122 final of 19.03.2025, *Proposal for a Council Regulation establishing the Security Action for Europe (SAFE) through the reinforcement of European defence industry Instrument*.

[7] For a maximum duration of 45 years.

[8] See Article 1 of the Proposal.

[9] See Article 4 of the Proposal.

[10] See Article 7 of the Proposal.

[11] See Article 8 of the Proposal.



Roberto A. Jacchia
PARTNER

r.jacchia@dejalex.com
+39 02 72554.1
Via San Paolo 7
20121 - Milano



Marco Stillo
ASSOCIATE

m.stillo@dejalex.com
+32 (0)26455670
Chaussée de La Hulpe 187
1170 - Bruxelles

MILANO
Via San Paolo, 7 · 20121 Milano, Italia
T. +39 02 72554.1 · F. +39 02 72554.400
milan@dejalex.com

ROMA
Via Vincenzo Bellini, 24 · 00198 Roma, Italia
T. +39 06 809154.1 · F. +39 06 809154.44
rome@dejalex.com

BRUXELLES
Chaussée de La Hulpe 187 · 1170 Bruxelles, Belgique
T. +32 (0)26455670 · F. +32 (0)27420138
brussels@dejalex.com

MOSCOW
Potapovsky Lane, 5, build. 2, 4th floor, office 401/12/9 · 101000, Moscow, Russia
T. +7 495 792 54 92 · F. +7 495 792 54 93
moscow@dejalex.com