



Introduction to the Special Issue 'Spend More and Better'

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Introduction to the Special Issue ‘Spend More and Better’

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ABSTRACT

While the publication of the European Union’s Strategic Compass was planned before the Russian invasion in Ukraine, the war clearly impacted its interpretation and roll-out. The strategic document requires not only that the member states increase their defence spending but that they also increase the efficiency of their spending. This special issue addresses this call for more and better defence spending in the EU from different perspectives.

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‘In view of the strategic challenges we are facing, it becomes urgent to spend more and better’. This quote from the European Strategic Compass underlines the importance of (re)investing in defence capabilities to be able to cope with current geopolitical encounters, whether they are new conflicts and violence or longer-term, ongoing tensions. While the publication of this strategic document was already planned before the Russian invasion of Ukraine on 24 February 2022, the presence of a full-fledged war on Europe’s eastern border has underlined its necessity and has strengthened both the need and the will for solidarity and mutual assistance between all democratic states. Two years after the beginning of the conflict, the amount of military support to Ukraine has indeed already been substantial, with commitments from different countries totalling €107.5 billion.¹ Given that the aggression takes place on European soil, the European Union has been the largest provider of support, not only in military aid but also in terms of financial and humanitarian assistance. Nevertheless, we observe that in contrast to the €144 billion committed by the European member states, only €77 billion has already effectively been allocated. Moreover, both at the European level but also in the United States, it becomes more difficult to find political consensus on increased military aid to Ukraine.

This military support to Ukraine has translated into increased defence budgets in all NATO member states. In 2023, global defence spending has increased by about 9%.² Nevertheless, while all NATO members agreed in 2014 at the Wales summit to reach a 2% share of GDP on military spending in 2024 (or at least to hold any decline), European NATO countries report average defence expenditures of only 1.85% of GDP.³ Based on the estimated 2023 numbers, only 11 member states surpass the 2% level. These countries are, next to the United States, not surprisingly mostly those European countries that are in Russia’s neighbourhood such as Finland, Lithuania, Estonia and Poland. The latter country actually heads the 2023 spending ranking and surpasses the United States by allocating 3.9% of its GDP to defence.⁴

While the 2% rule is a clear indicator of the political will of a country to share the burden of common defence, it is also a rather blunt measure as not all forms of military spending equally

contribute to a country, and to hence the alliance's, military readiness (Du Bois 2024). Hence, during the 2014 Wales summit, NATO members also agreed to increase their annual investment in new military equipment to 20% or more of total military spending by 2024. Here, the estimated data for 2023 are more optimistic, indicating that all allies have reached this goal, with again Poland showing the highest spending, with 52.4% of total defence spending going to equipment.⁵ Poland indeed purchased a whole range of material from K2 tanks and K9 howitzers to rocket artillery launchers and combat training aircrafts. Poland opted for Korean material due to shorter delivery times and a lack of European alternatives, thereby emphasising one of the sore points of the European Defence Industrial Base. Whereas the supply side of this European market is fragmented due to historical reasons, the demand side also seems to be characterised by the absence of cohesion and collaboration.

Next, to effectively spending euros on equipment, the question also rises as to how allies can spend this money efficiently. To maximise these efficiencies, collaboration between EU member states is key and this was already acknowledged in 1991 with the creation of the Common Foreign and Security Policy (CFSP) and the beginnings of a common defence policy. In 2003, the European Security Strategy was born and in 2009 the Treaty of Lisbon entered into force creating the Common Security and Defence Policy (CSDP). Since the enforcement of the Lisbon Treaty, the External Action Service has been installed and priority goals reflected the enhancement of capability development, deeper inter-member state cooperation as well as the strengthening of Europe's defence industry. These goals were again repeated in the Strategic Compass. From a defence economic perspective, the Strategic Compass calls for i) increases but also improvements in defence spending, ii) investments in collaborative capability development instead of fragmentation or duplication, and iii) reductions in technological and industrial dependencies towards strategic autonomy. This special issue exactly addresses these goals and hence the overarching question of how we should interpret this call for not only more but also for better defence spending in the EU.

The first five contributions are research articles, each tackling the research question from a different perspective. Tzeremes (2024) takes a rather micro-economic angle by comparing the sales performance of key European defence companies to other major worldwide arms producers. In order to do this, the author uses a Benefit-of-the-Doubt model via Data Envelopment Analysis. A single composite sales performance indicator is offered using two different sales indicators, expressed as a percentage of overall sales. The values of this indicator allow one to compare the European defence industries' sales performance to others. The second research article enlarges the focus by also looking at US defence companies. Belin and Fawaz study the profitability of both EU and US defence companies, taking into account the unique characteristics of military firms in both regions. They examine the factors that affect military companies' profitability and discuss policy implications with respect to the changed strategic and economic environment. Whereas these first two articles focus on the companies in the sector and their performance, the other two research articles focus more on the performance of the sector as a whole. The paper by Kleczka et al. (2024) focuses on strategic autonomy. They study the concept, the current state of affairs as well as the prospects of strategic autonomy of the European Defence Technological and Industrial Base. An analysis of five dimensions of supply chain dependencies highlights the main challenges where the involvement of non-EU entities is still significant for the EU's defence industry.

In his research article, Bellais (2024) emphasises the need for more agile development and manufacturing and argues for more reactive capability development and delivery. A more modular architecture offers the chance to boost responsiveness of capability deliveries and promotes both innovation and competition.

The final research article by Droff et al. (2024) then address the topic of national versus European preferences. The authors examine the impact of national preferences on defence procurement by means of a case study on four aircraft markets. They study the effect of capacity on procurement choices and whether, or when, countries favour national over European procurement.

The special issue closes with two policy papers. The first policy paper is written by Hartley (2024). Hartley's overview of prospects and challenges for defence policy makes again the connection to the three elements of the Strategic Compass' emphasis on more and better defence spending. While he argues for a more prominent role of economic efficiency criteria, he warns about the influence of military-political factors on defence policy. In the last contribution to this special issue Biscop (2024) correctly questions whether the defence policy of the EU Member States has 'really made the qualitative leap that the notion implies'. Is there really a 'Zeitenwende' as the German Chancellor Olaf Scholz has called this dynamic or is the new buzzword without content? While history shows us that the call for more collaborative work in the realm of military spending is not new, the contributions in this special issue hence highlight both practical and ideological hurdles. The war in Ukraine has certainly re-triggered the policy debate and has painfully illustrated the real need for more collaboration and for a stronger industrial base at the European level. Will the Strategic Compass really turn into a shared strategy or will it remain a paper tiger?

Notes

1. Trebesch (2023).
2. International Institute of Strategic Studies (2024).
3. NATO (2024).
4. NATO (2024).
5. NATO (2024).

Disclosure statement

No potential conflict of interest was reported by the author(s).

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