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EU arms collaboration, procurement, and offsets: the impact of the war in Ukraine

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ABSTRACT

In the last twenty years, the EU has made increasingly greater efforts to boost defence cooperation among MS. To strengthen the EDTIB and avoid duplication of capabilities, the EU has encouraged “European preference” in arms procurement and MS’ defence collaborative projects, also by seeking to expunge defence offsets from the single market. Against this backdrop, on 24 February 2022, Russia invaded Ukraine. What impact has the war in Ukraine had on EU defence cooperation? Has the war impacted MS in a similar fashion or unevenly, reinforcing defence integration dynamics for some, while kickstarting disintegration for others? Two years on, a thorough analysis of the impact of the war on EU defence cooperation is still missing. This paper fills this gap by exploring three levels of analysis – arms collaboration, arms procurement, and offsets – and by comparing pre-invasion evidence with data from the post-invasion period. The analysis suggests that the Russo-Ukrainian war has negatively impacted EU defence cooperation, potentially increasing both fragmentation and non-EU dependencies. However, although MS’ threat perception and their ability to reap industrial benefits remain important to explain EU defence cooperation, integration or disintegration dynamics do not neatly map onto the geographical or size divides identified by the literature.

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Introduction

In the last twenty years, the European Union (EU) has made increasingly greater efforts to boost defence cooperation -here understood as cooperation for the production of military force, and not the use thereof- among Member States (MS). In particular, with the aim to strengthen the European Defence Technological and Industrial Base (EDTIB) and avoid duplication of capabilities, the EU has encouraged “European preference” in arms procurement and MS’ defence collaborative projects, also by seeking to expunge defence offsets -industrial and technological compensation to states for buying foreign weapons- from the single market. Indeed, defence offsets are generally considered market distorting, culpable of trade diversion and misallocation of resources that will reduce national, as well as global, welfare – for instance, by imposing new supply chains that are less efficient than the ones they replace (Schoeni 2015).

Up to January 2022, EU efforts had met with mixed results. On the one hand, MS had agreed on sixty collaborative projects under the Permanent Structured Cooperation (PESCO) framework (European Council 2021a), restricted their offset policies and stopped demanding indirect offsets such as investment by the foreign arms supplier into the buyer state's civil sector (European Parliament 2020). On the other hand, PESCO projects had been criticized for lacking ambition, often involving low-end activities such as training and logistics instead of effectively addressing EU defence capability gaps (Biscop 2020). Furthermore, European Parliament's reports had noted a reluctance by MS in Central and Eastern Europe (CEE) to engage in intra-EU defence industry cooperation (preferring instead to buy US weapons), as well as a widespread use of offsets across the Union, especially through exemptions for complex systems, often justified by MS for reasons of national security (European Parliament 2021a; European Parliament 2021b).

Against this backdrop, on 24 February 2022, Russia invaded Ukraine. While prompting several MS to increase their defence budgets¹, Washington pledged hundreds of million dollars to allies in Central and Eastern Europe to buy American military hardware to backfill weapons donations to Ukraine (Gould 2022; US Department of State 2022). Furthermore, Poland and the Czech Republic rushed to amend their offset policies to extract more industrial benefits from foreign procurement, while others like Portugal sought to reinstate them (Countertrade & Offset 2022a, 2022b). At the same time, EU institutions renewed and scaled up their efforts to strengthen EU defence cooperation. Most importantly, the Council adopted the Strategic Compass encouraging the EU to "provide further incentives for MS to engage in collaborative capability development" (European Council 2022a), while the Commission proposed the European Defence Industry Reinforcement through common Procurement Act (EDIRPA) to encourage MS to jointly procure European arms (European Commission 2022).

What impact has the war in Ukraine had on EU defence cooperation? Was the war an exogenous shock capable of revolutionizing or significantly modifying long-held policies, as some contributions to this special issue (see, for example, O'Shea and Maslow 2024 on Japan's security policy) appear to suggest? Was it an event simply accelerating old trends, as other contributors contend (see Li-Chen Sim 2023 in the context of energy policy)? Or even one likely to have only short-term effects (see Jelínková, Plaček, and Ochrana 2023 on migration)? Furthermore, has the war impacted MS in a similar fashion or unevenly, reinforcing defence integration dynamics for some, while kickstarting disintegration for others (on the heterogeneity of MS' responses, see Mader 2024; and de Jong 2024, this issue)? Two years on, in spite of the political, economic, security, and theoretical importance of these questions, a systematic and comprehensive analysis evaluating the impact of the war in Ukraine on EU defence cooperation is still missing.²

To fill this gap in the literature, this paper tracks EU defence cooperation from February 2014 to February 2024 (essentially from Russia's annexation of Crimea to the time of writing) by drawing on a variety of primary and secondary sources, including SIPRI Arms Transfers Database, EU, government and defence companies' press releases, media outlets as well as specialized journals. More specifically, this paper assesses the impact of the war in Ukraine on EU defence cooperation by exploring three levels of analysis -arms collaboration, arms procurement, and offsets- and by comparing pre-invasion evidence with data from the post-invasion period. While doing so, this paper also

contributes to International Relations and security studies (henceforth IR and SecStud) debates on the integration of the EU defence industry, and on the purported divide between Western and Eastern, as well as small and large, MS.

The analysis suggests that the Russo-Ukrainian war has negatively impacted EU defence cooperation, with the negative impact being most visible in MS' arms procurement and offsets, thus potentially increasing both fragmentation and non-EU dependencies. However, although MS' threat perception and their ability to reap industrial benefits remain important to explain EU defence cooperation, integration or disintegration dynamics do not neatly map onto the “West–East” or “large–small” divides identified by the literature.

The paper proceeds as follows. The first section briefly reviews the literature on EU (differentiated) integration before formulating four hypotheses on the impact of the war in Ukraine on EU defence cooperation. The second, third and fourth sections respectively investigate these hypotheses on MS' arms collaboration, EU 27 arms procurement, and offset agreements between MS and Original Equipment Manufacturers (OEMs). Findings and implications are discussed in the last section.

Literature review

IR and SecStud scholars have long engaged with EU defence cooperation. One body of literature has focused on the governance of the EDTIB, seeking to confirm or disprove Jean Monnet's famous integration-through-crisis argument. Scholars have noted how growing instability in Europe's southern and eastern peripheries, uncertainty about US military commitment in Europe, EU financial crisis, and Brexit created momentum for greater EU defence cooperation (Chappell, Exadaktylos, and Petrov 2020; Béraud-Sudreau and Pannier 2021). While neo-functionalists pointed to the greater role of the EC as a sign of growing supranationalism (Haroche 2020; Håkansson 2021), intergovernmental scholars rebutted these claims by emphasizing the continued relevance of member states (Béraud-Sudreau and Pannier 2021; Sabatino 2022).

Most recently, Daniel Fiott (2023) has convincingly shown that all EU major documents in support the European defence industry adopted in the wake of Russia's invasion of Ukraine fit with intergovernmental theorizing and suggest that the EU is not becoming ever more integrated. In fact, other scholars have openly talked about disintegration of the EU on defence, a dynamic that however would mostly apply to Central and Eastern European MS (Chovančík and Krpec 2023).

Without disputing the prominence of MS, another body of literature has sought to make sense of MS' differentiated integration in defence. Some scholars emphasize MS' geographical location and the resulting differences in threat perception and foreign policy orientations to explain varying degrees of defence integration (Béraud-Sudreau and Giegerich 2018; Blockmans and Crosson 2022; Kofroň and Stauber 2023). For instance, Blockmans and Crosson (2022) explain the limited participation of Eastern European MS in EU defence collaborative projects (i.e., PESCO projects) with their pronounced pro-NATO stance. In contrast, they suggest that the Europeanism of Western MS drives their greater involvement (Blockmans and Crosson 2022).

Rather than MS' geographical location, other scholars draw attention to their size. Larger states or those endowed with a significant defence industry³ are more likely to

join intra-EU defence collaborative projects because they expect to reap more industrial benefits, whereas smaller ones prefer to buy off-the-shelf and demand offsets (Struys 2004; Mawdsley 2008). In fact, Calcaro (2020) argues that states with smaller defence industries favour cooperation only if they have the possibility to reap technology transfer benefits. Jocelyn Mawdsley (2008) specifically notes how the Organization for Joint Armament Co-operation (OCCAR), with its global balance system dividing work over a series of projects, is dominated by large states, which, thanks to their substantial defence industry and competitive defence firms, are more likely to participate in most programmes. Similarly, Giumelli and Marx (2023) note that companies from the largest member states (i.e., Germany, France, Italy, and Spain) “have been more successful than smaller ones in securing particularly large amounts of [EU] funding, and the largest ones have also participated in multiple consortia over time”.

In light of the above scholarly debates, four hypotheses can be formulated regarding the impact of the war in Ukraine on EU arms collaboration, procurement and offsets:

1. Integration-through-crises. The Russo-Ukrainian war has positively impacted EU defence cooperation across the board. MS collaborate more, buy more EU weapons, and demand fewer offsets.
2. Disintegration-through-crises. The Russo-Ukrainian war has negatively impacted EU defence cooperation across the board. MS collaborate less, buy more non-EU weapons, and demand more offsets.
3. The “West–East divide” deepens. MS in Central and Eastern Europe (CEE) further steer away from intra-EU defence collaborative projects, more often opting for procurement of non-EU weapons, especially Americans’. Conversely, regardless of their size, MS in Western Europe step up their efforts for the joint development and production of weapon systems and prioritize intra-EU arms transfers.
4. The “large–small divide” deepens. As opposed to larger MS, and regardless of their geographical location, smaller ones refrain from joining collaborative projects, opting for off-the-shelf procurement while also stepping up offset demands thanks to the changed geopolitical context and therefore greater ease of justifying this action for security reasons.

Arms collaboration

To assess the impact of the Russo-Ukrainian war on arms collaboration, this section compares MS’ participation in PESCO, OCCAR, and other intra-EU defence collaborative projects before and after Russia’s full scale invasion. The joint development and production of major weapon systems is notoriously a lengthy and challenging process, one that cannot be fully assessed over a two years timeframe. Nonetheless, as this sections shows, Member States’ decisions to join, abandon, or intensify commitment to defence collaborative projects in the face of Russia’s aggression provide important indications of the war’s impact on arms collaboration, as well as insights into MS’ varied decisions and the reasons behind them.

The findings suggest that the war has had only a slightly negative impact on EU arms collaboration. As expected, cooperation slowed down in the first months after the

invasion, with MS delaying the signing of new PESCO projects in favour of readily-available and combat-proven weapons. However, more recently, some MS stepped up collaboration, with the Netherlands asking to join OCCAR, and Belgium the trans-European sixth-generation fighter aircraft programme known as FCAS.

These initiatives by small, Western European states would seem to confirm claims of a “West–East divide” and reject those of a “large–small divide”. However, a closer examination of both pre- and post-invasion evidence reveals a more complex and nuanced picture, where domestic industrial interests are the only common thread. Notably, large Western states such as Italy and Sweden did not join the trans-European FCAS, while small Eastern European states such as Poland and Romania sought either participation in the French-German next-generation tank or joined the European Patrol Corvette (EPC).

Contrary to their purported Europeanism, it is arguably Belgium and the Netherlands’ strong integration into French and German defence supply chains (Béraud-Sudreau and Scarazzato 2023) that makes arms collaboration more appealing for these two small states. This integration, particularly through Thales and Rheinmetall’s subsidiaries, provides better prospects for reaping industrial benefits.

MS’ participation in intra-EU defence collaborative projects pre-invasion

PESCO pre-invasion

In December 2017, the Council launched PESCO to spur MS to jointly invest and develop defence projects (European Council 2017). Simultaneously, the Commission launched a number of initiatives to support investment in joint research and joint development through PESCO (European Commission n.d.). Allocating €90 million from the EU budget, the Preparatory Action on Defence Research (PADR) supported 18 projects over the period 2017-2019. In contrast, with a budget of €500 million, the European Defence Industrial Development Programme (EDIDP) funded 16 projects in 2019-2020. Finally, the European Defence Fund (EDF), succeeding PADR and EDIDP, earmarked a total of €8 billion to fund collaborative defence research and capability development projects over the 2021–2027 period. As of December 2021, sixty projects had been agreed under PESCO, with 25 MS -all except Denmark and Malta- participating (European Council 2021a).

Despite their considerable number, there is a broad consensus that PESCO projects generally lack ambition, often involving low-end activities such as training and logistics rather than effectively addressing EU defence capability gaps (Biscop 2020). Furthermore, whereas MS in Central and Eastern Europe viewed EU co-funding favourably, they emphasized that PESCO should not be seen as an alternative to the Trans-Atlantic relationship.

In March 2018, a joint communique by the Visegrad Group -Poland, Czech Republic, Slovakia and Hungary- stated that: “launching Permanent Structured Cooperation (PESCO) was a historic step, and now we need to deliver by developing concrete capabilities in a timely manner that could meet NATO requirements as well. New initiatives to use community funding such as the European Defence Fund (EDF), including the European Defence Industry Development Plan (EDIDP) can be valuable tools in doing so” (Kft 2018).

Facing budget constraints, the Baltic States -Estonia, Lithuania and Latvia- also welcomed initiatives like the EDF. However, continuing to see NATO as the only credible deterrent against Russia, they constantly promoted partnership between the EU and the US (Seselgyte 2019). In 2020, the Council set out conditions “exceptionally” permitting third countries to take part in PESCO (European Council 2020).

Despite being relatively few, a number of high-end PESCO projects⁴ were adopted before Russia’s invasion of Ukraine, and namely: Integrated Unmanned Ground System (iUGS); European Medium Altitude Long Endurance Remotely Piloted Aircraft Systems – MALE RPAS (Eurodrone); Strategic Air Transport for Outsized Cargo (SATOC); Medium size Semi-Autonomous Surface Vehicle (M-SASV); European Patrol Corvette (EPC); European Attack Helicopters TIGER Mark III; Future Medium-size Tactical Cargo (FMTC); Armoured Infantry Fighting Vehicle / Amphibious Assault Vehicle / Light Armoured Vehicle; and Indirect Fire Support (EuroArtillery) (European Council 2021b).

Moreover, as Table 1 shows, such high-end projects see a significant participation of MS in Central and Eastern Europe. In fact, the clustering illustrated in Table 1 strongly suggests that, while important, geographical location and foreign policy orientation do not exhaust MS’ reasons for joining PESCO projects.

For instance, different military requirements are the main reason why Czechia, Slovakia or Hungary -three land-locked countries- have not joined the EPC. In contrast, industrial competition may well explain why a traditionally pro-EU, Western European MS such as Italy did not join the European Attack Helicopter project. Indeed, France, Germany and Spain are partners in Airbus, which is often a competitor of Italy’s Leonardo.

Occar pre-invasion

Launched in 1996 by France, Germany, Italy and the UK, OCCAR saw Belgium and Spain joining in 2003 and 2005, respectively (OCCAR/History n.d.). Except for Belgium, OCCAR has thus been long dominated by large, Western MS. OCCAR members have collaborated to develop and produce various complex weapon systems, including the A400 Tactical and Strategic Airlifter, the BOXER all terrain armoured utility vehicle, and the Multi-Missions European Frigates (FREMM) (OCCAR/Programmes n.d.).

Table 1. MS’ participation in high-end PESCO projects pre-invasion^a.

High-end project	MS participating
Armoured Vehicle	Italy, Greece, Slovakia
EuroArtillery	Slovakia, Italy, Hungary
iUGS	Estonia, Belgium, Czechia, Germany, Spain, France, Latvia, Hungary, Netherlands, Poland, Finland
EPC	Italy, Greece, Spain, France
M-SASV	Estonia, France, Latvia, Romania
Eurodrone	Germany, Czechia, Spain, France, Italy
TIGER Mark III	France, Germany, Spain
SATOC	Germany, Czechia, France, Netherlands, Slovenia
FMTC	France, Germany, Sweden

^aThe full list of PESCO projects updated November 2021 can be accessed at the following link, <https://www.consilium.europa.eu/media/53013/20211115-pesco-projects-with-description.pdf>

It's noteworthy that some OCCAR programmes have also received EU funds, effectively making them PESCO projects open to participation by PESCO members (OCCAR/Male Rpas [n.d.](#)). For instance, Eurodrone, one of OCCAR's programs, has seen Czechia joining Italy, France, Germany, and Spain.

Other Main intra-EU defence collaborative projects Pre-Invasion

If the EPC stands out as the most significant intra-EU defence collaborative project in the naval domain, the French-German Main Ground Combat System (MGCS), a next-generation tank, and the French-German-Spanish Future Combat Aircraft System (FCAS), a sixth-generation fighter aircraft, are the most important projects in the land and air domain, respectively. Launched in 2017, both projects exclusively involve the participation of large, Western MS.

However, notably, the FCAS does not include Italy, nor Sweden. In 2021, both countries signed a memorandum of understanding with the United Kingdom to join the Tempest, a parallel project that in late 2022, with the addition of Japan (and Sweden moving to the margins), was renamed Global Combat Air Programme (GCAP) ([European Parliament 2021a](#); [UK Gov 2022](#)).

In contrast, both Italy and Poland have repeatedly asked to join the MGCS, with France and Germany turning down demands for cooperation until a prototype is developed ([Marrone and Sabatino 2020](#)).

MS' participation in intra-EU defence collaborative projects post-invasion

PESCO post-Invasion

One month after Russia's invasion of Ukraine, the Council adopted the Strategic Compass, urging the EU to "provide further incentives for MS to engage in collaborative capability development" ([European Council 2022a](#)). In November 2022, the Council, after acknowledging that "more efforts are needed to use the full potential of PESCO," indirectly admitted that more than half of the ongoing projects have little to nothing to show ([European Council 2022b](#); [Pugnet 2023a](#)). Simultaneously, through its Coordinated Annual Review on Defence (CARD), EDA warned that collaborative defence projects remained the exception rather than the norm, being considered by MS "only if their [DTIBs] are deemed capable of engaging in consortia or providing the respective solutions on their own" ([European Defence Agency 2022](#)).

Furthermore, while the EU aims for thirty-five percent of MS' defence budgets to be spent in defence collaborative projects, EDA noted that over one CARD cycle, the figure actually dropped from nineteen to eighteen percent.

Since the outbreak of the Russo-Ukrainian war, few new PESCO projects have been adopted and even fewer MS have joined high-end ones. In May 2023, the Council welcomed Denmark into PESCO and launched the fifth wave of PESCO projects, with total number rising to sixty-eight ([European Council 2023](#)). However, while adopting eleven projects, three were cancelled for lack of progress, including EuroArtillery ([Pugnet 2023a](#)). At the same time, while Slovenia and Spain joined SATOC and FMTC, respectively, and Romania the EPC, Hungary left iUGS ([European Council 2023](#)). Furthermore, only three out of the eleven new projects are directly aimed at filling shortfalls in high-end defence capabilities, namely the Integrated Unmanned

Ground Systems 2 (iUGS 2), the Anti-Torpedo Torpedo (ATT), and the Next Generation Medium Helicopter (NGMH). The remaining eight either address training and logistics requirements or are limited to developing concepts over a long time horizon (see Table 2).

Occar post-invasion

In November 2023, a Western but small state such as the Netherlands decided to join OCCAR.⁵ The Dutch Ministry of Defence (MoD) explained that “the Russian war in Ukraine” underlines the importance of a strong European industrial base, clarifying that OCCAR membership would enable the Netherlands to remain connected to the most important European partners (Defensie 2023). Importantly, the MoD added that joining OCCAR would provide the Dutch industry with “the opportunity to compete for European projects, even if the Netherlands itself does not participate” (Defensie 2023).

Other Main intra-EU defence collaborative projects Post-Invasion

In November 2023, Belgium announced the joining of the FCAS, initially as an observer and later, starting June 2025, as the fourth partner. Belgium’s Minister of Defence Ludivine Dedonder described the sixth-generation fighter aircraft programme as an “unique opportunity for Europe” (Dedonder 2023). However, it’s worth noting that, in 2018, the Western European state had purchased thirty-four F-35 fighter aircraft from US Lockheed Martin (SIPRI n.d.). In fact, Belgium expects that by joining the FCAS programme, local companies will be offered workshare opportunities (Martin 2023).

In contrast, while Eastern European Poland had been considering participating in the MGCS, after Russia’s invasion of Ukraine, it decided to opt for readily available and/or combat-proven systems such as the US M1 Abrams and the South Korean K2 Black Panther tanks (Sprenger et al. 2023).

Arms procurement

To better understand the impact of the Russo-Ukrainian war on EU 27 arms procurement, this section compares post-invasion data to equivalent data from 2014-2021. This timeframe roughly covers the Russia-Ukraine low-intensity conflict, beginning

Table 2. MS’ participation in high-end PESCO projects post-invasion^a.

High-end project	MS participating
Armoured Vehicle	Italy, Greece, Slovakia
ATT	Germany, Netherlands
iUGS	Estonia, Belgium, Czechia, Germany, Spain, France, Latvia, Netherlands, Poland, Finland
iUGS 2	Estonia, Germany, France, Italy, Latvia, Hungary, Netherlands, Finland, Sweden
EPC	Italy, Greece, Spain, France, Romania
M-SASV	Estonia, France, Latvia, Romania
Eurodrone	Germany, Czechia, Spain, France, Italy
TIGER Mark III	France, Germany, Spain
NGMH	France, Spain, Italy, Finland
SATOC	Germany, Czechia, France, Netherlands, Slovenia
FMTC	France, Germany, Sweden

^aThe full list of PESCO projects updated May 2023 can be accessed at the following link, https://www.consilium.europa.eu/media/64627/pesco-projects-overview_update_2023.pdf

with Russia's annexation of Crimea in February 2014 and ending with Russia's full-scale invasion of Ukraine in February 2022 ("War in Ukraine" n.d.). The bulk of the data is based on SIPRI Arms Transfer Database. By drawing from both primary and secondary sources, the Stockholm International Peace Research Institute (SIPRI) reports on states' main arms procurement,⁶ listing instances and suppliers. However, it often lacks attached monetary values, allowing only a comparison between MS' different EU and non-EU arms procurement in terms of the number of instances and resulting ratios.⁷

Furthermore, SIPRI's data is updated to December 2022, covering only ten post-invasion months. To address these limitations, this section also draws from primary and secondary sources collected by the author (i.e., replicating SIPRI's methodology for the period January 2023 – February 2024), and includes data from a September 2023 report by the French think tank Institut des Relations Internationales et Stratégiques (IRIS). The IRIS report details MS' overall reliance on EU vs. non-EU arms suppliers in the post-invasion period based on monetary values.

The analysis reveals that, even in the realm of arms procurement, there is no discernible "West–East divide". Interestingly, while most MS in Western Europe show no European preference, others such as Hungary buy more "European" than France.⁸ More significantly, the analysis suggests that the war in Ukraine has strengthened MS' overall tendency to rely on non-EU suppliers.

This reliance on non-EU suppliers may be partially attributed to the greater availability of non-EU weapons during the initial months of the war. However, it also poses the risk of creating lock-in effects. This observation aligns with EDA's 2022 CARD report⁹, which noted "a trend of leaning towards non-EU suppliers, further bolstered by the Russian war against Ukraine, which entails the risk of increasing fragmentation and non-EU dependencies" (European Defence Agency 2022).

MS' arms procurement pre-invasion

From 2014 to 2021, as illustrated in [Table 3](#), Western European MS such as France, Germany, Italy, Spain, but also Greece, Sweden, the Netherlands and Denmark, consistently sourced more weapons from non-EU suppliers than from EU ones (SIPRI n.d.). For example, while France purchased Italian replenishment ships and naval guns, UAVs¹⁰ from Austria, helicopters from Belgium, radars from the Netherlands, and German diesel engines, over the same period Paris procured British air refuel system and turbofans, Canada's turboprop/turboshaft and naval guns, transport aircraft from Brazil, India and Panama, APC/APV from Côte d'Ivoire, Norway's APC turrets, trainer aircraft from Switzerland, as well as anti-tank missiles, armed UAVs, turboprops, transport aircraft, tanker/transport ac, light transport ac, and AEW&C aircraft from the US.

Similarly, although from 2014 to 2021 Italy purchased mortars from France, submarines and diesel engines from Germany, in the same period Rome procured gas turbines, UAVs, anti-tank missiles, turbofans, guided bombs, and light transport ac from the US, anti-tank missiles from Israel, as well as gas turbines and air refuel systems from the UK.

Contrary to Poland and Romania, which demonstrate a clear preference for US weapons, most MS in Central and Eastern Europe show EU/non-EU ratios similar to those in Western Europe, with some countries such as Hungary even favouring EU

Table 3. EU 27 arms procurement over 2014–2021 according to origin of supplier^a.

EU Member	EU Supplier (2014–2021)	T.	Non-EU Supplier (2014–2021)	T.
Austria	Belgium (APC), Germany (APC), Italy (radar, APV, Helicopter), Sweden (APC)	6	Israel (APC turret), Jordan (helicopter), US (diesel engine)	3
Belgium	Sweden (UAV), France (MCM ship, armoured car, APC), Denmark (radar), Portugal (transport aircraft)	6	US (APV, guided bomb, FGA aircraft, UAV, ASW torpedo, SAM)	6
Bulgaria	Germany (corvette), Czechia (trainer aircraft), Netherlands (MCM ship), Spain (APC turret)	4	UAE (APC), US (APC, aircraft EO system, BVRAAM, FGA aircraft, guided bomb), Norway (helicopter)	7
Croatia	France (FGA aircraft), Germany (self-propelled gun)	2	Israel (IFV turret), US (APV, APC, anti-tank missile, helicopter, IFV)	6
Cyprus	France (portable SAM, anti-ship MI/SSM)	2	Israel (patrol craft, UAV), Oman (training ship), Serbia (APC, self-propelled gun)	5
Czechia	Austria (APC), France (APC, self-propelled gun), Italy (APV), Spain (transport aircraft), Sweden (portable SAM)	6	Israel (air search radar, SAM systems, aircraft EO systems, BVRAAM), Canada (turboprop/turboshaft), US (UAV, anti-tank missile, helicopter, diesel engine)	9
Denmark	France (ASW sonar, self-propelled gun), Czechia (diesel engine), Germany (tank, ABL), Sweden (diesel engine)	6	Bahamas (light transport ac), Israel (mortar, anti-tank missile), US (FGA aircraft, guided bomb, turbofan, APC, BVRAAM, SAM), Switzerland (APC, APV)	11
Estonia	Germany (diesel engine), France (portable SAM, MCM sonar), Netherlands (ARV, ABL, IFV, AEV),	7	Israel (anti-tank missile, anti-ship missile, SSM/ASM, coastal defence systems), South Korea (self-propelled gun), US (anti-tank missile, light transport ac, APV), Norway (APC)	9
Finland	Denmark (anti-tank missile, portable SAM), Germany (diesel engine), Netherlands (tank, ARV, AEV), Sweden (APC, anti-tank missile, anti-ship/ASW torpedo, radar, naval gun), UK ^b (trainer aircraft)	12	US (FGA aircraft, portable SAM, guided bomb, guided rocket, gas turbine, SAM, naval SAM system, BRVAAM), Israel (anti-ship missile, radar), South Korea (self-propelled gun)	11
France	Italy (replenishment ship, naval gun), Austria (UAV), Belgium (helicopter), Germany (diesel engine), Netherlands (radar), UK (air refuel system, turbofan)	8	Canada (turboprop/turboshaft, naval gun), Brazil (transport aircraft), Cote d'Ivoire (APC/APV), India (transport aircraft), Norway (APC turret), Panama (transport aircraft), Switzerland (trainer aircraft), US (anti-tank missile, armed UAV, turboprop, transport aircraft, tanker/transport ac, light transport ac, AEW&C aircraft)	15
Germany	Sweden (anti-ship missile, UAV), Belgium (light helicopter), Croatia (trainer aircraft), France (turboshaft), Italy (naval gun), Netherlands (radar, tank, EO search/fire control), Poland (light transport ac)	10	Israel (anti-tank missile, anti-tank missile, UAV), US (guided bomb, SAM, turboprop, ARM, transport aircraft, tanker/transport ac, guided rocket, ASW aircraft), Canada (FGA aircraft, turboprop/turboshaft, transport aircraft), Norway (APC turret, anti-ship missile), Switzerland (APV, APC)	18
Greece	France (ASW sonar, FGA aircraft), Italy (trainer aircraft, light aircraft), Denmark (BVRAAM), Germany (anti-ship/ASW torpedo), Spain (UAV)	7	US (turbofan, transport helicopter, combat helicopter, ASW helicopter, turboshaft, radar, turbojet, guided bomb, SAM, APC), Israel (UAV, SSM/ASM), Russia (SAM), UK (BVRAAM)	14
Hungary	Germany (IFV, transport helicopter, light helicopter, tank, AEV/ARV, self-propelled gun), Sweden (FGA aircraft), Czechia (trainer aircraft, light aircraft), France (portable SAM, transport helicopter)	11	Israel (radar), Turkey (APC), Brazil (transport aircraft), Norway (SAM system), Russia (transport helicopter), US (BVRAAM, turbofan)	7
Ireland	Finland (diesel engine), Italy (naval gun), Spain (MP aircraft), Sweden (portable SAM)	4	Canada (turboprop/turboshaft), Norway (APC turret), Switzerland (trainer aircraft, light transport ac), UK (OPV)	5
Italy	Germany (submarine, diesel engine), France (mortar)	3	US (gas turbine, UAV, anti-tank missile, turbofan, guided bomb, light transport ac),	9

(Continued)

Table 3. Continued.

EU Member	EU Supplier (2014-2021)	T.	Non-EU Supplier (2014-2021)	T.
Latvia	Austria (self-propelled gun), Denmark (portable SAM), Finland (APC), Sweden (portable SAM),	4	Israel (anti-tank missile), UK (gas turbine, air refuel system) Israel (anti-tank missile), UK (light tank, APC), US (radar, helicopter)	5
Lithuania	Denmark (patrol craft), Germany (ARV, APC, IFV, self-propelled gun), Poland (portable SAM), Sweden (portable SAM)	7	Israel (IFV turret, anti-tank missile), Norway (SAM system), US (BVRAAM, anti-tank missile, radar, APV, helicopter)	8
Luxembourg	Germany (light helicopter), Sweden (anti-tank missile)	2	Switzerland (APC), US (UAV)	2
Malta	Ireland (OPV), Italy (helicopter, OPV)	3	US (MP aircraft)	1
Netherlands	Sweden (UAV, IFV turret), Denmark (radar), France (MCM ship), Germany (tank, ABL, radar), Italy (APC/APV, naval gun)	9	Australia (APC), Israel (anti-tank missile), Norway (APC turret), US (BVRAAM, aircraft EO system, diesel engine, guided bomb, transport helicopter, guided shell, UAV, combat helicopter, anti-tank missile, ASW torpedo, ABM)	14
Poland	Germany (diesel engine), Italy (trainer/combat ac), Netherlands (EO search/fire control, radar),	4	US (turbofan, SAM/ABM system, helicopter, APV, ASM, BVRAAM, UAV, guided bomb, SSM, guided rocket, self-propelled MRL, FGA aircraft, anti-tank missile, transport aircraft, APC), Israel (anti-tank missile), Norway (coastal defence system, anti-ship missile), South Korea (SPG chassis), Turkey (armed UAV), Ukraine (BRVAAM), UK (ASW helicopter)	22
Portugal	Italy (light helicopter), Denmark (BVRAAM, patrol craft), France (anti-tank missile), Spain (APV)	5	US (turboshaft, guided bomb, turbofan, SAM), Brazil (transport aircraft)	5
Romania	Portugal (FGA aircraft)	1	Norway (coastal defence system), Switzerland (APC, APC, IFV), Israel (anti-tank missile, IFV turret), Norway (anti-ship missile), US (aircraft EO system, APC, BVRAAM, diesel engine, radar, guided bomb, SAM, ABM, turboprop, SSM, guided rocket, self-propelled MRL, transport aircraft)	20
Slovakia	Italy (transport aircraft)	1	Israel (anti-tank missile, air search radar), China (transport aircraft), US (turboprop, helicopter, BVRAAM, FGA aircraft)	7
Slovenia	Italy (transport aircraft)	1	Norway (APC turret), US (APC, APV, turboprop)	4
Spain	Europe multi-state (ASW helicopter, transport helicopter), Germany (light helicopter, diesel engine, SAM), France (transport helicopter, ASW sonar), Italy (naval gun)	8	Switzerland (APC, IFV), US (SAM, APC, helicopter, guided bomb, armed UAV, transport helicopter, radar, ASW torpedo, guided shell), Canada (turboprop/turboshaft), Israel (loitering munition), Switzerland (trainer aircraft), UK (air refuel system)	16
Sweden	Germany (trainer aircraft), Italy (aircraft IRST),	2	UK (radar), Norway (ASW sonar), US (combat ac radar, SAM, ABM, diesel engine)	6

^aData has been compiled using SIPRI Arms Transfer Database, <https://www.sipri.org/databases/armstransfers>.

^bThis was in 2016, when the UK was still in the EU.

weapons suppliers (SIPRI n.d.). For instance, from 2014 to 2021, while the Czech Republic procured radars, SAM systems, aircraft EO systems, and BVRAAM from Israel, turboprop/turboshafts from Canada, and UAVs, anti-tank missiles, helicopters, as well as diesel engines from the US, Prague also purchased APC from Austria and France, APV from Italy, transport aircraft from Spain, and portable SAMs from Sweden.

Similarly, Latvia sourced weapons from non-EU suppliers such as Israel (anti-tank missiles), UK (light tank, APC), and the US (radars, helicopters), but also from EU suppliers such as Austria (self-propelled guns), Denmark (portable SAMs), Finland (APC), and Sweden (portable SAMs). In the same period, Lithuania purchased from Israel (IFV turrets, anti-tank missiles), Norway (SAM systems), and the US (BVRAAM, anti-tank missiles, radars, APV, helicopters), but also from Denmark (patrol crafts), Germany (ARV, APC, IFV, self-propelled guns), Poland (portable SAM), and Sweden (portable SAM).

Finally, while Hungary did procure from non-EU suppliers such as Israel (radars), Turkey (APC), Brazil (transport aircraft), Norway (SAM systems), Russia (transport helicopters), and the US (BVRAAM, turbofan), most often than not Budapest favoured EU weapon suppliers such as Germany (IFV, transport helicopters, light helicopters, tanks, AEV/ARV, self-propelled guns), Sweden (FGA aircraft), Czechia (trainer aircraft, light aircraft), and France (portable SAM, transport helicopters).

MS' arms procurement post-Invasion

In mid-March 2022, recognizing the potential disruptive impacts of hasty and uncoordinated arms procurement, the Council directed the Commission and the High Representative to develop incentives to stimulate MS' collaborative investments in joint projects and joint procurement of defence capabilities (European Council 2022a). In July 2022, the Commission proposed the European Defence Industry Reinforcement through common Procurement Act (EDIRPA), a €500 million fund for 2022–2024 (European Commission 2022). The Instrument was to support actions complying with three conditions: Consortium of at least three MS; the expansion of existing or new cooperation for common procurement of the most urgent and critical defence products; and procurement procedures reflecting the involvement of the EDTIB.

In fact, mounting pressures to meet Ukraine's needs and replenish MS' stockpiles led the Internal Market Committee (IMCO) to propose amendments to EDIRPA, fundamentally allowing the use of funds for procurement from non-European suppliers (Pugnet 2023b). Consequently, in Spring 2023, the Commission first threatened to withdraw EDIRPA altogether and later contemplated halving it to €250 million (Pugnet 2023b; Pugnet 2023c).

Ultimately, with a budget of €300 million to be allocated over 2024-2025, and the possibility for companies controlled by non-associated third countries (e.g., the US) to benefit from the fund, EDIRPA entered into force at the end of October 2023 (European Parliament 2023). As of today, reportedly, only one project has been identified as a potential future beneficiary from the fund, namely MBDA's Mistral missile (Pugnet 2023c). Beyond 2025, EDIRPA should be replaced by the European Defence Investment Programme (EDIP), whose level of ambition and strength is however yet to be determined.

Assessing the impact of the war on MS' arms procurement poses significant challenges. While some of the purchasing decisions made in the months after Russia's invasion, such as Germany's acquisition of Lockheed Martin's F-35A, were clearly accelerated by the war, it is noteworthy that several of these decisions had been planned in the pre-invasion period (Maulny 2023). Nevertheless, the data indicates a substantial shift in procurement patterns. Procurement from non-EU arms suppliers

in the post-invasion period accounts for 78% of EU countries' 2022–2023 commitments, amounting to €79 billion (Maulny 2023). Both the previously mentioned EDA's 2022 CARD report and SIPRI data suggest that EU/non-EU ratios have further tilted in favour of the latter.

Illustrating this trend, [Table 4](#) suggests that increased reliance on non-EU suppliers is widespread across both Western and Eastern MS. For example, while American, South Korean, British, Israeli, and Norwegian suppliers are prominent in Poland's post-invasion procurement, the Netherlands' procurement is dominated by American, Israeli, and Norwegian suppliers.

Defence offsets

To assess the impact of the Russo-Ukrainian war on MS' defence offset agreements, this section compares the same time periods used for arms procurement, and for the same methodological reasons. SIPRI Arms Transfer Database covers defence offsets agreed in connection to arms procurement for much of the analyzed period, spanning from 2014 to 2022. For data on defence offsets in 2023 and up to February 2024, access to the specialist and "closed" CounterTrade & Offset (CTO) archival database was obtained.¹¹ However, open sources were given precedence when available, prioritizing transparency.

The available records confirm the persistence of offsets throughout the period 2014–2021, with small and large MS, as well as Western and Eastern ones, all partaking in the practice. Furthermore, the data for the 2022–2024 (February) period suggests that offsets are set to become at once more widespread and less transparent in the future, potentially increasing both fragmentation and non-EU dependencies.

MS' defence offset agreements pre-invasion

Considered market distorting, defence offsets have faced long-standing opposition by the Commission. Specifically, Directive 2009/81/EC on EU Defence and Security Procurement (Procurement Directive), allowed MS to demand offsets only in exceptional circumstances and, more precisely, for national security reasons (Weiss and Blauberger 2016). By 2014, all MS had complied with the legislation, restricting their offset policies and diminishing the role of national offset agencies (Matthews and Anicetti 2021).

However, in March 2021, the European Parliament (EP)'s Committee on the Internal Market and Consumer Protection conducted a study of the Procurement Directive, deplored "the widespread use of exemptions and the persistence of offset requirements". These practices were seen as hindering the EDTIB from developing "faster and better" (European Parliament 2021b). As depicted in [Table 5](#), according to SIPRI Arms Transfer Database MS agreeing on offsets with OEMs from 2014 to 2021 include Austria, Belgium, Bulgaria, Czechia, Estonia, Finland, France, Germany, Hungary, Italy, Poland, Portugal, Romania, Slovakia, Spain and Sweden (SIPRI n.d.).¹² The majority of offsets involve licensed production and component production, but also local assembly, and transfer of Maintenance, Repair and Overhaul (MRO) capabilities.

Table 4. EU 27 Arms procurement over 2022–2024 (February) according to origin of supplier^a.

EU Member	EU Supplier (2022-2023)	T.	Non-EU Supplier (2022-2023)	T.
Austria	Italy (helicopters)	1		0
Belgium	France (self-propelled howitzers, <i>short-range air defence system</i>)	(2)	US (<i>missiles</i>)	(1)
Bulgaria	France (missiles), Poland (turbofan), Sweden (anti-ship/land-attack missile)	3	US (fighter aircraft)	1
Croatia	France (<i>portable SAM</i>)	(1)		0
Cyprus	Germany (light attack and transport helicopters)	2	Israel (air defence system)	1
Czechia	Germany (tanks, ARV), France (self-propelled gun), Sweden (IFV)	4	US (helicopters, fighter aircraft, <i>turbofan</i>), Israel (<i>UAV</i>)	(4)
Denmark	Czechia (<i>diesel engine</i>)	(1)	Israel (self-propelled gun, self-propelled MRL)	2
Estonia	Poland (<i>portable SAM</i>), France (<i>short-range missiles</i>), Spain (<i>light grenade launcher</i>); Germany (medium-range air defence system)	(4)	South Korea, (self-propelled gun), US (missiles, guided rockets, self-propelled MRL), Israel (<i>loitering munitions, anti-tank missiles, anti-ship missiles</i>)	(7)
Finland	Sweden (<i>portable SAM</i>)	1	Israel (anti-tank missiles, air defence system), US (<i>guided rockets</i>), South Korea (self-propelled gun)	(4)
France		0		0
Germany	Italy (<i>naval gun</i>), Sweden (APC)	(2)	US (fighter aircraft, transport helicopter, <i>SAM</i>), Israel (air defence system), Australia (APC/APV)	(5)
Greece	Germany (IFV), France (frigates, FGA aircraft, SAM, ASW torpedo, anti-ship/land attack missiles), Italy (multi-function radar)	7	US (APC/APV, <i>FGA aircraft</i>)	(2)
Hungary	Czechia (trainer/combat aircraft), France (<i>Short-range missiles</i>)	(2)	Israel (<i>radar</i>), US (turbofan, <i>SAM</i>)	(3)
Ireland	Spain (transport aircraft)	1	New Zealand (inshore patrol vessels), Canada (aircraft engine)	2
Italy		0	Israel (AEW&C aircraft, <i>anti-tank missiles</i>), UK (<i>air refuel system</i>), US (BVRAAM, tanker/transport aircraft)	(5)
Latvia	Sweden (air-search radar, portable SAM), Germany (medium-range air defence system)	3	US (self-propelled MRL, anti-ship missiles)	2
Lithuania	Sweden (portable SAM), Spain (mortars), France (self-propelled gun), Germany (self-propelled mortars), Netherlands (radar)	5	US (anti-tank missiles, APV, guided rocket, self-propelled MRL, SSM)	5
Luxembourg	France (anti-tank missile)	1	Switzerland (APV), US (<i>UAV</i>)	2
Malta		0		0
Netherlands	Finland (transport ship), Italy (<i>naval gun</i>)	(2)	US (<i>turbofan</i> , FGA aircraft, armed UAV, <i>SAM</i>), Brazil (<i>transport aircraft</i>), Norway (anti-ship missile), Israel (artillery rocket systems, counter-drone system)	(8)
Poland	Italy (helicopters, <i>naval gun</i>), Germany (<i>vehicle engines</i>), Sweden (AEW&C aircraft)	(4)	US (<i>turbofan</i> , combat aircraft radar, self-propelled MRL, combat helicopter, armoured bridgelayer, tank, ABM, SAM, UAV, ARV), South Korea (guided rocket, tanks, FGA aircraft, self-propelled MRL, self-propelled gun), UK (frigates, ASM, <i>SAM</i>), Israel (combat aircraft radar, anti-tank missiles), Norway (coastal defence system)	(21)
Portugal		0		0
Romania		0	Norway (fighter aircraft), Israel (<i>UAV</i>), Turkey (<i>UAV</i>), US (arty locating radar, <i>SAM</i>)	5
Slovakia	Finland (IFV), Germany (tanks), Sweden (IFV, APC)	4	Israel (<i>anti-tank missile</i>), US (APV)	(2)
Slovenia	Italy (helicopters and transport aircraft), Germany (air defence system)	(3)	Israel (IFV turret), US (APV)	(2)

(Continued)

Table 4. Continued.

EU Member	EU Supplier (2022-2023)	T.	Non-EU Supplier (2022-2023)	T.
Spain	European consortium (fighter aircraft)	1	<i>Canada (aircraft engine), Israel (MLRS, anti-tank missile), Norway (anti-ship missile), Switzerland (trainer aircraft), UK (ASM), US (BVRAAM, SAM)</i>	(8)
Sweden	Germany (turbofan), <i>Italy (transport aircraft)</i> , UK (MP aircraft radar)	(3)	Canada (transport aircraft)	1

^aData has been compiled using SIPRI Arms Transfer Database and other sources as specified in the main text. Selected but not yet ordered weapons (or weapons for which actual procurement could not be ascertained) are in Italics.

Table 5. Defence offsets agreed by MS over 2014-2021^a.

EU Member	EU Supplier (2014-2021)	Non-EU Supplier (2014-2021)
Austria		
Belgium	APC (local assembly); armoured car (local assembly, partly); MMC ship (component production)	APC turret (licensed production) APV (component production)
Bulgaria	Corvette (licensed production)	APC (licensed production)
Czechia	APC (licensed production); APC (licensed production); self-propelled gun (licensed production);	Air search radar (component production); SAM Systems (component production, 30 + percent)
Finland		FGA aircraft (component production)
France	Replenishment ship (licensed production)	
Germany	anti-ship missile (licensed production); UAV (component production)	Anti-tank missile (licensed production); anti-tank missile (licensed production); guided bomb (component production); APV (component production and local assembly)
Hungary	IFV (licensed production, partly);	APC (licensed production, partly)
Italy	Submarine (licensed production)	gas turbine (licensed production)
Netherlands	IFV turret (component production)	
Poland		SAM/ABM Systems (component production); anti-tank missile (component production); coastal defence system (component production); SPG chassis (local assembly); SPG chassis (licensed production); helicopter (licensed production); helicopter (licensed production); helicopter (MRO)
Portugal		Transport aircraft (component production)
Romania		APC (licensed production and local assembly, mostly); IFV (licensed production and local assembly, mostly)
Slovakia		Air search radar (component production)
Spain	Light helicopter (licensed production and local assembly, probably)	IFV (licensed production); APC (licensed production)
Sweden		Combat ac radar (component production)

^aData has been compiled using SIPRI Arms Transfer Database, <https://www.sipri.org/databases/armstransfers>.

MS' defence offset agreements post-Invasion

As depicted in Table 6, since the onset of the Russo-Ukrainian war, eight MS have already entered into defence offset agreements with both EU and non-EU suppliers. These countries include Czechia, Germany, Greece, Lithuania, Poland, Romania, Spain, and Slovakia. For instance, Germany, after deciding to procure thirty-five F-35s from US Lockheed Martin in March 2022, emphasized the importance of industrial participation, or offset, in finalizing the deal (Perry 2022). In February 2023, Lockheed and US Northrop Grumman, a key player in the F-35 programme, signed a Letter of Intent with German firm Rheinmetall to locally manufacture the aircraft centre fuselage (Rheinmetall 2023). The Düsseldorf-based company is set to establish a plant for producing at least 400 F-35A

Table 6. Defence offsets agreed by MS over 2022–2024 (February)^a.

EU Member	EU Supplier (2022-2024)	Non-EU Supplier (2022-2024)
Czechia	IFV (component production and local assembly); Self-propelled gun (licensed production)	FGA aircraft (component production and MRO)
Germany		FGA aircraft (component production), missiles (licensed production)
Greece	Frigate (component production)	
Lithuania	Radar (local assembly)	
Poland	Helicopter (licensed production and MRO)	Frigate (licensed production); guided rocket (licensed production); tank (licensed production and MRO); self-propelled-gun (licensed production); self-propelled MRL (licensed production); Helicopter (MRO); Anti-tank missile (component production and local assembly); ASM/SAM (co-production); ASM/SAM (component production); coastal defence system (component production and local assembly)
Romania		UAV (component production, local assembly, and MRO)
Slovakia	IFV (licensed production, mostly); APC (component production and local assembly)	
Spain		MLRS (licensed production)

Data has been compiled using SIPRI Arms Transfer Database and other sources as specified in the main text.

fuselage sections for the air forces of Germany and other friendly nations (Rheinmetall 2023). Similarly, a joint venture between the US company Raytheon and the MBDA German branch will set up a production facility for Patriot missiles in Germany. Besides Germany, the Patriots produced there will be exported to the Netherlands, Romania, and Spain (NATO 2024).

In contrast, in December 2022, Slovakia closed a deal for 152 CV90s from BAE Systems Hagglunds in both IFV and APC configurations, as well as one with Finnish Patria for 76 AMVxp8 × 8 IFV (BAE Systems 2022; Patria 2022). While BAE Systems Swedish subsidiary agreed to subcontract component production and assembly to Slovak companies ZTS – ŠPECIÁL, Ray Service, Koval System, Alier Technologies, VRM, EVPU, Konštrukta, and SMS Dubnica, Patria agreed to licence production of sixty-eight AMVxp8 × 8 in Slovakia (Camargos Pereira 2023; Patria 2022).

Similarly, in May 2023, the Czech Republic contracted the BAE Systems Hagglunds to deliver 246 CV90 vehicles with 40 percent offset in a deal valued at USD2.2bn (BAE Systems 2023). This is a prime example of fragmentation of the European defence market, as some scholars have already noted (Chovančík and Krpec 2023). Despite a prior memorandum of understanding between Slovakia and the Czech Republic for joint procurement of the CV90, both Bratislava and Prague opted for independent purchases, each demanding offsets to benefit their respective domestic defence industries.

Beyond agreed offsets, several ordered, selected and offered weapons are known to involve offset negotiations. For example, after Bulgaria signed an agreement for eight Lockheed F-16s, the country formally requested the U.S. manufacturer to transfer technology and establish an in-country MRO facility (Adamowski 2022; Nikolov 2022). In contrast, Israeli company Rafael has confirmed that Finland's new air defence system will involve manufacturing with Finnish contribution (Gosselin-Malo and Frantzman 2023).

Similarly, Elbit Systems, another Israeli company has agreed to establish an Artillery Center of Excellence in Romania (Elbit Systems 2023a). In cooperation with local company CN ROMARM S.A, Elbit will use the centre to produce its 155 mm ATMOS Advanced Mobile Howitzers. Moreover, Elbit Systems and French-German KNDS have formalized an agreement to collaborate on EuroPULS, a next-generation rocket artillery system to be produced in Germany and marketed across Europe (Elbit Systems 2023b). In a similar vein, German company Rheinmetall has a comparable agreement with U.S. Lockheed Martin for the High Mobility Artillery Rocket Systems (HIMARS) (Lockheed Martin 2023).

Additionally, in December 2023, as Italy planned to acquire Leopard 2 tanks, KNDS and Leonardo entered into a “strategic alliance” enabling the Italian major to collaborate on the development, manufacturing, and maintenance of the tank solution for the Italian Army (Leonardo 2023a).

In conclusion, it's noteworthy that the majority of these agreements operate under government-to-government frameworks (Maulny 2023; Chovančík and Krpec 2023), which automatically exempt MS from the Procurement Directive (Matthews and Anicetti 2021). Moreover, being government-led agreements make them more conducive to fostering long-term partnerships between offset recipients and offset fulfillers. For example, before confirming procurement plans for 24 F-35 fighter aircraft and signing fourteen related offset projects, the Czech Republic and the United States signed a “security cooperation agreement”. In this agreement, they committed “to building collective, long-term, resilient supply chains based on international partnerships” (Countertrade & Offset 2023a; Countertrade & Offset 2023b). This indicates that offsets agreed upon today are likely to trigger lock-in effects that, given the growing procurement of non-EU weapons by MS, will increase non-EU dependencies.

Findings and implications

The thorough analysis provided suggests that the Russo-Ukrainian war has had a negative impact on EU defence cooperation, particularly evident in arms procurement and offsets. While there was a noticeable slowdown in EU arms collaboration immediately following the invasion, recent developments show a modest resurgence, with new PESCO projects being approved, MS seeking to join OCCAR or some specific intra-EU defence collaborative projects. By contrast, the war has clearly strengthened MS' preferences for non-EU arms suppliers¹³, and countries are now more assertive in demanding industrial and technological compensation, leading to increased fragmentation and non-EU dependencies.

This shift towards non-EU suppliers is not solely a temporary response to the immediate needs created by the war but may have lasting effects. MS are actively seeking long-term industrial benefits through offsets, including becoming part of OEMs' supply chains. This strategic approach makes it challenging to reverse the trend, indicating a fundamental shift in MS' procurement preferences and signalling potential difficulties for the EU in achieving greater defence cooperation and autonomy.

Meanwhile, the analysis suggests that the Russo-Ukrainian war has not significantly deepened the purported West–East or large–small divides in EU defence cooperation.

In fact, these divides appear to be largely absent from both the pre-invasion and post-invasion periods.

To be sure, Poland and Romania's stark preference for non-EU and especially US weapons is largely due to their threat perception. Similarly, larger MS can be expected to more often collaborate at the development and production of weapon systems than smaller ones. However, although MS' threat perception and their ability to reap industrial benefits remain important to explain EU defence cooperation, integration or dis-integration dynamics do not neatly map onto the geographical or size divides identified by the literature. Central and Eastern MS are well-represented in the few high-end PESCO projects and, save for Poland and Romania, show EU/non-EU arms procurement ratios similar to those by MS in Western Europe. And whether in the pre- or post-invasion period, large MS such as France, Germany, Italy, Sweden and Spain, all have demanded and agreed to defence offsets.

Notes

1. Observers have estimated an increase of EU members' total defence spending of almost €70 billion per year (Camporini, Nones, and Marrone 2022). However, strategic consulting company McKinsey notes that, under a scenario where inflation averages 5 percent from 2022 to 2026, the cumulative loss of MS' buying power could be close to €300 billion (McKinsey 2022).
2. There exists recent scholarship that investigates "the changes in defence supply and demand in Europe following the Russian invasion of Ukraine" (Calcaro, Gilli, and Gilli 2023). However, said scholarship does not specifically address the impact of the Russo-Ukrainian war on EU defence cooperation but instead highlights "the trade-off between prioritizing short-term readiness over long-term innovation and vice versa" (Calcaro, Gilli, and Gilli 2023).
3. It is worth noting that there is no generally agreed definition of large or small states. However, conventionally, when it comes to the European defence industry, Germany, France, Italy, Spain, and Sweden (in addition to the UK) are considered large states, whereas all others are referred to as small states (Mawdsley 2008).
4. By "high-end PESCO projects" I refer to "high-value, strategic, complex weapons systems" (the wording is the European Parliament's, see European Parliament 2020) such as helicopters, corvettes, etc. as opposed to ammunition, enablers, logistics and training.
5. The intention to join is assessed by (the members of) OCCAR. Before actually joining, the Netherlands will go through a parliamentary treaty procedure (Defensie 2023).
6. SIPRI Arms Transfer Database does not include low-end military equipment such as, for instance, ammunition.
7. Other, more sophisticated methods such as MILEX analysis of panel data regression analysis could not be employed as countries' military expenditures generally lump together arms procurement with personnel costs such as salaries and pensions.
8. Net of procurement from domestic suppliers.
9. The latest available CARD report at the time of writing.
10. See Appendix for the acronyms.
11. Although the CTO database is only available for internal use by reporting staff, the author sought and obtained approval from CTO to access the data.
12. Table 5 does not include component production agreed as workshare in joint development projects (i.e., workshare agreed by Denmark -a level III partner in the Joint Strike Fighter programme- in connection to Copenhagen's 2018 F-35 buy).
13. As shown in Table 4, the lion's share of non-EU weapons is provided by the US and Israel, followed at a distance by South Korea, the UK, and Norway. A few others account for significantly smaller share.

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Appendix: Acronyms of Weapon (Sub)Systems

ABL: Airborne Laser
ABM: Anti-Ballistic Missile
AEV: Armoured Engineer Vehicle
AEW&C: Airborne Early Warning and Control
APC: Armoured Personnel Carrier
APV: Armoured Personnel Vehicle
ARM: Anti-Radiation Missile
ARV: Armoured Response Vehicle
ASM: Air-to-Surface Missile
ASW: Anti-Submarine Warfare
BVRAAM: Beyond-Visual-Range Air-to-Air Missile
EO: Electro-Optical
FGA: Fighter Ground Attack
HIMARS: High Mobility Artillery Rocket System
IFV: Infantry Fighting Vehicle
IRST: Infrared Search and Track
MCM: Mine Countermeasure
MP: Maritime Patrol
MRL: Multiple Rocket Launcher
OPV: Offshore Patrol Vessel
SAM: Surface-to-Air Missile
SPG: Self-Propelled Gun
SSM: Surface-to-Surface Missile
UAV: Unmanned Aerial Vehicle