



## **POLICY COMPASS**

### **Rearming a Continent**

*Can Europe Rearm Itself Effectively?*

**By**

**Charles Bauman**



**16 April 2025**

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Page | 2

#### **Table of Contents**

<b>Executive Summary .....</b>	<b>Page 3</b>
<b>1. How Rearmament is Being Funded .....</b>	<b>4</b>
1.1 European Union Initiatives .....	4
1.2 Member States Initiatives .....	4
<b>2. Continental Policy Coherence .....</b>	<b>4</b>
2.1 Foreign Policy .....	4
2.2 Defence Policy .....	5
<b>3. Rearmament, Is It Realistic?.....</b>	<b>5</b>
<b>NOTES .....</b>	<b>6</b>



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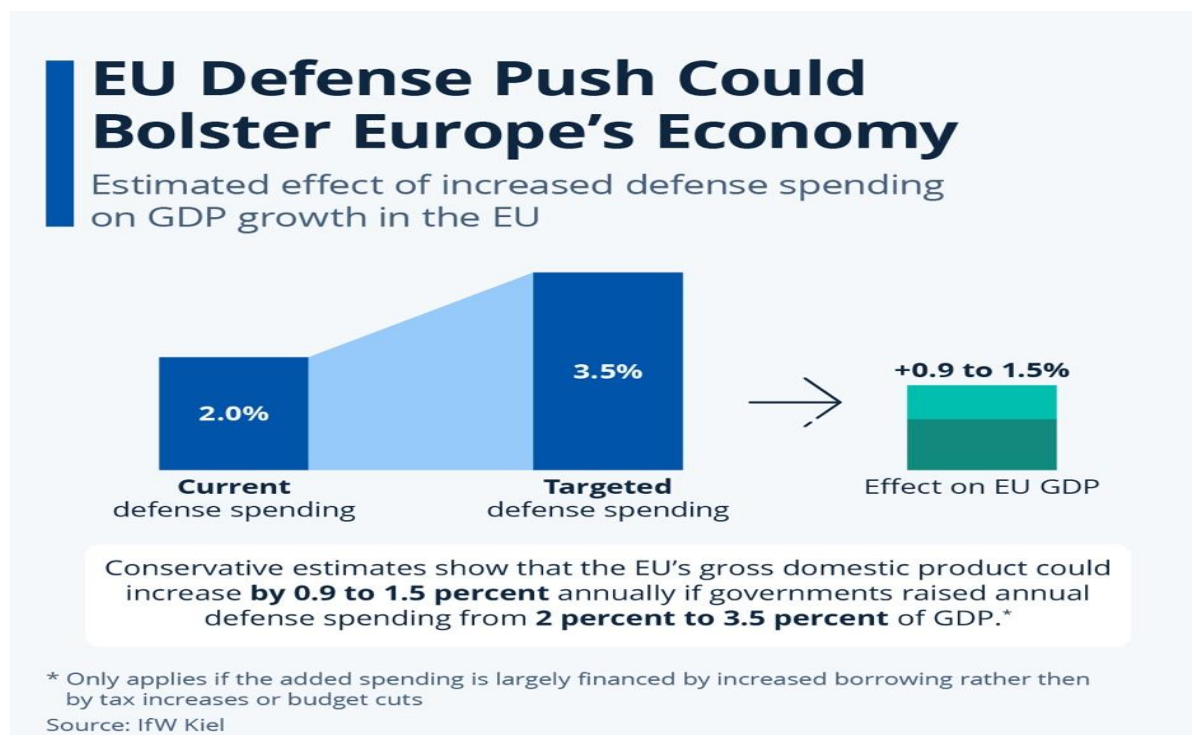
16 April 2025

Executive Summary

Page | 3

- ✦ EU and Member States have begun a programme of rearmament in response to the loss of the US as a security guarantor.
- ✦ The ReArm Europe Initiative allows member states to increase defence spending and has created a new borrowing initiative, issuing loans of €150 billion to fund joint defence procurement.
- ✦ Germany, France and Eastern Europe have all increased defence initiatives and spending. Germany most drastically is likely to increase its annual defence budget from €80 billion to €140 billion.
- ✦ Recent efforts by the EU show an increased commitment to coordinating foreign policy decisions, exemplified by frequent meetings between EU and Member State officials.
- ✦ However, implementation challenges such as internal divisions and economic constraints remain.
- ✦ European leaders have been compelled to reconsider their reliance on the US, instead focusing on strategic autonomy through mechanisms such as CSDP and PESCO.
- ✦ The EU will face difficulty in agreeing and identifying upon which threats are the most pressing. This will likely be further complicated by the rise of extremist parties.
- ✦ Nevertheless, European rearmament is feasible through increase defence spending, increased production capacity in the defence sector and political will.

**Key Picture: Potential Effect of EU Defence Push on GDP Growth**



Source: [Statista](#)

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## 1. How Rearmament is being Funded

Europe is experiencing seismic changes in defence and security. In February, European leaders were thrust into a reality where the United States could no longer be relied upon as Europe's security guarantor. In the wake of these changes, the EU and individual Member States have begun a programme of rearmament not seen in generations. But are these plans realistic? And can Europe rearm effectively enough to deter threats and operate autonomously?

Page | 4

### 1.1 European Union Initiatives

The core of rearmament measures at the EU level is the ReArm Europe initiative.<sup>1</sup> ReArm Europe has two main pillars. First, it creates an exemption under the Stability and Growth Pact,<sup>2</sup> allowing member states to increase defence spending without triggering penalties for deficits exceeding 3% or debt surpassing 60% of GDP. The second pillar focuses on a new borrowing instrument, issuing loans of €150 billion to fund joint defence procurement. Other parts of the ReArm Europe plan include using the EU budget to create more cohesion programmes for Member States wishing to rearm, mobilising private capital through the European Investment Bank, and accelerating the Savings and Investment Union.

The EU also benefits from preexisting initiatives, primarily the European Defence Fund (EDF),<sup>3</sup> which aim to reduce fragmentation in the European defence market and strengthen coordination on defence policies. The EDF focuses on supporting research and development in the defence sector and helping companies boost defence capabilities across the Union through cooperative efforts. The fund is slated to invest €7.3 billion from 2021 to 2027.

### 1.2 Member States' Initiatives

In addition to the changes in EU policy, Member States are undertaking their defence industry programmes and reforms. The most significant changes are occurring in Germany. On 18 March, the German Parliament voted to ease their debt brake mechanism,<sup>4</sup> exempting some defence spending. This move is expected to unlock nearly €1 trillion in spending over the next decade, with roughly half being on defence.<sup>5</sup> Germany will likely increase its annual defence budget from €80 billion to €140 billion, further enhancing its ability to purchase new and rehabilitate old equipment, recruit more soldiers, and strengthen its military capabilities.

France, like Germany, aims to strengthen its defence capabilities. However, France's initiatives are not nearly as drastic as Germany's, as its defence capabilities are already among the best in Europe. President Macron has an ambitious plan to allocate €413 billion to defence projects from 2024 to 2030.<sup>6</sup> However, the President may be hindered by division in the French National Assembly and elections in 2027. Other states like Italy and Spain are more reserved in their plans, constrained either by finance or threat perception.

Further, Eastern Europe has been in the rearmament stride for some time. Poland and the Baltic states have been increasing their defence efforts and coordination since Russia's initial invasion of Ukraine in 2014.<sup>7</sup> Since then, those states have increased their defence spending and sought various sources in their procurement efforts. Further, with the most recent developments, Poland has proposed a European rearmament bank<sup>8</sup> and, together with the Baltic states, plans to withdraw from treaties governing the use of landmines.<sup>9</sup>

## 2. Continental Policy Coherence

### 2.1 Foreign Policy

The EU has a coherent foreign policy framework to sustain unified, bloc-wide plans, primarily through the Common Foreign and Security Policy (CFSP).<sup>10</sup> Recent efforts show an increased commitment to coordinating foreign policy decisions, exemplified by more frequent meetings between EU and member state officials. Moreover, the EU has been increasingly proactive in asserting its role and exercising its competences, striving to present a more cohesive stance on international issues.

However, practical implementation remains fraught with challenges. Internal divisions, particularly Hungary's persistent obstructionism, coupled with hesitation from countries like Italy and Spain regarding continued Ukraine assistance, illustrate significant barriers to unity. The requirement for unanimity and the accompanying single-member veto further hamper the EU's agility in responding to global crises. Moreover, differing views on alignment with the US—amplified by uncertainties around the current American administration—further complicate efforts to establish a unified foreign policy approach. Beyond that, economic constraints within individual member states limit their ability to contribute effectively to collective security and rearmament goals, weakening the EU's overall foreign policy coherence and operational capacity.

## 2.2 Defence Policy

The EU's defence policy appears more coherent than its foreign policy, particularly in response to external pressures such as Trump's presidency. This has compelled European leaders to reconsider their dependence on the US and prioritise strategic autonomy. Mechanisms such as the Common Security and Defence Policy (CSDP),<sup>11</sup> which coordinates peacekeeping and conflict prevention through civilian and military assets, and the Permanent Structured Cooperation mechanism (PESCO),<sup>12</sup> which promotes deeper collaboration on joint projects and capability development, signal meaningful progress toward a unified European defence approach.

Nevertheless, significant challenges persist. Concerns over national sovereignty, divergent threat perceptions among member states, and varied defence priorities remain substantial barriers. Despite these challenges, ongoing initiatives to create unified funding and procurement frameworks demonstrate the urgency felt by Member States to overcome the obstacles to mounting a collective defence, potentially strengthening the coherence and effectiveness of European defence policy in the future.

## 3. Rearmament, Is It Realistic?

Member States and the EU will have difficulty agreeing on priorities and resource allocation in the immediate future. Each state will likely advocate for investment in domestic "national champion" defence firms, leading to competition rather than cooperation. Disagreements over identifying the most pressing threats and determining the appropriate capabilities to counter them will further complicate consensus. Additionally, existing European political divisions may delay or obstruct rapid decision-making and implementation.

Fundamental strategic divergences among Member States may persist or intensify longer. Some nations view Russia as the overriding security threat, while others perceive migration or instability on Europe's southern periphery as a more urgent concern. Furthermore, uncertainty and conflict over the future of the transatlantic relationship may deepen divisions. Finally, the rise of extremist political parties poses a significant threat to European cohesion. Eurosceptic parties in government are likely to oppose deeper defence coordination and portray EU defence initiatives negatively, undermining public support and policy continuity.

Despite these challenges, European rearmament is feasible, particularly if the current momentum is maintained. Financing, traditionally the most significant obstacle, is being addressed through substantial increases in defence spending. Several European nations are discussing or implementing budgets exceeding 3% of GDP and developing dedicated defence investment funds. Moreover, rising stock prices in European defence companies indicate growing investor confidence and private capital mobilisation, laying the foundation for increased production capacity.

Europe has already demonstrated a capacity to ramp up defence-related production, notably through increased manufacturing of material supplied to Ukraine following Russia's invasion. Although initially modest, this trend underscores Europe's potential to scale defence output in response to security crises.

The final key is political will. European citizens must be informed of the threats they face and how the risk calculus shifts without the explicit backing of the United States.

Europeans need to understand that financial support for defence is critical to their security and that doing so at the European level is a cost-effective and efficient way of defending their countries. With the population's support, Member States and the EU can effectively rearm and create a credible defensive structure.

## NOTES

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<sup>3</sup> "European Defence Fund (EDF)." European Defence Agency. 2024. Eda.europa.eu.

<sup>4</sup> "Germany's Bundestag Votes in Favor of Reforming 'Debt Brake.'" Dw.com. Deutsche Welle. March 18, 2025.

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<sup>6</sup> Wojciech L. 2025. "Overt Defense." Overt Defense. March 11, 2025.

<sup>7</sup> Benitez, Jorge. 2014. "Baltic and Polish Defense Ministers Agree on Joint Response to Deter Russia." Atlantic Council. December 12, 2014.

<sup>8</sup> Liboreiro, Jorge. 2025. "Poland Pitches Rearmament Bank to Boost Europe's Defence Spending." Euronews. Euronews.com. February 6, 2025.

<sup>9</sup> Luckhurst, Toby. 2025. "Poland and Baltics to Quit Landmine Treaty over Russia Fears." BBC News, March 18, 2025.

<sup>10</sup> "Common Foreign and Security Policy." European Commission. N.d. Commission.europa.eu.

<sup>11</sup> "The Common Security and Defence Policy | EEAS Website." European Union. 2021. www.eeas.europa.eu. August 12, 2021.

<sup>12</sup> "About | PESCO." Permanent Structured Cooperation (PESCO). n.d.