



EUROCHAMBRES

**POSITION ON THE FUTURE
OF DEFENCE AND
INDUSTRIAL READINESS**

Eurochambres position on the future of defence and industrial readiness

To tackle global challenges, Europe should aim to close capability gaps by increasing standardization and interoperability, boosting its European Defence Technology Industrial Base, and building a more prepared and competitive economy. Unity among European member states and coherent actions are a key component in these challenging times.

Executive summary

Europe faces an increasingly complex and demanding security environment. Years of underinvestment in defence and an over-reliance on external partners have left the continent inadequately prepared to confront multifaceted geopolitical challenges. Currently, the EU is not only struggling to provide the necessary capabilities to defend itself but is also struggling economically and failing to fully tap into the potential of the single market. **The nexus between a resilient economy, industrial preparedness, and defence has never been more important.**

While we reached the fourth year of Russia's unprovoked and unjustified war of aggression against Ukraine, the EU has recognised the urgency: the ReArm Europe Plan/ Readiness 2030¹ highlights the importance of collective efforts towards Europe's industrial preparedness.

Peace, trade, and stability are prerequisites for EU businesses to thrive and therefore must be preserved. Strategic investment in defence not only strengthens Europe's deterrence capabilities but also reinforces the foundations of economic confidence and resilience. A secure environment is essential for innovation, entrepreneurship, and cross-border cooperation to flourish.

Why the chamber network considers the future of defence and industrial readiness relevant:

Chambers of commerce and industry can act as vital connectors between political, business, and civil or military security stakeholders. By fulfilling this mediating role, the chamber network, together with its member companies and close ties to local administrations, plays a central role in supporting the defence sector.

Chambers can initiate essential cross-sector networking and coordinate crisis preparedness exercises. Additionally, the chamber network supports companies through a wide range of services and advice, not limited to the defence industry. Every sector must strengthen its resilience and prepare for potential crises, and chambers are actively helping their members

¹ [Future of European defence - European Commission](#)

do just that.

1. Funding for the defence sector

The next Multiannual Financial Framework (MFF) must prioritise security and the competitiveness of the EU industry. Investment in Europe's defence is one key to our continent's independence, peace, security, stability, and growth. Although most European countries have stepped up their defence expenditures, investments in this area should be sustained over time. This, however, requires a smart approach to attracting and distributing defence funding as well as creating the right framework for businesses to thrive and for new businesses to develop. In this regard, **the EU post-2027 long-term budget should foresee a dedicated allocation of resources for defence and security funding.**

The current EU framework does not allow for easy financing of research, development, and production capacities within the defence industry. This is particularly problematic for companies that produce "conventional" equipment listed under the ML (Military List) designation, as they are either excluded from or face significant barriers to co-financing through most European funding schemes. While this poses challenges for all established companies in the sector, it is especially burdensome for small and medium-sized enterprises (SMEs). In addition, the current European regulatory framework does not allow member states to directly use EU funds to finance strategic defence projects at the national level. Considering the geopolitical challenges, a clear signal should be sent by **allowing the co-financing of security gaps across the Union.**

Temporarily loosening EU budget rules and increasing government spending on defence will likely **stimulate economic activity, particularly for businesses operating in the manufacturing, logistics, and technology sectors.** In the meantime, potential inflationary pressure and long-term tax increases should not be neglected; fiscal flexibility will be beneficial if we ensure that economic stimulus measures balance inflationary risks and that funding reaches various sectors and regions with higher risk.

The pressing geopolitical challenges urge the Union to jointly invest in European defence capabilities and technologies. At the same time, it is crucial to reduce dependencies on off-the-shelf procurement from external suppliers. A common European market for defence as envisioned by the Commission in its White Paper must be the ultimate objective.

Defence loans within the Security Action for Europe (SAFE) instrument could drive new investments in defence and security technology, benefiting industrial suppliers, engineering firms, and cybersecurity companies. It also may encourage the private sector to participate in large-scale military projects. However, uncertainty about the potential involvement of SMEs remains, as they need simple and flexible access to such instruments.

Mobilising private capital by accelerating the Savings and Investment Union (SIU) and through the European Investment Bank (EIB) could encourage private investment in defence and security industry. As investors are likely to be attracted by stable returns in government-backed projects, this can be an opportunity for the European defence industry to grow and compete with international manufacturers. It is crucial, however, to overcome unnecessary legal and bureaucratic obstacles to investment in defence.

While the EIB has come a long way and is actively trying to find ways to support the sector

given its current mandate, more needs to be done at the local and national levels when it comes to financing. Setting up a small guarantee facility at the EU level for products currently out of the scope of the EIB Lending Policy could be a first step in the right direction.

2. Eastern and Central Europe regions in focus

Solidarity, both as a principle and as a core value, is deeply rooted in the EU. It has been a cornerstone for the European leadership in promoting democracy, human rights, and equality. In an era marked by global geopolitical uncertainty, the EU must develop a robust defence posture to ensure the peace and well-being of its citizens. Learning lessons from Ukraine, the EU should prioritise the reinforcement of external borders: the security of the EU border regions is the security of the EU as a whole.

Threat perception and sense of urgency differ across the EU member states. After all, the preparedness of EU member states adjacent to Russia to instantly resist any aggression is crucial to the overall defence capabilities of the European Union. Preparedness, therefore, requires **constant and focused investments, diversification of the production capabilities of the EU defence industry, and increased security of supply chains.**

This is without prejudice to the enhancement of defence capabilities and readiness in other areas of the EU, such as the Mediterranean region.

3. Military and dual-use products/services to enhance economic growth and global competitiveness

Military and dual-use products and services often serve as drivers of economic growth and global competitiveness. Regardless of short-term geopolitical fluctuations, the demand for these capabilities will remain strong for the foreseeable future. The EU should therefore consider the military and dual-use technology ecosystem as a strategic, long-term growth sector rich in opportunities for innovation.

A robust defence industry not only strengthens national security but also catalyses industrial development, innovation, and job creation across the EU. This is especially the case for an **EU single market for defence goods**, given the prominent role of national governments in the demand for such products. Allowing easier production and trade across EU member states would create an additional **incentive for companies to seek out new business opportunities and foster European cooperation.** Increased investments in military and dual-use technology sectors can accelerate innovation cycles, foster new industries, and enhance economic preparedness and resilience.

Unlocking the full potential of the EU single market is essential: cutting the red tape and facilitating cross-border collaboration will allow businesses to scale up, commercialise innovations faster, and position Europe more competitively on the global stage.

4. Support for technological breakthrough

While technological advancement has historically played a role in shaping geopolitical power dynamics, supporting innovation should not be viewed merely through the lens of military competition or conflict, as it brings positive spillovers for the broader European economy.

For Europe to adapt to the rapidly changing geopolitical shifts and remain the biggest peace project in the world, investments in defence research and development and technological breakthroughs ought to be driven by a broader vision that prioritises not only military advantage, but also economic resilience and EU cooperation. We must harness the challenging geopolitical reality, where defence is gaining unprecedented prominence at the EU level, to drive the development of emerging and disruptive technologies, as well as cutting-edge innovation. While readiness is one aim, the EU needs to ensure that technological advances in defence will also yield benefits for healthcare, climate change mitigation, efficiency, and overall security.

Ukraine is a key partner in accelerating this innovation agenda. Closer integration of Ukrainian and European defence industries – particularly in testing, validation, verification, certification, and user feedback – is therefore essential.

A joint approach to defence innovation is a precursor for increased standardization and interoperability. In this regard, more should be done to allow the successful scaling of innovative technology in Europe. Especially in the defence sector, foreign investment often leads to partial or complete loss of control over the technology (e.g., if it subsequently falls under the International Traffic in Arms Regulations (ITAR)), which must be avoided.

5. Stronger cross-border coordination and better mobility

Efficient cross-border coordination, reducing logistical bottlenecks, and maximising the benefits of EU-funded transport corridors would facilitate the harmonisation of common defence and security mobility priorities across member states.

The ability to move defence equipment and supplies swiftly and efficiently across the continent is vital for responding to crises, deterring threats, and ensuring the integrity of the EU's external borders. This integrated approach can also contribute to the competitiveness and connectivity of European businesses.

A key enabler for guaranteeing swift and smooth military mobility would be the **acceleration of permitting procedures in member states**. Due to highly complex and very time-consuming administrative legal requirements, the modernisation and development of infrastructure projects take a disproportionately and unnecessarily long time.

The Rail Baltica project is an emblematic example of dual-use infrastructure, designed to serve civilian transportation needs while also providing the capacity for defence-related logistics. With its north-south alignment across the Eastern flank of the EU, Rail Baltica holds strategic importance. Therefore, it is important for both the EU and Eastern border member states that the development of this project continues with full EU support. For the Eastern border member states, Rail Baltica is not just a transport project – it is a geopolitical necessity. In the context of increasing instability on the EU periphery, reinforcing such corridors is essential for maintaining deterrence and resilience.

6. Strategic planning for industry adaptation and alignment of defence preparedness with the business community

The EU must be united in its strategic autonomy objectives and ensure greater resilience of its supply chain, regardless of any geopolitical shifts. Therefore, **the European Defence**

Technology Industrial Base must be developed according to a truly unified approach.

This would enable businesses to fully operate cross-border in the single market, benefitting from a wider range of suppliers. To achieve this, the EU must work towards standardization of the industry, providing synergy and cooperation with businesses, member states, and end-users (the armed forces of member states).

The EU can facilitate **better coordination between member states in planning production and the long-term generation/storage of strategic reserves and supply chains for key defence resources**. During crises, the production and distribution of defence components must be rapid to avoid delays in supplying military forces.

The EU must also focus on robust cyber defence and enhanced civil-military mobility by supporting initiatives that strengthen cybersecurity infrastructure and facilitate seamless movement across borders, both of which are vital for economic stability and security. In the context of the EU's evolving security landscape, there is a need for integrated approaches that **align defence preparedness with the interests of the business sector**, ensuring that economic activities can continue unimpeded in the face of emerging threats. In this sense, **public-private collaboration is essential to act quickly and efficiently**.

7. Importance of strategic products and services

Businesses must have full access to the raw materials needed to ensure a competitive and economically strong Europe. Currently, most critical components and raw materials needed to produce defence products and other key systems depend on suppliers from third countries. This dependence on external markets has proven particularly problematic since the start of the war in Ukraine, when the demand for supplies suddenly surged, while geopolitical instability and global trade disruptions further hampered deliveries. As many raw materials can currently only be sourced from third countries, it is essential to secure them.

Therefore, an **active EU trade policy to finalise trade agreements with resource-rich countries must be a priority** for the Commission in addition to securing a full implementation of the Critical Raw Materials Act to enable more efficient and swift sourcing of raw materials in the EU and abroad.

One area where progress could be identified in this regard is the EU-Mercosur agreement. The initial agreement offers important opportunities for the import of raw materials essential for the value chains of EU companies and strategic products necessary for the defence sector. Therefore, its ratification and implementation could also be crucial for this sector.

8. Stronger cooperation with non-EU NATO partners in Europe's defence economy

As Europe redefines its security architecture, non-EU NATO countries, such as Türkiye or the United Kingdom, represent strategically valuable partners. Possessing a dynamic and export-oriented defence industry, Türkiye produces NATO-standard capabilities across multiple domains and maintains active industrial ties with several EU member states.

The Commission's proposed €150 billion SAFE fund offers a unique opportunity to explore structured economic cooperation with other NATO partners. Limited but meaningful participation, such as Turkish or British involvement in joint procurement projects or through

EU-based subsidiaries operating under European regulatory frameworks, could support Europe's strategic objectives while ensuring industrial safeguards.

Existing mechanisms, including the Permanent Structured Cooperation (PESCO) and the Hub for EU Defence Innovation (HEDI), may serve as viable channels for aligning partner contributions with EU priorities. Integrating non-EU NATO partners into Europe's defence industrial landscape through pragmatic economic arrangements would strengthen collective capabilities and contribute to the long-term sustainability of the European defence ecosystem.

9. Respect national competencies

While acknowledging the growing importance of defence as a new strategic EU priority, it is also expected that special attention is given to ensuring that any EU defence initiatives are conducted in full respect of the constitutional neutrality or historically non-aligned foreign policy of member states that have adopted such a stance.

10. Regulatory burden and Defence Readiness Omnibus

European businesses, especially in manufacturing, logistics, and technology, directly or indirectly contribute to this sector. The Commission's defence agenda should closely reflect the role played by SMEs in the sector and address the need for a more agile regulatory environment.

The mini omnibus for defence, presented in May, is a good initiative towards streamlining and simplifying access to finance. Eurochambres welcomes practical measures to increase the flexibility and usability of EU tools and programmes aimed at supporting the defence industry, allowing businesses to invest in defence and dual-use technology projects. Examples of specific dual-use technology areas are: radars, passive surveillance systems, electro-optics, artificial intelligence, robotic and autonomous systems, and technological solutions for critical infrastructure protection.

However, for programmes such as the Strategic Technologies for Europe Platform (STEP), Horizon Europe (HE), Digital Europe Programme (DEP), European Defence Fund (EDF), and the Act in Support of Ammunition Production (ASAP), the mini-omnibus should directly emphasize their applicability specifically to support SMEs and mid-cap companies operating in the defence sector and dual-use technologies.

The Commission's Defence Readiness Omnibus, presented on 17 June, is a first step to simplifying legal and administrative frameworks relevant to defence readiness.

The introduction of a fast-track system for defence-related infrastructure projects answers the call of the chamber network to remove existing bottlenecks to lengthy national-level permitting, which are problematic for SMEs.

Eurochambres considers the **Defence Procurement Directive as particularly burdensome and not fit for purpose, especially for SMEs**. While the Commission reviewed certain public procurement rules, including an exemption for projects worth less than €900.000, the chamber network calls for further flexibility to enable faster industrial development for countries with a young defence industrial and technological base.

In the context of this Directive, the reverse auction mechanism is considered harmful for SMEs due to the risks of price competition. Lastly, a European preference clause should be embedded in the defence procurement framework, prioritising domestic suppliers whenever possible, but without jeopardizing strategic procurement objectives.

In addition, **the Commission should address the need to improve mutual recognition of national production licenses**. Instead of the current national certification and approval procedures, a standardized EU-wide procedure for mutual recognition is to be introduced for defence equipment to accelerate approval processes and facilitate capacity expansion.

Similarly, the Commission should also revise and clarify aspects of **Directive (EU) 2021/555 from March 2021 on the control of the acquisition and possession of weapons**. In particular, the lack of harmonised implementation across member states complicates cross-border business and leads to legal uncertainty regarding weapons production rules in European countries.

The Directive should be improved by streamlining reporting for low-risk or certified operators, introducing exemptions for SMEs and mid-cap companies, simplifying procedures, and enhancing mutual recognition of licenses and authorisations to reduce administrative barriers.



Eurochambres – the association of European chambers of commerce and industry – represents more than 20 million businesses through its members and a network of 1700 regional and local chambers across Europe. Eurochambres is the leading voice for the broad business community at EU level, building on chambers' strong connections with the grass roots economy and their hands-on support to entrepreneurs. Chambers' member businesses – over 93% of which are SMEs – employ over 120 million people.

Previous positions can be found here: bit.ly/ECHPositions

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