



WHAT IS THE PERCEPTION OF DEFENCE INDUSTRIAL PARTNERSHIPS WITH THE EDTIB BY NON-EU COUNTRIES? The US Perspectives: Transforming European Defense By 2030

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September 2024



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The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (IRIS), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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ABSTRACT

Since Russia's invasion of Ukraine in 2022, the European Union (EU) and European Ministries of Defence have made foundational changes to their policies and plans, calling for a generational transformation to strengthen European defence. The ongoing fear that the United States (US) might reduce its support for Europe has pushed these efforts forward, as European leaders deal with an unpredictable US political situation.

Europe's strategic shift outlined in the EU's first ever European Defense Industrial Strategy (EDIS), presents a mixed outlook for US policymakers and defence industrial stakeholders, who hold a range of perspectives on the future of US defence industrial cooperation with global partners. This paper outlines three competing US visions for the future of global defence industrial cooperation, assessing how each of these perspectives sees the role of the European Defense and Technological Industrial Base (EDTIB). Although these models contrast in important ways, proponents of each share frustrations with the existing state of the EDTIB and view European efforts to galvanise change as insufficient to achieve transformational change.

U.S. PERSPECTIVES

The Default: US Hub and Global Spokes

As the preeminent power after World War II, the United States built up cooperation with allies and partners via a US hub and global spoke model that reinforced the centrality of the US Defense Industrial Base (DIB) while allowing for cooperation with allies and partners at a range of levels of integration¹. In this model the US serves as the dominant locus for defence production, and often pursues bilateral arms transfers with cooperation typically occurring as part of those transfers or through companies with headquarters in allied countries establishing subsidiaries inside the United States. There are important exceptions to this rule, most notably the NATO alliance and the interwoven nature of the F-35 program, which involved cooperation from the early stages. However, in the absence of leadership intervention, the US sticks to bilateral approaches. US export control regulations, notably the International Traffic in Arms Regulations (ITAR) for arms and the Export Administration Regulations (EAR) for dual-use goods, restrict re-exports from nations importing, co-developing, or co-producing systems that contain US technology². As a result, these export regulations add friction to industrial integration even back and forth to the United States and between countries that are US allies, let alone exports to third country buyers. This *status quo* extends to transatlantic relations wherein cooperation between US and European DIBs are often formalised³ at the state level in bilateral agreements.

A hub-and-spoke model does not mandate formal protectionism, although both the Trump and Biden administrations have strengthened “Buy American” provisions⁴, even while maintaining or updating reciprocal defence procurement agreements that provide critical carve-outs for most European allies. Naturally, those in the US adopting this perspective are at best indifferent and at worst hostile to a larger defence role for the European Union. This can be seen in 2019 letters from top US officials critiquing “poison pills”⁵ in European Defense

¹ In the hub-and-spoke model, the hub signifies a central or lead partner that serves as the coordinating entity. The spokes, on the other hand, represent the other partners, that are directly linked to the hub. Each spoke interacts directly with the hub but not necessarily with each other.

² The ITAR includes a see-through rule, such that any system that includes any US technology is also regulated. The EAR is more limited in scope due to a de minimis rule that means it only applies when US technology exceeds a certain portion of the total value of a system.

³ Jean Belin, Keith Hartley, Sophie Lefeez, Hilmar linnenkamp, Martin Lundmark, H el ene Masson, Jean-Pierre Maulny, Alessandro R. Ungaro. (September 2017). *Defence industrial links between the EU and the US*. Ares Report n 20 <https://www.iris-france.org/wp-content/uploads/2017/09/Ares-20-Report-EU-DTIB-Sept-2017.pdf>

⁴ Andrew Philip Hunter. (February 4, 2022). *The Promise and Perils of Protectionism in the Defense Sector*. CSIS. <https://www.csis.org/analysis/promise-and-perils-protectionism-defense-sector>

⁵ Paul McLeary (July 22, 2021). *State, DoD Letter Warns European Union to Open Defense Contracts, Or Else*. Breaking Defense. <https://breakingdefense.com/2019/05/state-dod-letter-warns-european-union-to-open-defense-contracts-or-else/>

Fund and Permanent Structured Cooperation (PESCO) procurement efforts. That said, Euro-scepticism is mitigated by bipartisan concern with the People’s Republic of China as the US pacing threat. The use of the European Peace facility to support states transferring aid to Ukraine was mainly seen as part of broader effort by European states to share the burden of addressing a significant challenge in their region.

The view of populist critics of NATO or the war in Ukraine is a subset of the hub-and-spoke model even though it strongly clashes with the traditional US approach to allies and partners. This paper does not explore the populist view in-depth, in part because that view primarily sees Europe as a place to deprioritise US investments to focus instead on China. However, this shift in attention does not mean that an end to US populist euroscepticism. Instead for those such as Elbridge Colby who do see Russia as a threat, the EU as its own power centre is “self-defeating because you can’t have an energetic Europe without US support, and if Europe is going to be some kind of third pole, then why would we help you become that?” Colby’s solution to weakness in EDTIB is not intra-European rationalisation and efficiency, but instead to that the US would use “carrots and sticks” to encourage NATO allies to increase their spending to a 3 to 4 % level.

Global Production Web

The global production web vision for the future of defence industrial cooperation is championed by the US National Defence Industrial Strategy (NDIS). The strategic document makes the case for heightened defence industrial integration, stating that “incorporating allies and partners into a more networked or web-like production chain would enable expansion in production, additional capacity for a longer contest, and incentives among regional partners to cooperate in resisting coercion from adversaries”. The senior defence acquisition official at the Pentagon, William LePlante summarised this vision, stating about the NDIS: “A major thread is increasing roles that allies and partners have and whether it’s through co-development, production or sustainment or security of supply arrangements. We will achieve these industrial initiatives together and we will do it with partners and allies.” This is a marked contrast in emphasis to the concern expressed by his predecessor⁶ about the European Defense Fund in 2019. The AUKUS alliance represents an important step towards a production web and the idea of a lattice framework for Asia⁷. Outside of AUKUS, US efforts in the region, such as the Partnership for Indo-Pacific Industrial Resilience are not as institutionalised or

⁶ idem

⁷ For example, the AUKUS export control reforms allow license free transfers for many ITAR regulated technologies so long as the transfers take place within the territories of the Australia, the United Kingdom, or the United States. Changes to EAR regulations similarly added broad exemptions similar to those available to Canada.

integrated as NATO, but share a focus on strengthening the ties between US allies and partners.

Within NATO, the NATO Defense Production Action Plan and Defence Innovation Accelerator for the North Atlantic (DIANA) seek to achieve a stronger transatlantic production and development web respectively. US promotion of the production web model to ensure ongoing defence cooperation with Europe is not only evident in the NDIS, but also in continued engagement at the National Armaments level. LePlante's April 2024 trip⁸ to Brussels and Paris, where he advocated deepening ties in NATO DIB, seems to prove it. This view is more compatible with EU defence initiatives, Dr. LaPlante applauded⁹ the release of the EDIS, and cooperative projects that do not include the United States but that do increase allied capacity should be considered a victory under the production web framework. Both the NDIS and the Defense Supply Chain report released on the eve of Russia's invasion of Ukraine acknowledge that the US industrial base cannot meet all the needs of the US military in a timely manner which can result in compounding difficulties when multiple customers are competing for the same end items or components. It would also be reasonable extension of the NDIS action item to improve the foreign military sales¹⁰ to put the brakes on new agreements for "high demand, low supply platforms, systems, munitions, and services" to Europe and to have providers from the EDTIB step in instead. However, for programs such as the F-35, which are premised on international scale and sales, US leaders are unlikely to pass up an opportunity for sales even if it undermines attempts to build an independent European capacity. As a more general principle, from a production web perspective if a project includes a significant European role, what does it matter that the United States, let alone Norway or the United Kingdom, also have a large part of the project?

European Hub

Support for European Union-led defence integration has not been championed by any US administration. However, there are iconoclasts within the US think tanks who advocate for a European Hub. They would like to see the EU fulfil its ambitions to become a more integrated hub of defence production¹¹, serving as a stronger European pillar of NATO. This view

⁸ U.S. Department of Defense. (April 23, 2024). *Readout of Under Secretary of Defense Dr. William LaPlante's Visit to Paris, France and Brussels, Belgium*. U.S. Department of Defense. <https://www.defense.gov/News/Releases/Release/Article/3752099/readout-of-under-secretary-of-defense-dr-william-laplantes-visit-to-paris-franc/>

⁹ Idem

¹⁰ U.S. Department of Defense. (2023). *National Defense Industrial Strategy*, U.S. Department of Defense <https://www.businessdefense.gov/docs/ndis/2023-NDIS.pdf>

¹¹ Max Bergmann, Otto Svendsen. (June 15, 2023). *Transforming European Defense : A New Focus on Integration*. CSIS. <https://www.csis.org/analysis/transforming-european-defense-new-focus-integration>

incorporates long-standing US critiques of the inefficiency and fragmentation of the EDTIB and desires more production to achieve the US global and transnational goals. A core hypothesis of this viewpoint is that sacrifices required to achieve cross-border rationalising and to reach and sustain European spending levels are only plausible if there are political and economic benefits captured within Europe.

EUROPEAN DEFENCE INDUSTRIAL POLICY APPROACHES

US proponents of a production web and European Union policymakers share a concern that Europe’s formulation of defence enterprises along national lines has led to a fragmented European defence industrial landscape. This fragmentation results in primarily national defence enterprises which are unable to produce at the scale necessary to meet increased materiel demand or meet continental defence challenges without significant US backing. In 2024, the EU took a key step to address this challenge by publishing the first European Defence Industrial Strategy (EDIS) which seeks to strengthen the European Defence Technological and Industrial Base (EDTIB). The EDIS therefore presents both a boon and a challenge to the US policymakers. On the one hand, it recognises and seeks to address long-standing challenges within the European industrial base, a crucial step for establishing credible deterrence that is grounded in allied European capability. On the other, if successful, it represents shrinking US clout and a smaller market for US defence exports. However, the most prevalent US fear is that EU efforts would make transatlantic cooperation harder without progressing towards greater European capability.

Table 1. Compatibility of EDIS Goals and US perspectives

EDIS 2030 goal	US perspective		
	Hub & Spoke	Production Web	European Hub
40 % Collaborative Procurement	Variable	Compatible	Compatible
Intra-EU defence trade as 35 % of market	Variable	Variable	Compatible
EU member procure 50 % of investments within EU	Conflicting	Conflicting	Compatible

Collaborative Procurement – Strategic Aspirations and Realities

The EDIS’s target for EU Member States to procure at least 40 % of defence equipment in a collaborative manner by 2030 reflects the Union’s drive to harmonise requirements to advance a more cohesive DIB. Collaborative procurement can take multiple forms. Headline

intra-EU multilateral projects include efforts to development a sixth-generation fighter¹², a next generation main battle tank¹³, and 68 projects under the PESCO¹⁴ effort at time of writing. A more consolidated European industrial base would align with the US production web approach or the building of a European hub, although efficient design of cooperative programs is no easy task¹⁵. A data deficit in European Defense Agency (EDA) reporting makes it difficult to judge progress, European states would have to more than double their present level of procurement to hit this target¹⁶.

Cases of successful collaborative munitions procurement since the war in Ukraine signal growth in this area for 2022-2024, but such efforts continue to meet resistance from Member States¹⁷. The most prevalent view heard by the author in private discussions with US officials and scholars in the past year is not opposition to European hub efforts but instead low expectations for further progress. Nonetheless, the EU can champion success stories such as the European Peace Facility's¹⁸ joint procurement of 155 mm ammunition. A European hub can also be reinforced by the EU can find ways to celebrate European-centric Member State initiatives not conducted under its auspices, such as the European Sky Shield Initiative¹⁹. The US NDIS Interim Implementation Report²⁰ took that approach this summer by releasing a list

¹² Tim Martin. (Hune 19, 2023). *FCAS ? SCAF ? Tempest ? Explaining Europe's sixth-generation fighter efforts*. Breaking Defense. <https://breakingdefense.com/2023/06/fcas-scaf-tempest-explaining-europes-sixth-generation-fighter-efforts/>

¹³ Federico Cafarella. (August 20, 2023). *Overcoming challenges : advancing the MGCS future Main Battle Tank*. Defence Industry Europe. <https://defence-industry.eu/overcoming-challenges-advancing-the-mgcs-future-main-battle-tank/>

¹⁴ PESCO. (s. d.). *PESCO | Member States driven*. <https://www.pesco.europa.eu/#projects>

¹⁵ Gregory Sanders, Andrew Philip Hunter. (2024). *Designing and Managing Successful International Joint Development Programs*. CSIS <https://www.csis.org/analysis/designing-and-managing-successful-international-joint-development-programs>

¹⁶ In 2022, figures for collaborative defence equipment procurement were provided to the European Defense Agency (EDA) by only 9 of 27 member states, a decline from 2021 when 14 states contributed data. EDA data suggests that collaborative equipment procurement grew from 4.5 billion euros in 2018 to 7.9 billion euros in 2021. As a share of total defense equipment expenditure, this represents an increase from 16 % to 18 % in collaborative procurement.

European Defence Agency. (2022). *Defence Data 2022 Key findings and analysis*. https://eda.europa.eu/docs/default-source/brochures/2022-eda_defencedata_web.pdf

European Defence Agency (November 30, 2023). *Defence Data portal*. European Defence Agency. <https://eda.europa.eu/publications-and-data/defence-data>

¹⁷ The EU launched several programs to motivate joint defense capability development, production and transfer among EU Member States. However, states remain reluctant to cooperate on defense, given concerns about potential job and revenue losses for their national defense industries, and skepticism regarding Commission overreach.

Aurélien Pagnet. (September 29, 2024). *Explainer: How to make sense of the EU's defence funds and programmes*. Euractiv. <https://www.euractiv.com/section/defence-and-security/news/explainer-how-to-make-sense-of-the-eus-defence-funds-and-programmes/>

Luigi Scazzieri. (January 19, 2024). *Can European defence take off?*. Centre For European Reform. <https://www.cer.eu/publications/archive/policy-brief/2023/can-european-defence-take>

Jacopo Barigazzi,, Laura Kayali. (November 23, 2023). *EU heavyweights warn against Commission defense power grab*. Politico. <https://www.politico.eu/article/eu-defence-powers-no-commission-power-grab-germany-france-italy-sweden/>

¹⁸ European Commission. (September 13, 2024). *European Peace Facility*. Service For Foreign Policy Instruments. https://fpi.ec.europa.eu/what-we-do/european-peace-facility_en

¹⁹ NATO. (October 11, 2023). *10 NATO Allies take further step to boost European air and missile defence capabilities*. NATO https://www.nato.int/cps/en/natohq/news_219119.htm

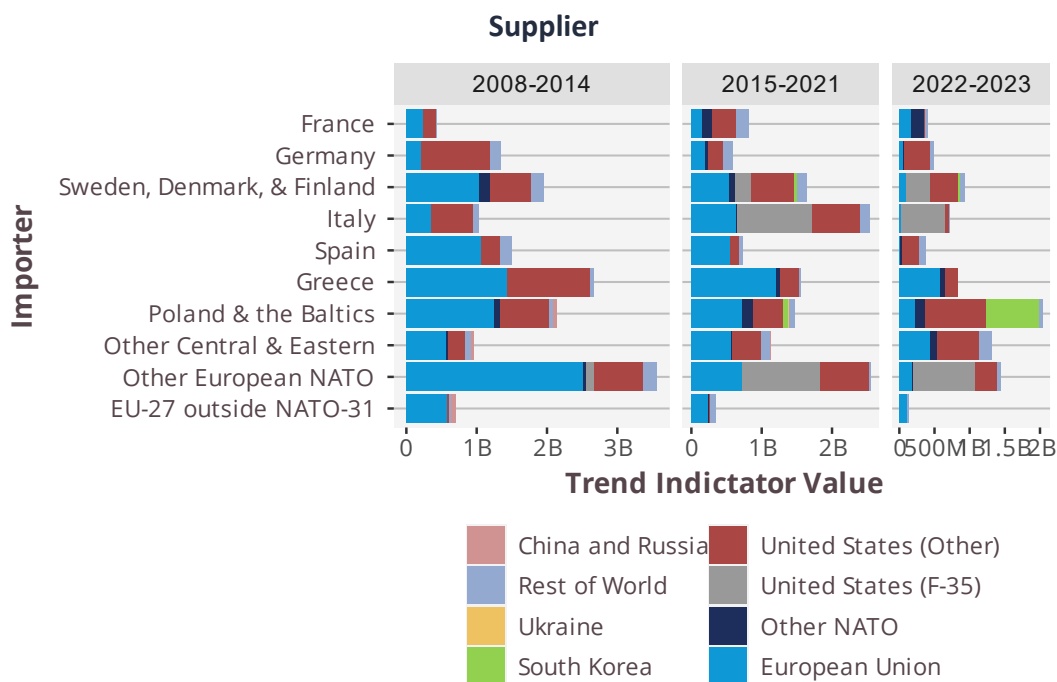
²⁰ U.S. Department of Defense. (July 3, 2024). *DOD releases National Defense Industrial Strategy Interim Implementation Report*. U.S. Department of Defense. <https://www.defense.gov/News/Releases/Release/Article/3827343/dod-releases-national-defense-industrial-strategy-interim-implementation-report/>

of initiatives that support the strategy even if they preceded it or were independently devised by the US military services or industry.

Intra-EU Defence Trade and Procurement

The individual components of the EDIS include a range of promising and challenging ideas for US policymakers, but these elements tend to be dismissed given the size of the gap between EDIS aspiration and present spending patterns as well as the limitations of the EU funding on the table to achieve these goals. The EDIS notes that 78 %²¹ of EU procurement after the start of 2022 Russia’s war of aggression went to extra-union sources. While a lagging indicator, similar trends can be seen in Stockholm International Peace Research Institute (SIPRI) data shown in Figure 1. 2022 and 2023 saw a surge of deliveries, often surpassing the magnitude of the 7-year blocks provided for comparison.

Figure 1. EU-27 Major Weapon System Imports as Reported by SIRPI, by Country Group and



Note: The data set does not account for joint programs, and thus the lead country receives exclusive credit for any trade
Sources: “SIPRI Arms Transfers Database,” SIPRI, May 2024, <https://www.sipri.org/databases/armstransfers>; and CSIS analysis.

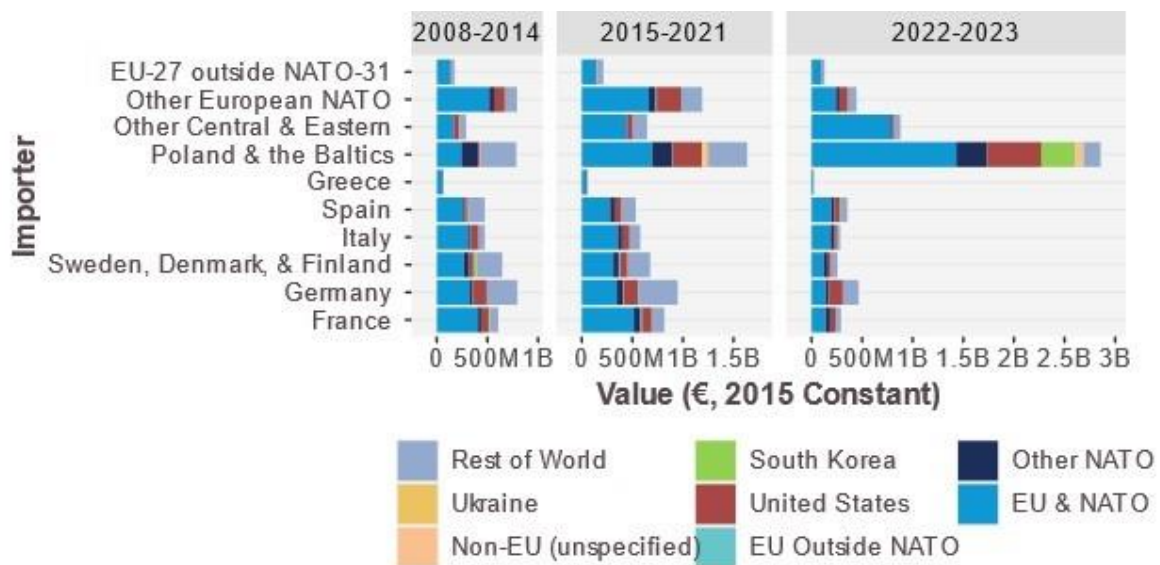
From a US perspective, parts of the EDIS fail the “first admit you have a problem” test. This can be seen by looking at the EU’s ordnance and missile trade, as shown in Figure 2.²² Given

²¹ Jean-Pierre Maulny. (September, 2023). *The impact of the war in Ukraine on the European defence market*. IRIS. https://www.iris-france.org/wp-content/uploads/2023/09/19_ProgEuropeIndusDef_JPMaulny.pdf

²² The eight digit harmonized system codes tracked within the Eurostat database allow for robust consideration of trade in ordnance and missiles, but much of the trade in other defence portfolios cannot be easily distinguished from planes, ships, and land vehicles for civilian use. The trade data is a useful complement to the system level reporting rely on SIPRI, shown in

the surge in demand shown by the ordnance and missiles imports during the 2022-2023 period in Figure 2, it is no surprise that the EDTIB had trouble keeping up. As part of a sensible set of proposals, the EDIS assesses that “the widespread underestimation of this [EDTIB ammunition production] capacity resulted in increased attention on third countries producers”. Such an underestimation may indeed explain some of the slowness of contracts²³ flowing to European producers. However, the industrial capacity building described elsewhere in the EDIS is both worthwhile and slow. With US and European NATO stockpiles being depleted and Ukraine striving to match the Russian war economy, an increase in attention to third country producers was inevitable. Many in the US national security community have turned significantly pessimistic about the level of production capacity in both US and European Defense Technological Industrial Bases, making complaints about “underestimation” carry a high burden of proof. The 50 % increase in artillery ammunition production capacity since the start of the war described in the EDIS is laudable and more such documentation of the EDTIB delivering at speed could shift US perceptions.

Figure 2. EU-27 Imports of Ordnance and Missiles as Tracked by Eurostat, by Country Group and Supplier



Note: Dual Use Small Arms not shown.

Sources: Eurostat and CSIS analysis.

The dynamics which underpin the tension concerning ‘Buy European’ and buy elsewhere is best exemplified in Poland. Poland borders an active conflict zone in Ukraine, an unstable

Figure 1 and Figure 3 because it captures some industrial integration and not just final products, but unfortunately is more limited in scope.

²³ Sam Skove. (November 27, 2023). *In race to make artillery shells, US, EU see different results*. Defense One. <https://www.defenseone.com/business/2023/11/race-make-artillery-shells-us-eu-see-different-results/392288/>

regime in Belarus, and a revanchist Russia. As a result of its unique position, Poland has significantly expanded its military despite historically limited resources and is poised to become Europe's 5th largest defence spender. In spite of the financial incentives to 'buy European', with a 2024 defence budget worth about \$33.22 billion, Poland is procuring its major land systems from South Korea and the United States. South Korea's Hanwha Defense delivered²⁴ over a hundred main-battle tanks within the same year that Warsaw placed the order. Eastern European states buying from the United States over European sources can be reasonably attributed in part to seeking to strengthen security guarantees. However, Poland's partial turn to South Korea suggests that the EDTIB lost out on speed or cost grounds.

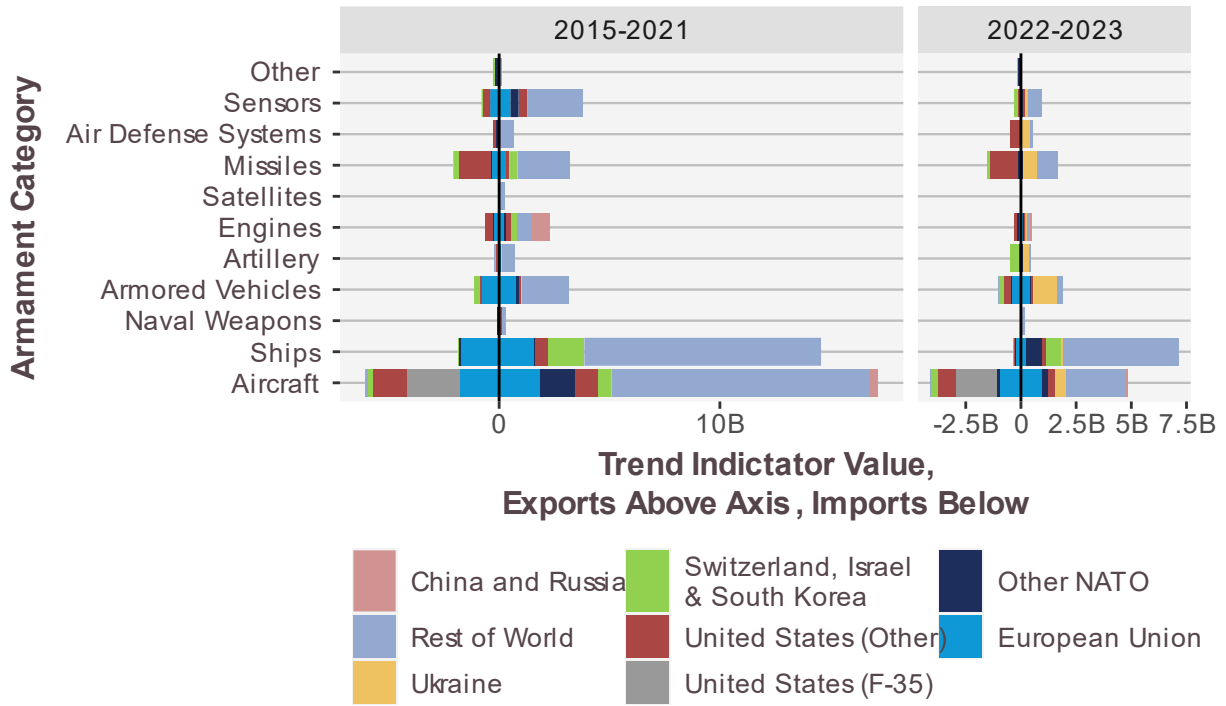
US policymakers and DIB can be unduly sceptical of the EDTIB. As shown in Figure 3, the EDTIB is globally competitive in multiple categories, even if the production-web of the F-35 has claimed a larger share of EU aircraft imports. In the ships and armoured vehicles category, intra-European trade and global exports are both quite robust. However, the heavy reliance on US and South Korean imports for missiles, air defence systems, and artillery suggest that genuine weakness in the EDTIB and not just underestimating is part of the problem. Addressing these issues²⁵ deserves greater attention. The scepticism about a larger EU role in addressing transatlantic shortfalls expressed by a range of US government officials in private meetings is grounded in the comparatively small sums and the lack of an operational focus of

²⁴ The military balance. (February 14, 2023). *Chapter Four: Europe: Regional trends in 2022 50; Regional defence policy and economics 52; Poland: defence policy 66; Arms procurements and deliveries 69; Armed forces data section 72*. The Military Balance. 50–149. <https://doi.org/10.1080/04597222.2023.2162716>

²⁵ Cynthia Cook, Max Bergmann, Mark F. Cancian, Gregory Sanders, Sissy Martinez, Otto Svendsen, Nicholas Velazquez. (September 5, 2023). *Transatlantic Defense during Wartime*. CSIS. <https://www.csis.org/analysis/transatlantic-defense-during-wartime>

the larger trade and procurement metrics. Even US proponents of a European EU²⁶ hub are more concerned with the question of funding than the details of initiatives within the EDIS.

Figure 3. EU-27 Arms Transfers, by Armament Category and Partner



Note: The data set does not account for joint programs, and thus the lead country receives exclusive credit for any trade.

Sources: "SIPRI Arms Transfers Database," SIPRI, May 2024, <https://www.sipri.org/databases/armstransfers>; and CSIS analysis.

²⁶ Max Bergmann, Federico Steinberg. (May 8, 2024). *Europe's fiscal crossroads*. <https://www.csis.org/analysis/europes-fiscal-crossroads>

CONCLUSION

The international cooperation emphasis in the US NDIS and the urgent needs of the war in Ukraine both offer a comparatively favourable environment for EU defence policy objectives. Progress will not come without friction, achieving a European defence production hub or even a place of pride in a global defence production web will involve EU policies at times throwing elbows to boost intra-EU production and to encourage collective action among EU Member States. However, the prevailing US attitude is presently scepticism. Poor data reporting on collaboration, the EDIS's focus on aggressive goals and timelines, and most critically the absence of significant Euro-bond backing all conspire to lower expectations in the US policy community. Just as the US NDIS is presently working on a repeatedly delayed implementation plan, the EDIS would benefit from a similar plan that prioritises near-term-wins, builds on recent success stories, and focuses on sectors where the US DIB is struggling to meet European needs. Finally, implementing the EDIS may benefit from testing the US NDIS production web rhetoric by exploring global multilateral procurement strategies to enhance the EDTIB capacity. These strategies could expand the circle of favourably considered projects to those that have a leading, but not dominant role, for EU industries, thereby adding nuance to the binary view of whether procurement is European or not.

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The Armament Industry European Research Group (Ares Group) is a high-level network of security and defence specialists across Europe. Its aim is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.