



# WHAT ARE THE MAIN DRIVERS OF MEMBER STATES' DEFENCE PROCUREMENT PRACTICES?

## The Dutch Case

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## ABOUT THE AUTHOR



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## ABSTRACT

The Netherlands has a procurement policy which promotes multinational cooperation and 'buying European'. This is applied to the Dutch Army, driven by the need to buy the same weapon systems as Germany due to the growing integration of the land forces of both countries. Yet, procuring defence equipment from non-European suppliers – in particular for the Air Force – or from national defence industries (the Navy) is almost standard practice. National political and economic interests as well as the traditional preferences of the armed services are key factors of influence. However, the tendency to connect Dutch national defence industries to wider European levels and the stated policy aim to strive for a Europe that is becoming more self-reliant in defence points to the increasing participation of the Netherlands in European collaborative procurement.

**Keywords:** The Netherlands | defence | air force | navy | army | industry | NATO | EU | Belgium | France | Germany | US

## INTRODUCTION

Dutch security and defence policy has undergone major changes in the last ten years. The downing of the MH-17 civilian airliner over Southeastern Ukraine on 17 July 2014 with 298 fatal casualties, of which 196 were of Dutch nationality, caused a major shock in the Netherlands. Suddenly, the war in the far-away Donbas area between the Ukrainian Armed Forces and Russian-backed separatist fighters entered Dutch households in a dramatic way. Not only political circles but a vast majority of the population became aware that Russia's interference in Ukraine was threatening European security. The Russian invasion of Ukraine in February 2022, the images of war crimes and destroyed civilian infrastructure, as well as Putin's aggressive rhetoric towards the West have further increased the awareness that security can no longer be taken for granted.

As a result, the Dutch defence budget started to rise as of 2015, albeit initially at a slow rate from € 7.7 billion (1.13 % GDP) in that year to € 11 billion (1.45 % GDP) in 2021. The real big leap forward occurred after Russia invaded Ukraine. From 2022 to 2024 the Dutch defence budget almost doubled from € 12.6 billion to € 21.4 billion (2.05 % GDP) – thereby meeting the NATO target. Early July 2024, the new government, led by Prime Minister Dick Schoof, was sworn in. The defence budget will be increased with an additional € 2.4 billion, resulting in an annual total of almost € 24 billion as of 2029. The 2% minimum target will become a national legal obligation. The equipment procurement expenditure has risen to a peak of 36.2% of the defence budget in 2024. (NATO Defence Expenditure 2014-2024) Therefore, it can be expected that approximately one third of the defence budget will be spent on procurement in the years to come. Are we witnessing a more European focus in Dutch defence procurement than in the past, related to increasing European autonomy? What are the procurement priorities in the Dutch case and have procurement policy and practices changed since February 2022? Is the Netherlands increasing joint procurement levels and with whom?

## A PROCUREMENT POLICY MAINLY DRIVEN BY FIVE ELEMENTS

The previous Dutch Defence White Paper of 2022 reflected not only the impact of Russia's invasion of Ukraine, but also the Trump years in the White House casting a shadow over the American commitment to NATO's collective defence. It stated that "Europe must improve its ability to defend itself and its own security interests. Europe needs to become more self-reliant." (Dutch Defence White Paper, 2022) In Dutch politics, this 'shift to Europe' is also summarised as 'and-and': it is not a choice for the EU vs. NATO, instead marking the importance of both organisations to strengthen Europe's security. Bilateral and multilateral

formats serve the same goal. In that context, Belgium, France, Germany, Luxembourg, Norway, the United Kingdom and the United States are considered as ‘strategic partners’.

Most probably, the term ‘to become more self-reliant’ was deliberately chosen, as European strategic autonomy in defence is a sensitive subject in the Netherlands. In 2021 the concept of ‘open strategic autonomy’ was launched by The Hague, together with Madrid. (Spain-Netherlands non-paper) Strengthening defence cooperation in the EU is inherent in the concept, but the non-paper underlines that increased cooperation in Europe also contributes to a stronger NATO. The new Defence White Paper of the Schoof Government, released in early September 2024, makes no reference to European strategic autonomy and neither to ‘self-reliance’. Instead, the term used is ‘strengthening the European capacity to act’. The White Paper supports the EU’s role in defence, but with a clear focus on the funds and the programmes to improve the Member States’ military capacities “that are also of importance to NATO”, to enhance interoperability and to strengthen the European and national defence industrial bases. (Defence White Paper 2024) Avoiding language on European strategic autonomy while at the same time stressing the importance of the EU funds and programmes reflects the common ground between the coalition parties in the current Dutch Government including Geert Wilders’ Party for Freedom (PVV). However, the outcome of the Presidential Elections in the U.S. on 5 November 2024 could pose problems for Prime Minister Schoof. In case of the re-election of Donald Trump, the debate on European strategic autonomy might return to the European political agenda.

## BUY MORE EUROPEAN

In the past, the two principles of Dutch procurement policy were ‘best value for money’ and ‘off-the-shelf unless’. A deviation from the latter is possible “if off-the-shelf materiel is not available on time, not suitable, not desirable or not affordable”. (Defence White Paper 2022) The need to speed up the delivery of weapon systems and ammunition to Ukraine as well as the urgency to modernise and expand the capabilities of the Dutch Armed Forces have resulted in changing the first principle. In June 2024 one of the last decisions of the Rutte-4 Government was to abandon ‘best value for money’ and “to give more weight to the factor of time and origin – preferably European or Dutch” in the procurement policy. (Letter to Parliament, June 2024) This change was explicitly connected to reducing dependency on non-European suppliers of natural resources and technologies, on strengthening the Dutch and European defence industry, and on increasing interoperability and standardisation. Partnerships involving the Ministry of Defence, the defence industry, technology institutions and the financial sector are regarded as a requirement in this context, both at the national

and European levels. The Schoof Government will reinforce these changes in procurement policy, in particular by connecting, even more, the goal of strengthening the European Defence Technological and Industrial Base to the objective of realising a stronger national knowledge and industrial base. Space technologies, sensors, AI, quantum technology and smart materials are the five focus areas. With regard to collaborative equipment procurement, the White Paper refers to “natural resources, vehicles, munition and innovation such as unmanned systems” as areas of key interest. The importance of international cooperation and standardisation throughout the life cycle of weapon systems (maintenance, modifications, updates, etc.) is underscored.

The off-the-shelf principle has been applied to procure new equipment as quickly as possible in response to the changing geopolitical situation. However, in many cases armament acquisitions have been ordered from suppliers located outside Europe, such as additional *MQ-9 Reaper* unmanned aerial systems (MALE-UAS) from the U.S. and the *Puls* rocket-artillery from Israel. It is true that in some cases – like the MALE-UAS – there are no European alternatives available at this point in time. But the *Eurodrone* is in its development phase (co-funded by the European Defence Fund) and the Netherlands is showing no interest in the programme. The Dutch Navy will invest billions of euros in US-made land-attack *Tomahawk* missiles and in American anti-ballistic missile defence systems. The Dutch Air Force buys all its missile systems in the U.S. Factors not stated in the procurement policy have a major influence on the choice of ‘where to buy what’. The Dutch Air Force always flies ‘American’ fighter aircraft and the US defence industry has been generous in granting compensation orders to Dutch defence companies, such as for the *F-35* fighter aircraft. However, the increasing complexity of sensor technology and data transfer might raise questions concerning ownership and dependency – an aspect that, so far, seems to be absent in Dutch procurement policy.

The only national Original Equipment Manufacturer – Damen Naval Shipyard – is the supplier of most platforms for the Dutch Navy. Predictably, the decision to grant the order for the next generation of diesel-electric submarines to the French Naval Group was met with considerable resistance in the Dutch Parliament, as the offer of the Damen-Saab Kockums consortium was not accepted. The lower price offered by Naval Group and a guaranteed package of compensation orders to another Dutch maritime company were the decisive factors for making this choice.<sup>1</sup> Most of the equipment of the Dutch Army already originates from European countries. The increasing integration of the Dutch and German Land Forces is almost

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<sup>1</sup> On 30 September 2024 the contract with Naval Group was signed. Approximately € 1 billion of the total costs (€ 5.6 billion) will be granted to the Dutch defence industry as offsets. (Rudy Ruitenber, Defense News)

forcing the Netherlands to hook up to German land equipment development and procurement programmes. The announcement in the 2024 Defence White Paper to procure the *Leopard 2-A8* battle tanks – exactly the same type also ordered by the German Army – was a logical choice. In view of deepening German-Dutch defence cooperation, the Netherlands has already stated that it would like to join the Franco-German *Main Ground Combat Systems* (MGCS) programme. Furthermore, the deepening of the Dutch-German Land Forces' cooperation will require that both sides use the same communication systems, which is not the case right, except for the integrated tank battalion.<sup>2</sup>

## JOINT PROCUREMENT PRACTICES

Multinational cooperation is bread and butter to Dutch defence policy. Regarding procurement, it is reflected in the policy of 'buying together with partners unless'. The best example of operating and procuring jointly is the Belgian-Dutch Naval Cooperation (known as Benesam). Both countries operate the same minehunters and Multipurpose-frigates with one supporting structure (schools, maintenance and training facilities) in Belgium and the Netherlands respectively. Common acquisition programmes for replacing both types of naval vessels are underway, with a Belgian lead for the minehunters and a Dutch leading role for the frigates. The 12 new minehunters, equipped with a toolbox of unmanned mine hunting systems, are built by Naval Group, with the first vessel to be delivered to the Belgian Navy in December 2024. Damen Naval in Vlissingen will construct the six new anti-submarine warfare frigates (two Belgian, four Dutch) with the first to be delivered in 2029. All other new surface ships – among them four air defence and command frigates and six amphibious transport ships – will be built in a fully national configuration by Damen. It should be noted that Damen also constructs the *F-126* frigates for the German Navy and is leading the Northern Naval Capability Cooperation of four Scandinavian countries, Germany and the Netherlands. This Northern European cooperation format aims at investigating the scope for strengthening naval cooperation between those countries.

With the *F-35* acquisition – purchased by ten other European countries – the Dutch Air Force will seek to further optimise its cooperation with its partners. At the Woensdrecht Air Base in the Netherlands the engines of all F-35s flown by European and the Israeli Air Forces will be maintained, shared with Norway that houses the other European engine maintenance facility. For its air-to-air refueling and (strategic) transport capacity, the Netherlands has acted as the lead nation for the pooling & sharing concept of the Multi-Role Tanker and Transport (MRTT)

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<sup>2</sup> The 414<sup>th</sup> Tank Battalion has three German companies and one Dutch company. The tanks are fully standardised (interchangeable) and the battalion has one communication system.

fleet – together with Belgium, the Czech Republic, Germany, Luxembourg and Norway. The nine *A330-MRTT* aircraft are based at Eindhoven (NL) and Cologne (GER) air bases. For its (tactical) transport aircraft the Netherlands is procuring five *C-390M* Embraer planes to replace the *C-130* Hercules, together with Austria (procuring 4 planes). In 2023 the Dutch government announced the acquisition of 14 Airbus *H225M Caracal* helicopters to replace the *Cougars*. The *Caracals* will be used for dedicated Special Operations Forces. In due course the Netherlands will join the *Caracal* user group to which France and Hungary belong.

As in the past priority has been given to investments in new equipment for the Air Force and the Navy, the Dutch Army is currently in urgent need to catch up, in particular by procuring heavy weapon systems. The acquisition of the *Puls* rocket-artillery has been a first step. A deliberate choice was made to purchase the Israeli system as the US-made *HIMARS* and *GMLRS* are not authorised to fire non-US missiles, while the Franco-German KNDS Group and Elbit Systems in Israel have agreed that the *EURO-PULS* will be enabled for that purpose. In July 2024, the new Minister of Defence, Ruben Brekermans, informed Parliament that the Dutch Army will replace the current *Spike* anti-tank missile system for the medium range (up to 2.5 km) by the longer-range version (up to 5km) *Spike LR-2* from Israeli company Rafael, which is already operated by the German Army.

## CONCLUSION

Dutch security and defence policy has shifted from a ‘NATO first’ to a ‘NATO and EU’ approach, which has not been triggered by the Russian invasion of Ukraine, but by the Trump administration (2017-2021). The need to provide Ukraine with weapon systems and ammunition in good time has reinforced the call for ‘more Europe’, in particular with regard to strengthening the European and national defence industrial and technological bases to be less dependent on non-European suppliers of natural resources and technologies. Despite the participation of the populist PVV party of Wilders in the new Schoof Government, this policy is unlikely to change. However, in case of a return by Donald Trump to the White House and the campaigns of political leaders in Europe to develop a European Defence Union for the defence of Europe, the new Dutch government of Prime Minister Dick Schoof might find itself quickly in troubled waters due to the anti-EU line of the PVV.

For many years, the Netherlands has been playing a frontrunner role in multinational defence cooperation. Promoting joint procurement is part of this policy, but established practices of buying American (air systems and missiles), supporting national interests (the naval sector) and the shift to invest more in strengthening the national knowledge and industrial base are limiting factors for buying more European weapon systems. Theory is not always followed in



practice, as the traditional preferences of the armed services and political pressure can lead to other choices. Nevertheless, the overall trend is to ‘buy more European together’ – which could also be from non-European suppliers – in order to strengthen the interoperability and interchangeability of military equipment. In the foreseeable future, procurement for the Dutch Army offers the most potential as the growing integration of the land forces of Germany and the Netherlands requires both countries to operate fully interchangeably, with (100% identical) weapon systems, logistics, and information and communication systems.

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