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Defence readiness 2030: The industrial dimension

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Abstract

The EU and its member states aim to restore Europe's defence capabilities by 2030, primarily to deter Russia. Achieving this objective requires a robust European defence industry capable of rapidly closing military capability gaps, ensuring technological superiority and sustaining military support, including during a large-scale war of attrition. After decades of peace dividends and underfunding, Europe's defence sector was unprepared for the demand shock triggered by Russia's full-scale invasion of Ukraine. Since then, progress has been made, but not at the necessary scale and pace. Reaching defence readiness by 2030 under peace-time conditions remains an enormous challenge, further exacerbated by the change in US policy, geopolitical strains on supply chains and technological developments. To meet these challenges, Europe must reduce its fragmentation and enhance its defence–industrial output. This implies systemic reforms aimed at optimising procurement processes, enhancing cooperation, and investing strategically in critical enablers and research and development. Ultimately, a unified European approach is vital to building a resilient, self-sufficient defence industry capable of supporting a credible deterrence posture.

Keywords

Defence readiness, Defence–industrial policy, Defence capabilities, Strategic autonomy

Introduction: *si vis pacem para bellum*

Under the slogan 'Defence Readiness 2030', the EU has launched a whole series of defence–industrial initiatives in recent years. The term describes the goal of strengthening Europe's defence capabilities by the end of the decade to a level that would credibly

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deter a potential military aggression from Russia, that is, a state that has a huge arsenal of nuclear weapons, extensive and battle-experienced conventional forces, and a fully mobilised war economy that has been found to be both resilient and adaptive (Shkurenko et al. 2025, 8–9).

To deter such an adversary militarily, Europe needs not only capable armed forces, but also a defence–industrial and technological base that is able to

- develop and produce the equipment necessary to close existing military capability gaps as fast as possible;
- ensure technological superiority over the potential aggressor in the short, medium and long term; and
- support European armed forces during a large-scale war of attrition, even over a longer period of time, that is, to repair or replace used and destroyed material, and react immediately and flexibly to emerging technological challenges.

Without the industrial capacity to fulfil these functions, Europe's conventional power of deterrence remains limited and lacks credibility (Dall'Agnol and Duarte 2022; Mearsheimer 1981).

From peace dividend to demand shock

Building this defence–industrial capacity presents significant challenges. This is particularly true due to the fact that Europe's defence sector was drastically underfunded for many years. Experts suggest that an investment gap of at least €1.8 trillion accumulated between 1990 and 2020 (Dorn et al. 2024, 3). During this period, European defence companies produced small quantities at best and managed to ensure minimum utilisation of their reduced production capacities only through exports to third countries.

Against this background, the Russian full-scale invasion of Ukraine and the subsequent *Zeitenwende* caused a real demand shock for the European defence markets. The need to support Ukraine militarily and, at the same time, close European capability gaps created an enormous demand for military goods within a very short time. For the defence industry, this meant ramping up production as quickly as possible and expanding its own capacities accordingly.

However, trimmed over decades to fit the needs of an economy of scarcity, Europe's armaments sector was not at all prepared for this (Wolff 2024). The prolonged focus on cost-minimisation had forced the industry to adopt lean management models and just-in-time stock systems. While highly capital-efficient in a stable security environment, these practices had completely stripped the industrial base of operational elasticity, leaving no surplus capacity available to accommodate sudden manufacturing surges (Hellberg 2023; Hellberg et al. 2025; Korkmaz 2024). Furthermore, increasing the production of defence equipment is a complex process that requires the mobilisation of the entire

supply chain. This was difficult, as decades of outsourcing had resulted in highly extended supply chains with domestic prime contractors having only limited visibility or control over upstream tiers. In addition, because most military systems had been produced in small batches tailored to unique national specifications, the industry was lacking the standardised components required to achieve traditional economies of scale (Hellberg et al. 2025, 1091).

Thus, ramping up defence production required significant investment in new factories, machines, components, raw materials and personnel. However, in a highly regulated market, where demand is exclusively in public hands and exports are only possible with the approval of national governments, investment in new production capacities can only be justified financially if there are firm orders. The mere prospect of incoming orders is not usually enough to convince shareholders, banks and other investors to provide the necessary financing. Since ministries of defence and procurement agencies were also not prepared for the demand shock, it took some time for the sudden need to be translated into new contracts.

State of play

Despite these structural issues, considerable progress has been made on the way to defence (industrial) readiness since the beginning of the Ukraine war.

Most European countries have significantly increased their defence spending. According to European Defence Agency estimates, EU defence spending rose by about 30% between 2021 and 2024 to a combined total of €343 billion, and spending is projected to continue to increase further (EDA 2025).

In parallel, European defence companies have increased their production many times over. This applies in particular to the systems and equipment that are most needed and consumed in large numbers in Ukraine, such as ammunition and air defences, among others. This has been possible due to the fact that many companies have taken considerable economic risks and made major investments prior to the conclusion of procurement contracts.

At the same time, the successes achieved so far are relative. Defence budget increases are unevenly distributed across the EU, and in view of limited fiscal space, many member states will find it difficult to reach the agreed-upon NATO spending target of 3.5% of GDP. On the industry side, production growth rates are impressive, but they come from an extremely low starting level. In absolute terms, defence–industrial output in the EU remains far behind that of the Russian arms industry (Wolff et al. 2024). Ramping up is therefore ongoing, but not at the pace and scale that is needed to reach defence readiness by 2030.

This is not surprising insofar as Europe—unlike Ukraine and Russia—has not switched to a war economy: European defence companies still act as traditional market

operators, subject to 'normal' financial and economic, but also social and legal constraints, which they must take into account when growing. The same applies to the public demand side, where decisions on budgets and procurement go through normal democratic processes that inevitably take some time.

Moreover, several new challenges have emerged since 2022 that are further complicating the path to defence (industrial) readiness. Under the second Trump administration, the burdens in the Atlantic alliance have shifted. Europe now has to carry the lion's share of support for Ukraine and will soon have to bear the main responsibility for conventional deterrence against Russia. This implies that the European allies must provide additional military capabilities that have so far come from the US.

Additionally, international supply chains are increasingly subject to geopolitical tensions. Europe's defence industry is affected in two ways: many defence systems made in Europe contain high-value components and subsystems from US suppliers, while China has a quasi-monopoly on many of the low-value components and, above all, the critical raw materials (Hackett et al. 2025, 4–6). These dependencies are not new, but they take on a new quality in the current geopolitical situation and could become decisive in an emergency.

These dependencies also have an impact on new and emerging technologies. This applies in particular to artificial intelligence and autonomous systems, which are being used extensively in Ukraine. These technologies are radically changing modern warfare and will decisively influence the development of Europe's future defence capabilities.

All this means that European defence companies simultaneously face three strategic challenges on the way to defence readiness: they must (a) further ramp up production capacities, (b) keep pace with rapid technological developments, and (c) reduce critical dependencies.

The way forward

In the face of these challenges, further defence budget increases, while indispensable, are not sufficient to achieve industrial defence readiness by 2030. The political focus must shift from increasing financial input (budget) to increasing industrial and military output (capabilities), with the objective of enhancing efficiency and getting a 'bigger bang for the euro' (Schmitt 2003).

This requires systemic changes in the way Europe's armaments sector is organised and works. The steps outlined below seem particularly important.

Optimising procurement

The entire process, from identifying a military need to providing a solution, is fundamentally not designed for speed. We need to streamline and accelerate development, approval

and procurement processes. This includes, above all, standardising and simplifying technical requirements, as well as qualification and certification processes, which today are very time-consuming. Overcomplexity and the lack of standardisation create significant delays in national procurement systems, which worsen and become even more costly when it comes to cross-border cooperation and transactions.

Procurement contracts should be significantly extended (10+ years). This would de-risk companies' investments and open the way to decisively increasing production capacities. It would also help to secure supply chains: without explicit, long-term contractual commitments from governments that cover the added financial burdens of resilience, privately owned defence firms lack the economic incentives or corporate justification to proactively invest in crisis readiness, supplier diversification or strategic stockpiling.

A complementary or alternative contract design could be the capacity contract, which does not provide for the procurement of certain quantities (e.g. 1,000 units), but for the provision of production capacities (e.g. industrial capacity to produce 1,000 units). Such contracts would de-risk investment and enable production to be ramped up quickly in an emergency. In the case of drones, which would have to be mass-produced and continuously updated during an armed conflict, such contracts would seem to be the only viable option. For other systems, capacity contracts should be seriously considered as a means to establish in peacetime the industrial capacity to immediately ramp up production when needed.

Strengthening European cooperation

The coexistence of 27 independent national procurement processes in the EU is highly inefficient. Overcoming this fragmentation would open the path to economies of scale and make it possible to optimise industrial planning and production. In order to leverage these potential efficiencies, member states should create, as a matter of priority, a mechanism that translates their national military capability targets into common industrial production targets. The goal must be to plan and carry out procurement together.

Today most member states source either from national producers or, if these do not exist, from outside Europe. At least in cases where a national solution does not exist, the first choice should be a European solution. In today's geopolitical situation, such a European preference is not protectionism, but a strategic imperative to secure supply and sovereignty.

The joint financing of European armaments projects is highly controversial. If Eurobonds remain politically impossible, at the very least the budgets for defence and security in the next multiannual financial framework should be significantly increased. To promote European cooperation, EU funding instruments are the means of choice and should therefore receive a budget envelope that goes beyond the original Commission proposal.

Investing strategically

In view of the changing security and defence strategy of the US, Europe must become able to defend itself as quickly as possible, and on its own if necessary. This means, above all, developing and procuring critical enablers, which are currently provided almost exclusively by the US (these include command and control; deep-strike; air defence; satellite reconnaissance and communications; space launch; airborne intelligence, surveillance and reconnaissance; military cloud; software and artificial intelligence; strategic airlift; and electronic warfare capabilities). Kiel Institute and SPARTA Alliance (2026) estimate that Europe has both the technological and the financial means to considerably reduce these capability gaps by 2030 and even close them by 2035—provided that Europeans manage to establish efficient cooperation structures.

The increases in European defence budgets since 2022 have also led to corresponding increases in investment spending. However, most of this investment expenditure has gone into the procurement of existing equipment that was available at short notice. Investment in research and development (R&D), by contrast, is lagging behind. While the US spent 16% of its defence budget on R&D in 2024 (€135 billion), R&D spending in Europe increased only slightly to 4% (€13 billion) (EDA 2025, 14). The focus on off-the-shelf procurement to address short-term urgent needs (EDA 2024, 12) is understandable in the current situation, but the low level of R&D spending is not sustainable in the medium term. Just as important as closing the most critical gaps as quickly as possible is securing technological sovereignty and superiority. The goal should therefore be to rapidly increase the R&D share in Europe to 10% of total defence spending.

Access to critical raw materials and components is essential to sustain production. The resilience of supply chains is therefore crucial for defence readiness and must be improved as quickly as possible. Existing vulnerabilities must be addressed immediately in order to be prepared for the worst-case scenario, in which access to important materials and components could be restricted or stopped.

Conclusion

The European defence industry plays a crucial role in Europe's defence readiness. It must help close existing military capability gaps as quickly as possible, ensure technological superiority over the potential aggressor, and be able to support European armed forces in the event of a large-scale and prolonged war of attrition. Without such defence–industrial capabilities, credible military deterrence is not possible. The defence industry is therefore not only an economic sector, but a military capability *sui generis*.

In order to quickly build up and sustain the industrial base necessary for military deterrence, Europe needs not only higher defence budgets but also systemic reforms. It is important to set the right priorities, optimise processes, and overcome inefficient and expensive fragmentation. Despite all the increases in national budgets, no member state will be able to defend itself alone. Consequently, we need to act as Europe, rather than as

nation-states, to finance, develop, build and procure the strategic capabilities needed to credibly deter any adversary.

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