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Policy Debate of the Hour

EU Defense Union:

Short-Term Feasibility and Long-Term Coherence

Key Messages

- Short-term solutions to European security should not create path dependencies leading to undesirable long-term outcomes
- Intertemporal coherence requires treating defense as a European public good with effective voting arrangements, robust financing mechanisms, long-term strategic autonomy, and tight joint command and control
- Only a Treaty reform or a separate European defense treaty of like-minded EU countries, with possible association of third countries, can deliver long-run security in Europe
- For the journey toward this outcome to be successful, medium-term goals should align with long-term objectives to avoid institutional incoherence



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Recently, a number of new EU instruments in the area of defense have been developed or are being developed. Examples are the European Defence Fund (EDF), Permanent Structured Cooperation (PESCO), and the European Peace Facility (EPF). However, the instruments are fragmented and relatively small in size.

Recent geopolitical developments, in particular the uncertainty created by the new Trump administration regarding the US commitment to the defense of Europe, require larger steps. However, not all EU countries have come to terms with the new reality and many are hesitant to com-

mit to further conventional defense integration.[1] Hence, in the short run it is inevitable to proceed with coalitions of the willing, but a sustainable long-run solution would see European defense embedded in the EU institutional structure (see e. g., Besch and Youngs 2025).

This article explores the issue of the coherence between the short-term imperative of moving quickly and mobilizing maximum resources and the longer-term goal of ensuring institutional coherence in the area of defense. In economic terms, this reflects heterogeneity of preferences and high political discount rates, which tend to prevent policymakers from focusing on optimal crisis resolution policies, leading instead to immediate but underwhelming fixes (Schmitter 1970; Pierson 1996; Jones, Kelemen, and Munier 2015; Nicoli 2025). This risks creating path dependencies from which it is politically and institutionally difficult to escape.

European integration typically advances through "cycles," often opened and closed by crises (Schmitter 2002), moving from "initiation" to "consolidation" to "transformation." Defense is now going through such an initiation cycle but pursued in a somewhat scattered manner. We will argue that defense is too essential to the physical security and economic well-being of Europe to lose sight of a long-term coherent plan. We develop this argument by first reviewing current defense initiatives (Section 2). Next, we propose criteria to determine coherent long-term goals for EU defense integration (Section 3), after which we hold existing proposals against these criteria (Section 4). In Section 5 we discuss how to ensure that once defense integration enters its "consolidation" stage, the institutions and mechanisms created remain consistent with the long-term goal of European strategic autonomy, while avoiding path dependencies that might undermine European security. The final section concludes.

Variable Geometry

Defense is not an EU competence and, hence, defense integration has been proceeding at a slow pace, starting from a low base. The piecemeal steps undertaken so far have resulted from European Commission initiatives and taken the form of gradually adding new instruments to existing ones, in the absence of a strategic plan with a collectively supported end point. However, the war of aggression of Russia against Ukraine and the announced disengagement of the new US administration from Europe have made defense the new frontier of integration. Feeling the threat that Russia could in due time have the capacity to attack NATO members, the European Commission recently presented its EUR 800 billion ReArm Europe plan. It foresees EUR 650 billion extra flexibility in the EU fiscal rules for defense spending, and it establishes a EUR 150 billion new financial instrument, entitled "SAFE" to channel EU loans to member states.

Whilst potentially useful as a first step, the plan falls short of treating defense as a European public good (EPG): coordinated decision making, collective financing, and joint procurement, with a view to standardization and avoiding duplication and blind spots, provides for a much stronger deterrence than each country going it alone. This omission is not surprising in view of the reluctance to relinquish national military sovereignty. Hence, in the short run further defense integration seems possible only with a coalition of the willing, but this will create longer-term challenges.

Coalitions of the willing already exist, and usually they attract more countries once a coalition has come off the ground. PESCO is an example started by five countries that now includes all EU member states, except for Malta, as well as non-EU countries. Closer collaboration facilitated by EU institutions requires a minimum of nine member states and unanimity of all countries (Art. 329 – 2 TFEU). As with the Schengen Agreement, coalitions of the willing for joint defense policy could also include third countries. The question, however, is what their formal rights and position will be once an arrangement gets embedded into the EU structure. While decisions on a common defense policy in principle require unanimity, the so-called "passerelle clause" allows deviation from it. However, the move toward alternative forms of decision making requires unanimity (e. g., see AIV 2025). Alternatively, it is possible to start a coalition of the willing outside the EU institutional structure. This would however complicate embedding it later on into the EU structure, undermining the long-term strategic autonomy of the EU as an institution and polity.

Key Institutional Criteria for Common EU Defense

Any of the current defense initiatives need to be consistent with the desired long-term EU institutional setting. To this end, we identify a set of essential criteria for an optimal design of European defense policy from an institutional perspective. These criteria concern (1) the legal basis, (2) voting arrangements, (3) financing mechanisms, (4) long-term EU strategic autonomy, (5) market creation and harmonization, and (6) joint command and control.

[1] This paper does not deal with the issue of nuclear deterrence, even though it might constitute one of the clearest forms of defense-oriented European public good (Beetsma, Buti, and Nicoli 2024a). For a discussion of how to organize European nuclear deterrence, see Gilli and Nicoli (2025).

1. Legal basis. A key question is whether the design of defense cooperation/integration can be achieved under the current Treaties or requires a Treaty change or a new treaty. Current Treaty provisions greatly limit what can be done in defense matters. Not only can the EU budget not be used to directly finance military capabilities, but also defense goods are excluded from the single market rules. Alternatively, EU member states could create novel legal bases (e.g., a new treaty), either among themselves or also with non-EU member states.
2. Voting arrangements. Here one needs to distinguish between setting up a new arrangement versus decisions on operational matters. A coalition of the willing has by definition the consent of its founding members, who will need to agree on the voting procedures concerning the admission of future members as well as operational matters. Unanimity on admitting new members is natural. However, operational matters require majority voting to avoid stagnation. This is particularly important in light of domestic political cycles, in which the policy of the national governments may change. Majority voting is also a protection against countries joining an arrangement merely to disrupt it.
3. Financing. A new defense cooperation needs to be endowed with sufficient resources to develop armament systems, procure them, and deploy forces. For an arrangement formed by a coalition of the willing, financing might take the form of a separate fund with some paid-in capital and guarantees, as is for example the case for the European Stability Mechanism and the European Investment Bank. Incorporating a common defense policy into the EU multiannual financial framework (MFF) would generally only be feasible once all EU members start participating and a Treaty amendment has been enacted.
4. Long-term EU strategic autonomy. EU defense autonomy requires the EU or a subgroup of EU countries to have sufficiently integrated armies, supported by a military industry able to provide the necessary materiel in the full range needed. Autonomy is maximized by a centralization of operational capabilities, consistent with defense as a "genuine" EPG, i.e., a public good whose delivery and financing takes place at centralized level (Beetsma et al. 2024a, 2024b, 2025).
5. Market creation and harmonization. The EU defense industry should be able to support EU military forces with limited reliance on third-party supplies, especially in the event of a crisis. Market-wise, the EU faces quantity, quality, and regulatory challenges: quantity-wise, the EU production capacity is insufficient and is unprepared for conflict; it also relies on imports for most components and final products, especially from the US. Quality-wise, European military production tends to be second-grade relative to the US with its more advanced technology. Moreover, EU defense depends on US software and systems. Finally, defense production is segmented along national borders, because the single market excludes defense products and national defense companies have strong ties with their governments. The result is the coexistence of different armament systems, leading to limited interoperability and a lack of scale. Joint procurement would create a distance between the decision-making entity and the producers of weapons systems, helping disentangle the regulatory capture of national governments by national champions and forcing them to compete (Nicoli and Beetsma 2024).
6. Joint command and control. Centralized decision-making, coupled with joint procurement and joint capabilities, can speed up operational deployment of forces in response to crises, avoiding slow decision-making at the level of all EU member states. The EU is already moving in this direction with its novel Rapid Deployment Capability (RDC), which, however, remains under the control of the European Council by unanimity decision-making.

Comparing Institutional Designs

Table 1 evaluates existing or proposed EU defense policy arrangements against the above criteria.

SAFE is modeled after the "Support to mitigate Unemployment Risks in an Emergency" (SURE) (European Commission 2025), through which member states received loans on favorable terms to help finance the protection of employment during the Covid-19 crisis. SAFE is also based on Article 122, which allows rapid decisions in situations of emergency. As such it does not require unanimity and the involvement of the European Parliament. Being confined to the EU, SAFE can contribute to EU strategic autonomy, but decisions on the allocation of loans will be largely decentralized (in ReArm Europe, at the level of the countries carrying out a project) and harmonization will be hard to achieve.

Another option would be an arrangement modeled after the Recovery and Resilience Facility (RRF). Again, no Treaty change was needed, but unanimity to install the facility was. Loan and grant issuance are approved in an ECOFIN vote and financed with EU debt. The main drawback is that RRF plans do not have an EU dimension (Beetsma, Codogno, and van den Noord 2020). An RRF-like arrangement would contribute to EU strategic autonomy

but would not contribute to centralized decision-making and standardization.

PESCO "offers a legal framework to jointly plan, develop, and invest in shared capability projects, and enhance the operational readiness and contribution of armed forces" (European Defence Agency 2025a, b). It requires no Treaty change, while operational decisions are taken by majority vote. PESCO projects are co-funded from the EU budget through the European Defence Fund, while the remaining financing comes from national budgets. Because projects are formed by variable sets of countries, possibly non-EU, PESCO does not promote EU strategic autonomy, nor does it aid in achieving harmonization and centralization of decision-making.

A NATO sub-organization formed by countries that are also EU member states would allow these countries to operate as a block within NATO by having them coordinate their positions among themselves. No new treaty is needed. By definition, it would not produce EU strategic autonomy, nor in itself lead to harmonization of weaponry. Centralization of decision-making is at most limited.

Wolff, Steinbach, and Zettelmeyer (2025) propose a European Defence Mechanism (EDM) based on an intergovernmental treaty (like the ESM) with a capacity to fund joint procurement and with strategic enablers in specific areas. Debt issuance would be allowed. In contrast to the ESM, which is confined to the euro area, the EDM may also include non-EU countries on an equal footing (like the European Space Agency). Operational decisions take place by majority vote. Given that EDM membership does not coincide with that of the EU, it will not promote EU strategic autonomy. However, among its members the arrangement may lead to more harmonization and centralization.

It is also possible to devise an EDM that would limit voting to the EU member states but allow non-EU members to participate without a vote, similarly to how the Eurozone works, since some non-EU countries use the euro (e. g., Montenegro and San Marino) without partaking in the decision-making. This variation relative to the original EDM proposal would have the advantage of promoting the strategic autonomy of the EU.

Table 1

Comparing Designs for Defense Policy

	New legal basis	Majority voting on operational matters	Financing mechanisms	Long-term strategic autonomy	Harmonization	Degree of joint command and control
SAFE	No	Yes	Loans on favorable terms	Yes	Difficult to attain	Low
RRF-like	No / unanimity needed at moment of creation	Yes	Loans and grants from EU budget (EU debt issuance)	Yes	Difficult to attain	None
PESCO	No	No	Co-funding from EDF (no debt)	No	Difficult to attain	Low
NATO sub-organization	No	No	Contributions	No	Attainable	Limited
EDM (non-EU members are full members)	Yes	Yes	Fund (can issue debt)	No	Attainable	Full
EDM (non-EU members are only associated)	Yes	Yes	Fund (can issue debt)	Yes	Attainable	Full
European Defense Union	Yes	Yes	EU budget (can issue debt)	Yes	Attainable	Full

Source: Authors' elaboration.

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Finally, the politically most far-reaching model would be a new treaty establishing a European Defence Union (EDU) with a unified European army with single budget and joint procurement that would operate independently or as a European pillar within NATO.[2] Given the incomplete overlap between EU and NATO membership, the EDU could start with a subset of EU NATO members and over time expand as more EU members join NATO. Operational decisions will be taken by majority vote, to foster further integration and combat readiness; political oversight will be provided by common institutions, including the European Parliament; and resources for the deployment and operation of any joint forces will be genuine own resources and not transfers from the member states.

From the Short Term to the Long Term

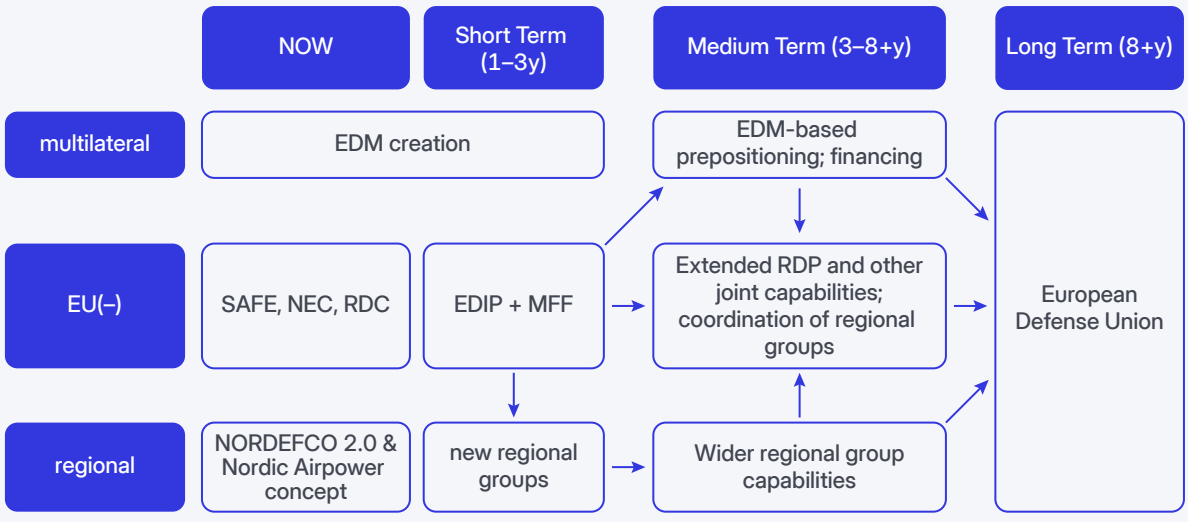
Only a Treaty reform or a treaty between like-minded EU member states, with the possible association of third countries, can deliver long-run security in Europe by delivering defense as a "genuine" EPG. The other options would generally fall short on at least one of the criteria listed in Table 1 and could potentially serve only as a temporary solution; furthermore, available evidence suggests that citizens by and large prefer more ambitious defense plans for the EU rather than a patchwork of intergovernmental solutions (Nicoli, Burgoon, and van der Duin 2025). For the journey toward an EDU to be successful, medium-term goals should align with long-term objectives to avoid institutional incoherence. However, at this stage one should not fix a precise end design for the EDU, to avoid losing countries along the way. This transition proceeds through various stages (see Figure 1). We currently observe a plurality of heterogeneous and – for the moment – largely uncoordinated initiatives from various actors along three main strands: at the multilateral level, at the EU level proper through ad hoc coalitions of the willing, and in regional cooperations between neighbors with shared short-term security concerns.

With Rearm Europe, the EU intends to boost military spending by allowing use of the national escape clauses (NEC) and providing back-to-back loans under the SAFE initiative for joint procurement by two or more countries. The EU is also taking preliminary steps toward developing military capabilities of its own. The RDC, which was initially set up as a part of the EU Strategic Compass, has reportedly reached "operational status." While details on this capability remain scarce, it has presumably inherited the governance

[2] The concept dates back to the Treaty establishing the European Defence Community (EDC), signed in 1952, but never fully ratified (Fabbrini 2025).

Figure 1

The Three Initial Strands and the Long-Run Outcome



Note: EDIP stands for European Defence Industry Programme.
Source: Authors' elaboration.

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structure of pre-existing EU battle groups. The RDC should have a larger fighting force of 5,000 fully equipped servicepeople, but their readiness, rules of engagement, and commanding structures have, for the moment, not been revealed to the general public.

Beyond the EU, groups of member states are teaming up. Similar to the EDM approach, but with the objective of regional security, Nordic countries are in advanced negotiations on tight coordination, with the Baltics also potentially participating. This "NORDEFCO 2.0" cooperation might soon evolve into a form of common command and even joint forces. This is preceded by the Nordic Airpower Concept, an agreement between the Nordics to completely integrate their air forces; to this end, they have already established a Joint Nordic Air Command and a Joint Air Operation Centre, tasked with the management and integration of their air forces.

How to consolidate existing initiatives into a coherent and politically acceptable medium-term configuration that can evolve into an EDU in the long run? The EDM, whose creation is being discussed at the multilateral level by some EU members, the UK, Norway, and Ukraine, would ideally evolve into an entity allowed to directly purchase and preposition weapons stockpiles in participating EU member states. The EDU could in time appropriate these stockpiles to supply its forces.

At the EU level, we would expect to see a coherent defense industrial strategy with a single market component in the short run and a political agreement to include defense spending under the MFF in the longer run, thereby temporarily overriding the limitations in Art. 41.2 of the Treaty on European Union. In particular, the MFF could include a defense reserve fund to finance equipment, training, temporary operations, possibly expansion of the RDC, as well as the creation, in the medium term, of additional genuine defense EPGs, such as collective air defense. It could also support the procurement of common stockpiles, possibly in cooperation with the EDM, and contribute to the setup of regional military integration schemes.

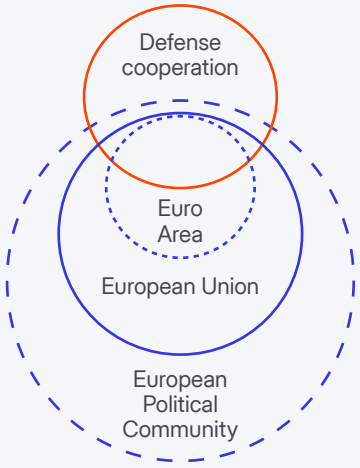
Regional cooperation would ideally be supported by financial incentives in the MFF for regional groups to follow the Nordics' path toward the full integration of certain capabilities, such as joint fighting forces. The EDU could provide a forum to integrate these regional capabilities under a joint command in the long term.

Hence, over time, the three medium-term strands culminate into an EDU that provides strategic autonomy for the

Figure 2

Long Versus Short Run

A. Defence Cooperation Without Institutional Coherence



B. Defence Integration with Institutional Coherence



Source: Authors' elaboration.

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EU. Common military equipment will be procured and owned by the EDU organization, while deployment of capabilities occurs through a qualified majority vote.

Policy Conclusion

Recent geopolitical developments have accelerated multilateral, EU, and regional initiatives to strengthen EU defense. However, these consist of short-term decisions compatible with political reality, but potentially creating path dependencies with undesirable long-term outcomes. Our analysis has laid out a coherent path to an EDU.

Figure 2 contrasts the short-run configuration (left) with the desired long-run outcome (right). The short run is characterized by coalitions of willing EU and non-EU countries. The EU cooperates politically with the latter as a part of the European Political Community, for example Ukraine, but also further out with countries like Australia, Canada, and South Korea that share its values. As explained, this constellation complicates further defense policy integration. First, it promotes institutional proliferation and multiplication of parallel institutions, which would hamper coordination and slow down decision-making. Second, it makes it more difficult to build up EU strategic autonomy. Finally, new arrangements may risk inconsistency with existing treaties.

This paper has laid out a set of criteria for an effective EU defense policy. The EDU on the right-hand side of Figure 2 is consistent with these criteria. It pools defense sovereignty, providing the EU with defense autonomy, joint procurement with equipment owned by the EDU, centralized decision-making based on qualified majority voting, and common deployment of troops. This paper has set out a transitional path to an EDU, without already fixing its end design, in order to avoid losing countries along the way. •

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