

BLOG — POST

For its defence, Europe needs an armament single market

Now an undisputed priority, Europe's rearmament effort requires a combination of several factors. The first is, of course, an increase in military budgets. This is already underway but, limited by economic realities, we know how necessary it is to combine "spending more" with "spending better." Among the instruments designed to achieve this second objective are cooperation on armament programs, joint procurement, innovation, and European preference. Opening up national defence markets to establish a common armaments market is also critical to improving the return on defence investment:

- From an economic point of view, as in other sectors, this opening up would have the dual benefit of stimulating competition and thus the competitiveness of industrial players, and significantly expanding the market accessible to them.
- From a political point of view, we know that this is a sensitive issue insofar as a forced opening of public defence markets would constrain the freedom of choice that EU Member States wish to preserve when it comes to their security interests.
- Finally, from a technical point of view, the implementation of a true single market in defence requires compliance with enforcing specific rules, the development of which remains complex.

The European Commission is preparing a communication and proposals aimed at facilitating the exchange of defense equipment within the EU¹. The European Parliament is also preparing to debate this issue². In this context, four arguments must be taken into consideration in order to fully appreciate the scale of this challenge:



I • Enabling the European defense industry to benefit from the scale effect:

Although there are no precise statistics on intra-European arms trade, the following estimates can be made: in 2025, EU member states' expenditure on the development, acquisition, and maintenance of military equipment will have reached a total of around €130 billion. Exports outside the EU are expected to be around €60 billion, leading to a total turnover – theoretically accessible to European industry – of around €200 billion.

Less than 20% of this expenditure is carried out in cooperation. Only 20% is subject to open competition among EU suppliers, with three-quarters of these contracts being however awarded to domestic suppliers³. And we know that non-EU purchases account for a significant share of the total, exceeding 50%.

Although approximate, these estimates highlight the predominantly national nature of Member States' procurement policies, with the majority of non-domestic purchases benefiting non-EU companies. This means that the European defence market is now largely open to external suppliers, while access remains restricted for European companies.

Two European directives adopted in 2009 seek to remedy this situation: one⁴ aims to streamline transfers between Member States by simplifying and harmonizing export control procedures within the EU; the other⁵ proposes a unified framework for defense tenders and procurement. These directives have only partially achieved their objectives due to their complexity, their uneven transposition into national law, and the ability of states to exempt themselves by invoking Article 346 TFEU (which protects their essential security interests).

Overall, this assessment shows the extent to which European companies are at a disadvantage compared to their American competitors, who have protected access to a domestic market that is more than twice the size of the EU. This reality also dilutes the effect of budget increases, which are spread across a fragmented territory rather than invested in an integrated market.

II • Unleashing the tools aimed at strengthening the EU's defence capabilities and autonomy

The various levers available to Member States or put in place by the EU to improve the return on defence investments are now seeing their effectiveness hampered by the cost of intra-European transfers:

- While their implementation requires multiple cross-border operations, large cooperative programs, which form the backbone of an autonomous European defence, must pay the significant price of intra-Community control procedures.
- Consortiums wishing to benefit from the European Defence Fund face the same administrative barriers, wasting time and resources on their projects and slowing down the dissemination of the innovations they are producing.
- The same applies to joint procurement between several countries, which the EU's recent EDIP and SAFE programs aim to encourage.

- These obstacles are particularly damaging when it comes to new technologies and digital systems, whose design and use are often not constrained by borders⁶ (and for which American dominance is blatant...).
- At a time when priority is being given to production and security of supply is becoming a central concern for manufacturers, this is being undermined by border controls that prevent the diversification of supply chains.
- Added to this is a serious operational handicap for the deployment of military equipment in Europe, which is subject to disparate national transfer rules, including within the framework of the “military Schengen” recently proposed by the European Commission⁷.

To be effective, efforts by Member States to better aggregate demand in the field of armaments must be accompanied by a decompartmentalisation of supply, which requires opening up the internal market.

III • Having industrial competitiveness in support of European preference

This move to open up defence markets is currently facing resistance on two fronts: from states that are reluctant to give up their freedom in choosing equipment for their armed forces, and from manufacturers who fear the effects of competition. Are these fears still justified, given that no one now disputes the urgent need for autonomous European rearmament?

First, it should be noted that the protectionist reflex is the preserve of large countries, which are more concerned than others with protecting their national industries and keeping control over their supplies from them⁸. However, it is likely that these major players would benefit most from a breakdown of barriers: states would be able to pool their domestic purchases more effectively with partner countries and customers, and companies would have access to new market shares (provided they are competitive...). Their reluctance to engage in intra-European competition is therefore paradoxical in many respects.

The argument for European preference would find application here by allowing European suppliers to operate without hindrance with all national arms procurement agencies. This would be particularly true for value chains that are currently under pressure from demand but remain hampered by market fragmentation.

This market consolidation would also have a structuring effect on the industrial base by encouraging companies to cooperate and join forces to meet the increased demand. Better integration of the European defence industry, which is currently excessively fragmented, is obviously one of the conditions for European rearmament.

IV • What to do: a European strategy in two stages (political and military)

It has to be clear that the open approach promoted here introduces a distinction between intra-European transfers – which should no longer be considered exports – and exports outside the European Union.

With regard to the latter, there is currently only one European reference framework, the 2008 Common Position⁹ which establishes a number of criteria (eight in total) that states must comply with when making decisions on arms exports. However, this text is not binding and, in practice, leaves states entirely free to make their own decisions.

Another agreement – which does not fall under the EU – the Franco-German Aachen Treaty (2019), sets out more specific rules for the export of arms produced in cooperation, introducing the principle of prohibiting the blocking of an export by a minority partner. Spain has joined this agreement, which could pave the way for a similar rule to be extended to the EU level (which would have the means to make it binding...), but this is not on the agenda.

These provisions would not be affected in any way by a greater opening up of the rules concerning the internal market: these are two separate issues, as are the EU rules applying to the single market on the one hand and to foreign trade on the other.

But who can doubt that an industry backed by a large integrated domestic market, as American companies are, would be better able to conquer foreign markets if given the opportunity? This would undoubtedly require more harmonized and predictable export rules at the European level, but that is not currently an issue being addressed.

Under the guise of sovereignty, the protectionism currently in force actually reduces the room for maneuver available to European states to rearm themselves, without preventing their dependence on American industry. Conversely, the establishment of a common defense market would contribute significantly to this by strengthening the beneficial impact of EU-funded programs, facilitating cross-border cooperation, and stimulating the competitiveness of its industry.

To achieve this goal, three actions are necessary: the establishment of a transparent and reliable database on intra-EU arms trade, the revision of the 2009 directives to streamline trade and compel states and prime contractors to open their tenders, and the implementation of safeguards to ensure that this openness benefits EU companies exclusively. It is ambitious, but it is urgent.

FOOTNOTES :

¹ See **Consultation in progress**

² See **Study for the SEDE Committee**

³ See **ECIPE Policy Brief No. 20/2025**, « *Openness and fragmentation in EU defense procurement* »

⁴ **Directive 2009/43/EC** simplifying the conditions for the transfer of defense-related products

⁵ **Directive 2009/81/EC** on the coordination of procedures for the award of contracts in the fields of defense and security

⁶ See **Blogpost** “Digital divide in armaments: an opportunity for Europe” (IJD, October 2025)

⁷ See **Military Mobility package** (November 2025)

⁸ See **ECIPE Policy Brief No. 20/2025**, “*Openness and Fragmentation in EU Defense Procurement*”

⁹ See **Common Position 2008/944/PESC** defining common rules governing the control of exports of military technology and equipment