Instituto Español de Estudios Estratégicos

Analysis

Paper

81/2025 17/12/202

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Trick or treat: European defence ambitions and the realities of US-EU trade agreement

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Abstract

This article examines the implications of the 2025 United States–European Union Trade Framework Agreement, with a particular focus on its impact on defence investments and procurement in Europe. It highlights the transactional approach of the current U.S. administration and discusses how arguments concerning reciprocity are redefining transatlantic relations in both trade and security.

It analyses the compatibility between the increase in European acquisitions of U.S. military equipment stipulated by the Agreement and the goals of the European Defence Industrial Strategy (EDIS), especially the commitment to procuring defence capabilities manufactured within Europe. While the Agreement aligns with NATO's interoperability objectives, it raises doubts about European strategic autonomy in the medium and long term, as well as the feasibility of EDIS targets.

Using three scenarios, the authors assess prospects for balancing defence procurement from the U.S. and European markets, taking into account commitments and projected trends in expenditure, investment, and procurement up to 2035. The article concludes that, although U.S. imports may temporarily increase, sustained investment in the European defence industry could allow EDIS targets to be achieved, provided Member States maintain a trajectory of increasing expenditure and procurement in line with shared strategic European interests.

Keywords: US-EU trade agreement, defence, investment, procurement, EDIS, strategic autonomy.

Truco o trato: las ambiciones europeas de defensa y la realidad del acuerdo comercial EE.UU.-EU

Resumen:

Este artículo analiza las implicaciones del Acuerdo Marco de Comercio entre Estados Unidos y la Unión Europea de 2025, centrándose en su impacto sobre las inversiones y adquisiciones de defensa en Europa. Destaca el enfoque transaccional de la actual administración estadounidense y argumenta cómo los argumentos de reciprocidad están redefiniendo las relaciones transatlánticas en el ámbito comercial y de seguridad.
Se analiza la compatibilidad entre el incremento de adquisiciones europeas de material militar estadounidense que estipula el Acuerdo y los objetivos de la Estrategia Industrial de Defensa Europea (EDIS), en particular la apuesta por comprar capacidades de defensa fabricadas en Europa. Si bien el Acuerdo se alinea con los objetivos de interoperabilidad de la OTAN, plantea dudas sobre la autonomía estratégica europea a medio y largo plazo, así como sobre la viabilidad de los objetivos de la EDIS.
Empleando tres escenarios, los autores evalúan las perspectivas para equilibrar la adquisición de equipos de defensa en los mercados estadounidenses y europeo, considerando los compromisos y las tendencias proyectadas de gasto, inversión y adquisición hasta 2035. El artículo concluye que, aunque las importaciones estadounidenses puedan aumentar temporalmente, una inversión sostenida en la industria europea de defensa podría permitir alcanzar los objetivos de la EDIS, siempre que los Estados Miembros mantengan una trayectoria de incremento del gasto y la adquisición en línea con los intereses estratégicos comunes europeos.
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Palabras clave:

Acuerdo Comercial Estados Unidos-Unión Europea, defensa, inversión, adquisición, EDIS, autonomía estratégica.
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How to cite this document:

CASTILLA, Juan C. and FONFRÍA MESA, Antonio. *Trick or treat: European defence ambitions and the realities of US-EU trade agreement* IEEE Analysis Document 81/2025. IEEE web link and/or bie link[3] (accessed day/month/year)

Introduction

On 27 July 2025, the President of the United States (US), Donald J. Trump, and the President of the European Commission, Ursula von der Leyen, reached an initial agreement on tariffs and trade[1] . The framework agreement was published on 21 August 2025: «Joint Declaration on a Framework between the United States and the European Union for a Reciprocal, Fair and Balanced Trade Agreement»[2].

On 24 October 2025, Professor Daniel Fiott posted the following on his LinkedIn page:

> The European Union gives us professors very interesting (and frankly laughable) exam questions to pose students. For example, compare and contrast the two statements made only a few weeks apart:
>
> 1. «The European Union plans to substantially increase procurement of military and defence equipment from the United States, with the support and facilitation of the US government» (EU-US Turnberry «Trade Deal», 2025) and
>
> 2. «Against the backdrop of a growing and evolving threat landscape, Europe's defence must be developed in Europe» (Europe's Independence Moment, Commission Work Programme 2026).

The EU–US «Trade Deal» announced in Turnberry, Scotland, can be seen as a partial outcome of the new U.S. administration's foreign policy, potentially reflecting a broader «grand strategy of reciprocity»[3] .

Trumpism is a consequence of internal dynamics of disaffection and national retrenchment, marking a political paradigm shift that also influences perceptions of the international order.

French analyst Maud Quessard identifies several characteristics of Trump 2.0's foreign policy[4]. These include an offensive ideological stance rooted in a certain messianic-religious vision; the use of new information management tools that replace traditional public diplomacy and dilute US soft power; and the strategic reconfiguration or mutation

[1] EUROPEAN COMMISSION. "Questions and answers: Tariffs and trade agreement between the US and the EU," *Press Corner*. 2025. https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_1930
Note: All hyperlinks in this article are active as of 1 December 2025.
[2] Paragraph 7 of the European Commission: "Joint Declaration on a Framework between the United States and the European Union for Reciprocal, Fair and Balanced Trade." 2025. https://policy.trade.ec.europa.eu/news/joint-statement-united-states-european-union-framework-agreement-reciprocal-fair-and-balanced-trade-2025-08-21_en
[3] CASS, O. "A Grand Strategy of Reciprocity," *Foreign Affairs*. 2025.
[4] QUESSARD, M. "Power without principles: The geopolitics of Trumpism," *IRSEM,* Study No. 126. 2025, pp. 44–46. https://www.irsem.fr/storage/file_manager_files/2025/09/etude-irsem-126-quessard-ok.pdf

of NATO, which has undergone an identity crisis and has been subsumed into a transactional alliance[5], a kind of «contractual federation of variable interests»[6]. She also points to the intensification of the «militarisation of economic relations»[7] , i.e. the use of economic instruments (sanctions, trade, tariffs, technology, currency, etc.) as a weapon of coercion to redefine the rules of international trade relations.

In *Foreign Affairs*, Oren Cass, an American close to Trumpism, analyses current foreign policy as an effort to implement *A Grand Strategy of Reciprocity* (2025), which for European allies implies «a new alliance or no alliance». Oren Cass's proposal replaces liberal hegemony with a system of mutual obligations and balanced commitments. It requires allies to take primary responsibility for their own defence, to ensure fair trade by opening up surplus economies such as Germany's, and to exclude China from the Western economic sphere. For European partners, this implies deeper rearmament, industrial revival and economic disengagement from China under firm US conditions. Cass concludes that embracing reciprocity and clear spheres of influence is essential to rebuilding a cohesive Western bloc and maintaining a viable transatlantic partnership. Oren Cass advocates replacing US liberal hegemony with a system based on mutual obligation among equals.

Reciprocity among equals implies that both the US and its European allies and partners within the European Union (EU) have the same right to seek a functioning defence industrial market and to redress the existing imbalance in the procurement and sale of military equipment, as envisaged in the 2024 European Defence Industrial Strategy (EDIS).

Despite growing US ambition to expand US arms sales to Europe, the cability of the US defence industrial base to meet demand in both Europe and Asia is in doubt, especially in the event of simultaneous conflicts in both regions, as highlighted in recent RAND assessments:

> «The U.S. defense industrial base (DIB) is unable to meet the equipment, technology, and munitions needs of the United States and its allies and partners.

[5] CASTILLA, J. C. *NATO between Washington and The Hague: Identity Crisis and Discourse*. Analysis Document IEEE 57/2025. https://www.defensa.gob.es/documents/2073105/2766091/la_otan_entre_washington_y_la_haya_2025_dieeea57_eng.pdf/4c6bf7a1-34ef-ef2f-cd7d-901cb036eb82

[6] QUESSARD, M. Ibid. 2025, p. 82.

6 BUCHHOLZ, K. "EU-US Trade Levels Out Between Goods and Services." 2025. https://www.statista.com/chart/34886/net-deficit-surplus-of-eu-trade-with-the-united-states/

[7] QUESSARD, M. Ibid. 2025, pp. 44–46.

> A protracted conflict, especially in multiple theaters, would require much greater capacity to produce, maintain, and replenish weapons and munitions. […] The United States should coordinate and partner with its allies in mutually beneficial ways to increase industrial capacity, especially since the U.S. industrial base is unable to produce everything needed» (Commission on the National Defense Strategy 2024, pp. 4-5)[8] .

Although many analysts in Europe remain highly critical of the initial trade agreement in Scotland, Spanish economist Daniel Lacalle views it positively. He makes the following observations about its implications for defence:

> «Some media outlets have misrepresented the agreement's military equipment element. It is false that the agreement requires the EU to buy only US military equipment. These are two distinct topics, and the agreement does not reduce investment in European companies. The commitment is positive for the EU's rearmament plans and does not undermine domestic investment projects»[9].

It remains to be seen whether, despite the US sphere of influence—as Cass argues—this circumstance would necessarily limit the progressive acquisition of weapons produced in Europe, or not, as Lacalle claims.

This article analyses the compatibility between the objectives of the US-EU trade and tariff agreement and those of the 2024 European Defence Industrial Strategy (EDIS).

The process ahead in the geopolitical context

The Framework Agreement is only a first step before it can become legally binding, which requires ratification processes at the EU, Member States and US levels.

On the EU side, the process with the European Commission negotiating the text. It is then submitted for approval by a qualified majority of the Council of the EU; if defence issues are included, unanimous approval by the Council may be required. The European Parliament must also give its consent, as the agreement covers areas that fall within the EU's competence, such as tariffs and trade. In the case of shared competences, Member

[8] COMMISSION ON NATIONAL DEFENCE STRATEGY. *Summary Report*. Washington, D.C. 22 August 2024. https://www.armed-services.senate.gov/imo/media/doc/ndscommissionfinalreport.pdf Translation by the author.
[9] LACALLE, D. "Agreement or collapse: the agreement between the EU and the US is positive and the only realistic alternative." 2025. https://www.dlacalle.com/en/deal-or-collapse-the-eu-us-deal-is-positive-and-the-only-realistic-alternative

States must also ratify the agreement. The final step is its implementation through EU legislation.

Article 218 TFEU sets out the procedure for international agreements, while Article 207 TFEU provides the legal basis for agreements on common commercial policy, such as trade and foreign direct investment. As the agreement covers areas that are not the exclusive competence of the EU, it is considered a «mixed agreement»[10], which means that it must be signed by both the EU and its Member States. The Framework mainly concerns areas of exclusive EU competence (Article 3(1)(e) and Article 207 TFEU), but shared competences also apply (Article 4 TFEU), in particular in the areas of energy (Article 194 TFEU) and investment.

On the US side, the process is mainly carried out through executive actions, specifically through a Presidential Executive Order[11]. This means that the president can adjust tariffs and take similar measures without formal ratification by the Senate or Congress. As a result, the US process is often faster and more flexible than that of the EU.

The future trajectory of the potential agreement between the US and the EU can be examined in light of the Comprehensive Agreement on Investment (CAI) between the EU and China[12]. Although the CAI was agreed in principle in December 2020, it did not gain the approval of the Council because the European Parliament suspended the process before the vote, despite years of negotiations between the Commission and the Chinese authorities.

The path towards the implementation of the US-EU agreement could be a case study of European efforts to bind together in a context of rivalry between the US and China[13]. The proposed US-EU agreement on tariffs and trade influences European policies on the economy, trade, energy, technology and security. Its approval may be conditioned by external pressure from the US and the EU's pursuit of strategic autonomy. Efforts by a more assertive China to exert influence in the current geopolitical context cannot be ruled

[10] https://eur-lex.europa.eu/EN/legal-content/summary/international-agreements-and-the-eu-s-external-competences.html
[11] https://www.cov.com/en/news-and-insights/insights/2025/08/us--eu-trade-framework-outcome-and-next-steps
[12] KUANG, S. "The Rise and Fall of the EU-China Comprehensive Investment Agreement," *Journal of Contemporary European Studies*. 2024. https://www.tandfonline.com/doi/full/10.1080/14782804.2023.2293779
[13] SIMON, D. L. and FIOTT, D. "Player and playground: Europe in US–China competition," *Journal of European Integration*, 47(6). 2025, pp. 785-803.

out[14], seeking to provoke division through «external wedging»[15] among Member States to hinder the agreement with the US.

Some half-truths

The US-EU tariff and trade agreement not only sets tariffs at 15 % for most European products, thus avoiding a trade war, but also includes defence commitments highlighted by think tanks and sectoral analysts. The agreement foresees a significant increase in EU purchases of US military equipment, in line with NATO objectives and the shared intention to improve interoperability between allies and transatlantic industrial cooperation[16] , an area prone to competition and rivalry.

The US and the EU are strengthening coordination on export controls and supply chains, facilitating the secure exchange of strategic defence-related technologies and products. This commitment may strengthen the US industrial position, but it also raises concerns about Europe's long-term strategic autonomy. This is a particularly sensitive issue, as if the Union fails to effectively manage the implementation of the agreement, technological and industrial dependence on the US could worsen, especially in the defence industry.

During Trump's first term, his intention to unilaterally rewrite the rules of international trade was already evident[17]; during his second presidency, it is being put into practice. The half-truths are already evident in the very title of the Framework Agreement, as the tariffs of each party are not reciprocal: the United States imposes a 15 % tariff on EU products, while no equivalent applies in the opposite direction. The notion of fairness is highly debatable, but what is clear is that the provisions on the most-favoured-nation (MFN) principle do not apply as understood by the World Trade Organisation (WTO). The MFN principle requires countries to grant equal trading conditions to all WTO members; the different tariffs applied to the United Kingdom exemplify non-compliance. It seems that the combination of the principles of «America First» and «Most Favoured Nation» results

[14] BRINZA, A. *et al. EU–China relations: De-risking or de-coupling – the future of the EU strategy towards China*. Directorate-General for External Policies of the Union, European Parliament, March 2024. https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU(2024)754446_EN.pdf

[15] SIMÓN, L. and FIOTT, D. (eds.) 'European strategic autonomy in the era of US-China competition', *European Integration Review*, special issue, vol. 47, no. 8. Brussels, Routledge/Taylor & Francis, 2025. DOI: 10.1080/07036337.2025.2537369.

[16] QUINN, T. "Trade agreement between the US and the EU: strategic implications for the energy and defence sectors". 27 July 2025. https://www.ainvest.com/news/eu-trade-deal-strategic-implications-energy-defense-sectors-2507/

[17] QUESSARD, M. Ibid. 2025, p. 22; 37.

in trade negotiations in which *the United States must always be the most favoured nation* and that, if this were not the case, no agreement would be possible.

Regarding the possible agreement with the EU, the US objective is to restore equilibrium in the balance of payments or, if possible, reverse its direction, making it positive for the US. The overall US balance of payments deficit with the EU stood at approximately €49.7 billion in 2024[18]. For this reason, the EU is committing, among other things, to make purchases until 2028, such as $750 billion (approximately €640 billion) in energy products (liquefied natural gas, oil, nuclear energy) and at least $40 billion (approximately €34.24 billion) in chips for artificial intelligence. Similarly, «European companies are expected to invest an additional $600 billion» (approximately €554 billion) in strategic US sectors. Nevertheless, the Commission has no power to compel Member State companies to meet these expectations.

A priori, it appears that the commitments made by the EU exceed the sum of the current balance of payments deficit until 2028, guaranteeing «long-term pain»[19] for the Union.

With regard to defence, there is no specific quantification; however, the Framework Agreement includes the following paragraph related to defence investment:

> «The European Union plans to substantially increase procurement of military and defence equipment from the United States, with the support and facilitation of the US government. This commitment reflects a shared strategic priority to deepen transatlantic defence industrial cooperation, strengthen NATO interoperability, and ensure that European allies are equipped with the most advanced and reliable defence technologies available.»

The question arises as to whether the objectives of the European Defence Industry Strategy (EDIS) are compatible with the trade agreement; this cannot be determined in advance, as there is no quantification in the latter. Both could be achieved if purchases from the United States were increased and the «Made in EU» targets set by the EDIS were also met.

[18] BUCHHOLZ, K. Ibid. 2025.
[19] CENTRE FOR EUROPEAN POLITICAL STUDIES (CEPS). "EU-US trade agreement promises temporary relief but long-term difficulties." 2025. https://www.ceps.eu/the-eu-us-trade-deal-promises-temporary-relief-but-longer-term-pain/

Defence in the Framework Agreement on Tariffs and Trade

The sentence in the previous paragraph – «The European Union plans to substantially increase its procurement of military and defence equipment from the United States» – contains another half-truth, since the EU, as an organisation, lacks an integrated defence planning process through which the necessary capabilities are determined and on the basis of which military and defence equipment is procured; Member States themselves are responsible for developing their capabilities. NATO, on the other hand, does have such a process: the NATO Defence Planning Process (NDPP), although even within the Alliance, procurement remains essentially a national responsibility.

However, it is also true that the EU's approach to defence capability development is to achieve the greatest possible complementarity with NATO. As Mr Kubilius, EU Commissioner for Defence, pointed out in November 2024 during his appearance before the European Parliament, NATO will establish the necessary military capabilities, while the Union will use its instruments – such as the single market and industrial policies – to facilitate their development, whilst promoting «Made in Europe».

When the agreement states that «the European Union plans to substantially increase procurement of military and defence equipment from the US», it should be understood that the European Commission has no authority to compel Member States to purchase specific quantities of US military equipment. However, the Commission has launched initiatives to encourage substantial investment in military capabilities, while pursuing the objectives set out in the European Defence Industry Strategy (EDIS)[20].

The recent EU roadmap for investing more and better in defence

In the White Paper on Defence Preparedness for 2030, published in March 2025, the Commission urged Member States to increase «additional defence expenditure of up to 1.5 % of GDP. Based on gradual take-up, defence investment could reach at least EUR 800 bn over the next four years»[21] . The above paragraph therefore implies reaching 3.4 % of GDP in 2029 (an additional 1.5 % to the 1.9 % of GDP in 2024).

[20] EUROPEAN COMMISSION. *European Defence Industrial Strategy* (EDIS). Brussels, European Union, 2024. Defence industry

[21] *White Paper on European Defence Readiness for 2030*, p. 17. ReArm Europe Plan/Readiness for 2030

The European Central Bank's September macroeconomic projections for the euro area forecast average annual real GDP growth of 1.2 % in 2025, 1.0 % in 2026 and 1.3 % in 2027[22]. Taking these figures into account and assuming an annual increase of 1.5 % from 2028 onwards (in line with the historical average), these figures provide possible estimates for defence investment until 2029, as shown in the table below.

	Defence expenditure	% of EU GDP	Projected EU GDP	applied to GDP	Defence Investment	% of investment in defence within defence spending
2024	343	1.90	**18052.63**		106	31
2025	381	2.09	**18,269.26**	**1.20**	125	33
2026	445	2.41	**18,451.96**	**1.00**	147	33
2027	513	2.74	**18,691.83**	**1.30**	169	33
2028	583	3.07	**18,972.21**	**1.50**	192	33
2029	655	3.40	**19,256.79**	**1.50**	216	33

(Cells in grey are based on EDA defence data for 2024-2025. Prices for 2024, expressed in billions of euros).

Table1 . GDP forecasts, defence investment and acquisitions 2024-2029 (own elaboration)

As illustrated in the table above, cumulative «Defence Investment» for the years 2026 to 2029 (both inclusive) amounts to €724 billion, approximately €800 billion, as advocated in the White Paper.

Although this is an aspiration expressed by the Commission, the reality is that there are currently no binding PESCO commitments requiring participating Member States to allocate a specific percentage of GDP to defence expenditures. However, the European Defence Agency (EDA) uses NATO's investment targets as a reference when publishing its defence data for 2024-2025[23].

Furthermore, at the NATO summit held in The Hague (25 June 2025)[24], the allies agreed to invest 5% of annual GDP by 2035. The aforementioned EDA report explained NATO's targets as follows:

[22] EUROPEAN CENTRAL BANK. *ECB staff macroeconomic projections for the euro area, September 2025*. 2025. https://www.ecb.europa.eu/press/projections/html/ecb.projections202509_ecbstaff~c0da697d54.en.html

[23] EUROPEAN DEFENCE AGENCY. *Defence data 2024-2025*. 2025. https://eda.europa.eu/docs/default-source/brochures/2025-eda_defencedata_web.pdf

[24] NATO. *The Hague Summit Declaration issued by NATO Heads of State and Government, 25 June 2025*. 2025. https://www.nato.int/cps/en/natohq/official_texts_236705.htm

- «At least 3.5 % of GDP for core defence requirements, based on the agreed definition of NATO defence expenditure (and by implication EDA's defence expenditure definition), and aligned with NATO capability targets;
- Up to 1.5 % of GDP for broader security needs, such as critical infrastructure protection, defence of allies' networks, civil preparedness and resilience, innovation, and a stronger defence industrial base.» (Defence Data 2024 – 2025, p. 9)

On 16 October 2025, the Commission published the *Readiness Roadmap 2030*[25], which sets out the objectives and milestones for achieving defence readiness by 2030, as previously outlined in the *White Paper for European Defence*. On the same day, the *European Defence Industry Programme* (EDIP) received its initial approval. A central feature of both documents is the creation of so-called *European Defence Projects of Common Interest* (EDPCI). Four have been proposed so far: *Eastern Flank Surveillance*, the *European Drone Defence Initiative*, the *European Air Shield* and the *European Space Shield*. These initiatives represent the European approach to strengthening demand aggregation and cross-border cooperation between Member States, with the aim of building a functioning single European defence market.

The readiness roadmap for 2030 sets out some figures relating to the EU's plans for defence investment in military equipment:

> «Member States increased defence budgets from EUR 218 billion in 2021 to EUR 343 billion in 2024, projected to reach EUR 392 billion in 2025. Defence investments rose by 42 % in 2024, with EUR 106 billion allocated, and procurement of new equipment reached EUR 88 billion. New EU instruments were presented, like the European Defence Industry Programme, and a new strategic framework was provided with the White Paper for Defence Readiness. The ReArm Europe agenda will mobilise up to EUR 800 billion for defence, including through new funding instruments such as SAFE. The spending commitments undertaken by Allies at the June 2025 NATO Summit to reach the new core defence spending target of 3.5 % GDP by 2035 will require sustained expenditure in the next decade of at least additional EUR 288 billion each year.»

[25] EUROPEAN COMMISSION. "Preserving peace: a roadmap for defence preparedness 2030". JOIN(2025) 27 final. Brussels, 2025. https://defence-industry-space.ec.europa.eu/document/download/9db42c04-15c2-42e1-8364-60afb0073e68_en?filename=Joint-Communication%20_Defence-Readiness-Roadmap-2030.pdf

Both NATO guidelines and PESCO commitments[26] include a commitment to allocate at least 20 % of total «defence expenditure» to «defence investment».

Within the concept of «defence investment», the European Defence Agency (EDA) includes expenditure on equipment procurement, research and development (R&D) and research and technology (R&T)[27], the latter being part of R&D. In 2024, total investment amounted to €106 billion (31 % of total defence expenditure), of which €88 billion was spent on equipment procurement, representing approximately 83 % of total investment. The EDA advocates for a more substantial share of R&D in defence investment, but does not specify an explicit target percentage.

In March 2024, the EDIS set several targets for military equipment procurement, including a goal that at least 50 % of Member States' defence procurement budgets will be spent on EU-manufactured equipment by 2030, with a minimum target of 60 % by 2035. This leaves a maximum margin of 50 % (by 2030) and 40% (by 2035) for foreign purchases, including those made in the US.

According to SIPRI[28], between 2020 and 2024, 64 % (two-thirds) of defence imports by European allies came from the US, highlighting the scale of the challenge. The Draghi report[29], presented in September 2024, explicitly states that «between mid-2022 and mid-2023, 78 % of total EU defence procurement was awarded to non-EU suppliers, and 63% to the United States»; therefore, 15 % was allocated to non-EU suppliers other than the US. This represents purchases worth €55.4 billion from the US (63 %), €19.4 billion from the EU (22 %) and €13.2 billion from other suppliers (15 %).

[26] COUNCIL OF THE EUROPEAN UNION. Decision (CFSP) 2017/2315. 2017. https://eur-lex.europa.eu/legal-content/ES/ALL/?uri=CELEX:32017D2315

[27] EUROPEAN DEFENCE AGENCY. *Defence Data 2024–2025*. 2025, p. 12. https://eda.europa.eu/publications-and-data/thematic-policy-reports/eda-defence-data-2024-2025

[28] DJOKIC, K. 'Are European NATO member states moving towards self-sufficiency in arms procurement?', *SIPRI* commentary. 2025. https://www.sipri.org/commentary/topical-backgrounder/2025/are-european-nato-states-moving-towards-self-reliance-arms-procurement-qa-katarina-djokic

[29] EUROPEAN COMMISSION. *The future of European competitiveness*. September 2024, p. 8. 97e481fd-2dc3-412d-be4c-f152a8232961_en

	Defence spending	Defence investment	% of defence investment within defence expenditure	Acquisition of new equipment	% of acquisitions within defence investment	Procurement from the US	% of purchases from the US within total acquisitions of new equipment	Purchases of products manufactured in the EU	% of purchases made in the EU	New equipment purchases Non-US/Non-EU	% of purchases outside the US/EU of total acquisitions of new equipment
2024	343	106	31	88	83	55.4	63	19.4	22	13.2	15.0
2025	381	125	33	104	83	61.2	59.0	27.7	26.7	14.9	14.3

(Cells in grey are based on EDA defence data for 2024-2025. Prices for 2024, expressed in billions of euros).

Table2 . Defence data projections 2024-2025 (own elaboration)

Based on the data presented, and in order to address the research question, it is necessary to outline several scenarios analysing the compatibility between an absolute increase in US military equipment procurement and the achievement of the objectives of the European Defence Industrial Strategy (EDIS), specifically the percentage increase in procurement of «Made in Europe» equipment.

Definition and analysis of scenarios

It is important to consider the time frame; to address our research question, three scenarios can be considered.

In all of them, the objectives set out in the European Defence Industrial Strategy (EDIS) are achieved; specifically, the proportion of military equipment procured within the EU increases to 50 % in 2030 and continues to increase to 60 % in 2035.

Scenario No. 1

a) In this first scenario, the defence expenditure target of 3.4% of GDP for core defence is expected to be reached in the next four years, by 2029, as advocated by the Commission in March 2025. The projection includes a gradual increase to a sustained level of 3.5 % in 2035.

b) The share allocated to defence investment is expected to remain at up to 33 % of the total defence budget until 2030, before gradually declining to around 20 % in 2035. This assumption is based on the idea that a growing defence budget would allow for greater

investment in absolute terms (relative to 2024), even if the relative share within total expenditure decreases to comply with NATO guidelines and PESCO commitments.

c) Within defence investment, the share allocated to military equipment procurement will remain stable at 83 % until 2030, after which it will gradually decrease to 80 % in 2035. This shift reflects a corresponding increase in the share devoted to research and development (R&D), which is expected to account for 20 % of defence investment in 2035. This level is the minimum recommended by NATO and the EDA to support military modernisation, leaving room for the acquisition of additional equipment within defence investment during the decade covered by the scenario.

d) As procurement of new «Made in EU» equipment increases to meet EDIS targets, defence procurement from the US gradually declines (from 63 % in 2024 to 32.5 % in 2035). Over the same period, acquisitions from non-EU countries, except the US, are expected to halve, from 15 % of total acquisitions in 2024 to 7.5 % in 2035, reflecting the approximate percentage reduction seen in purchases from the US.

Scenario No. 2

In the second scenario, assumption a) changes to consider that the 3.5 % target for core defence will be gradually achieved over the coming years, between now and 2035, as postulated by NATO. Assumptions b, c and d remain the same as in scenario 1.

Scenario No. 3

This scenario seeks to reflect those perspectives that consider the investment targets proposed by the Commission or NATO to be unattainable; it therefore focuses on analysing the EDIS targets, but within a more modest defence expenditure scenario. The additional target of 1.5 % of GDP outlined in the White Paper for 2029 is thus limited to a one percentage point increase over four years, i.e. reaching 2.9 % of GDP in 2029 and 3.2 % in 2035, which is below the levels promoted by both the European Commission and NATO.

To fit this scenario, it is proposed that the share of defence investment within total defence expenditure should decrease from an estimated 33 % in 2025 to 25 % in 2035 (without falling to 20 % as in the other scenarios), which would allow more scope for investment in new equipment.

Graphical scenarios and considerations

The following figures, based on data graphs from the EDA 2024-2025, graphically present the three scenarios outlined, with calculations made at 2024 prices in accordance with the data provided in Annex A.

Figure1 . Three defence expenditure scenarios

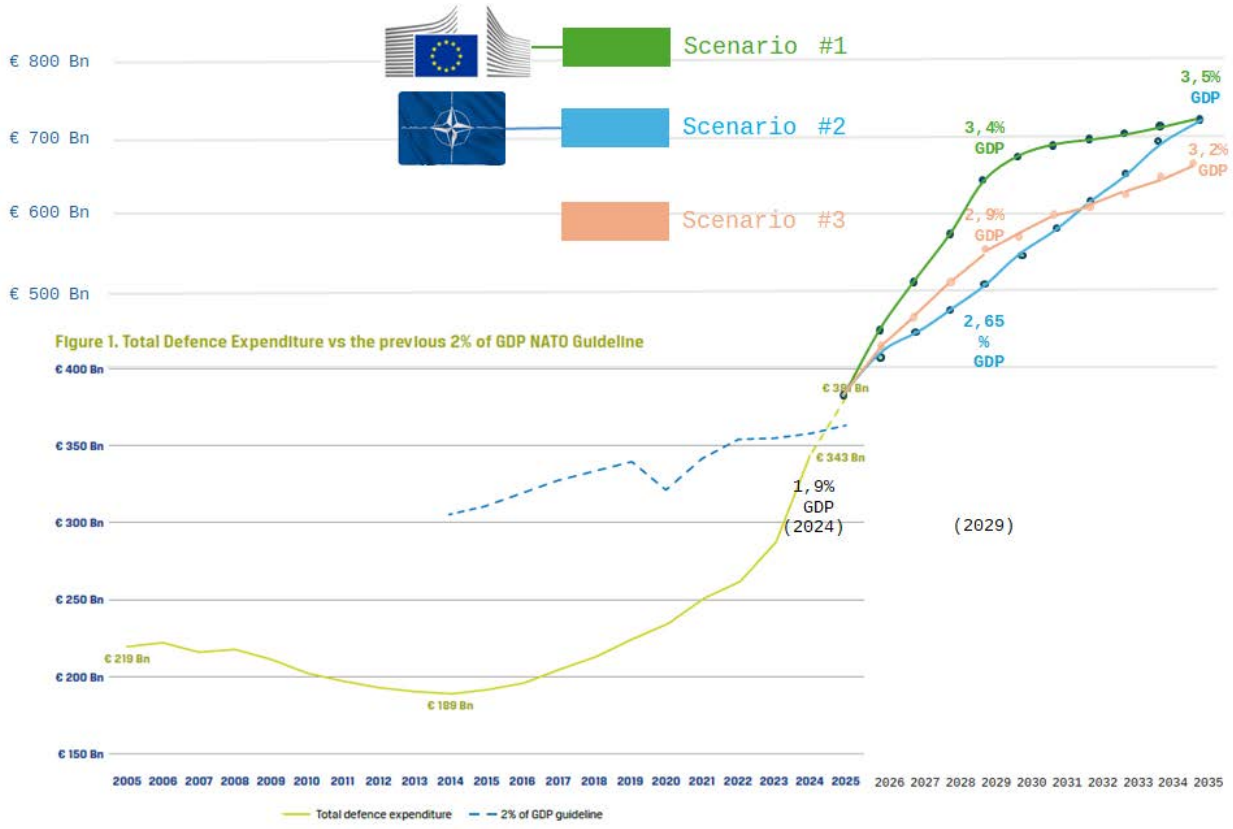


Figure2 . Three defence investment scenarios % within defence expenditure

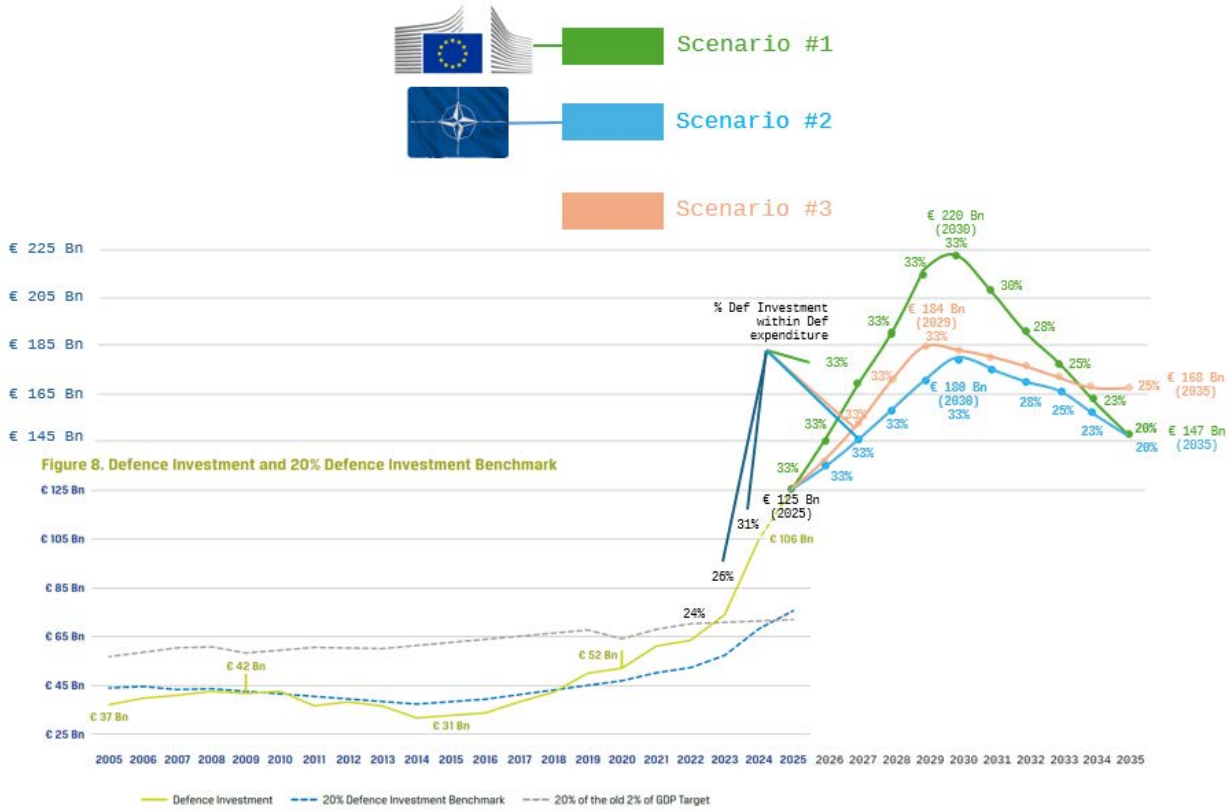
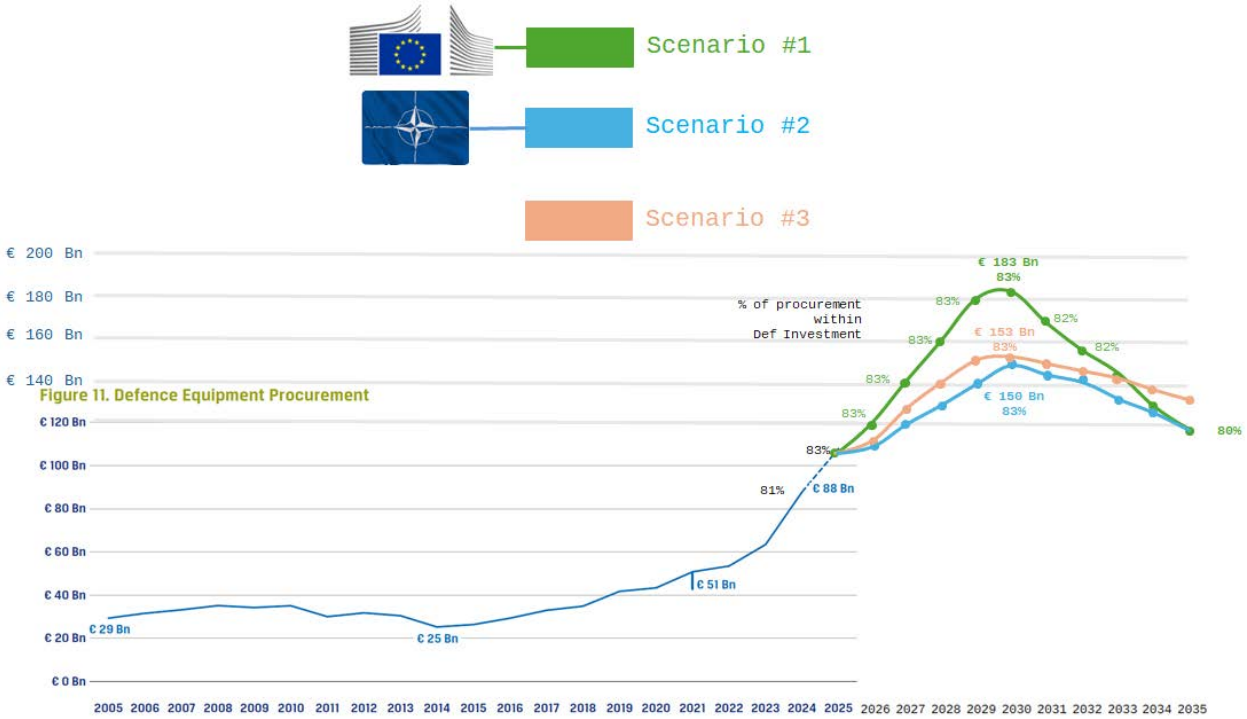


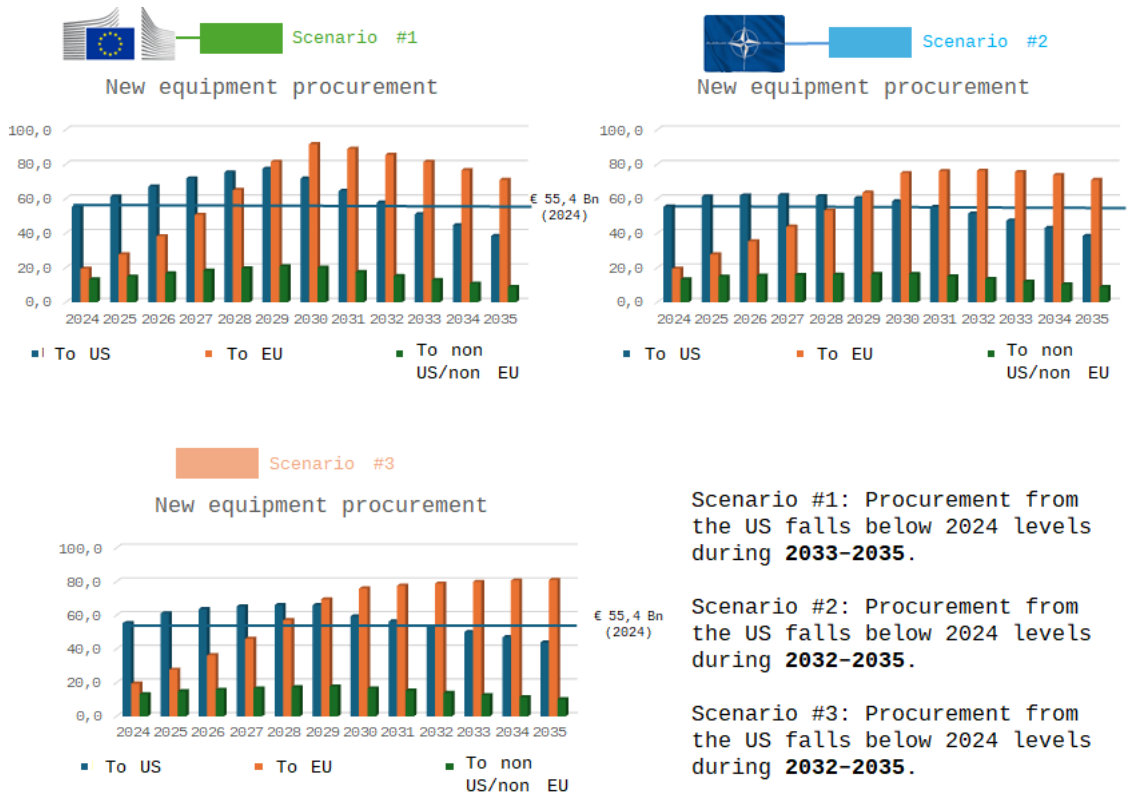
Figure3 . Three scenarios for defence equipment procurement



The amount of «defence investment» over the next four years (2026-2029 inclusive) is expected to reach the following figures according to the three scenarios: Scenario No. 1:

€724 billion; Scenario No. 2: €607 billion; Scenario 3: €646 billion. These figures are significant, as the 2025 EU White Paper calls for approximately € 800 billion in defence investment, including €150 billion from SAFE loans.

Figure4 . Scenarios: procurement of new equipment



The amount of defence procurement from the United States falls below 2024 levels during the period 2032-2035 in scenario 1, while in scenarios 2 and 3 this occurs a year later, during the period 2033-2035.

In all three scenarios, the value of new equipment procurement within the EU exceeds that of the United States in 2029; from that year until 2035, the proportion of equipment procured from EU sources exceeds 50 % of total procurement.

Conclusions

The possibility of harmonising the provisions established under the trade and tariff agreement between the United States (US) and the European Union (EU) will evolve in the coming years under the current Trump administration. This process is likely to be

conditioned by a transactional approach, in which reciprocity arguments will play an important role in redefining transatlantic relations.

The 2025 US-EU Trade Framework Agreement calls for an increase in European purchases of US military equipment, while seeking to improve NATO's interoperability and transatlantic cooperation. However, the EU's ambition to pursue «Made in EU» objectives, as set out in the 2024 European Defence Industry Strategy (EDIS), should not be undermined.

The actual commitments of the agreement on defence and trade are subject to different legislative and ratification processes in the EU and the US, with the process in the Union being longer and requiring multiple approvals, while the Americans can resort to more flexible presidential executive orders.

The framework between the US and the EU for a reciprocal, fair and balanced trade agreement is based on «half-truths»: the agreement is not truly reciprocal, as the US imposes a 15 % tariff on EU products, while the EU does not do the same, and the Most Favoured Nation (MFN) principle as defined by the World Trade Organisation does not apply.

The US objective is to correct its balance of payments deficit with the EU (around €49.7 billion in 2024), leading the Union to commit to substantial energy purchases (approximately €640 billion) and acquisitions of US technology, as well as to encourage significant investment by the EU in the US (around €554 billion) until 2028 (around €554 billion) until 2028.

In terms of defence, the framework agreement envisages the EU significantly increasing military procurement from the US in order to boost transatlantic cooperation in the defence industry and NATO interoperability. However, the European Commission cannot oblige Member States to purchase specific quantities of US military equipment.

Three scenarios have been analysed. Scenario 1 represents the most ambitious option advocated by the European Commission, requiring a substantial increase in Member States' defence expenditure to 3.4 % of annual GDP by 2029. Scenario 2 envisages a more gradual increase, with defence expenditure reaching 3.5 % of GDP by 2035, as advocated by NATO. The third scenario is a middle ground, falling short of the targets set by both the EU and NATO, with expenditure rising to 2.9 % of GDP in 2029 and 3.2 % in 2035.

Although the framework agreement does not specify explicit commitments for the procurement of military equipment from the US, the scenarios analysed suggest a range of between €246 billion and €275 billion between 2025 and 2028, which could represent around 40 % of the volume allocated to energy purchases in the same period. However, the Commission cannot compel Member States or private companies in the EU to meet these investment expectations.

The EU's defence funding targets are ambitious: the Commission has encouraged an increase in defence expenditure to around 3.4 % of EU GDP by 2029, with around €800 billion in additional defence expenditure. However, the current PESCO commitments are not really binding and do not require Member States to allocate a specific percentage of GDP to defence.

The scenarios built around EDIS compatibility (EU military equipment procurement reaching at least 50 % «Made in Europe» by 2030 and 60 % by 2035) with the trade agreement show that, in all the cases described, meeting the EDIS objectives can be compatible even with an increase in US imports in absolute terms over a certain period until 2032 or 2033, provided that the increase in investment in EU industry is maintained.

If Member States' defence expenditure, investment and procurement trends follow those described in the three scenarios, it could be possible to achieve a balance between US and EU procurement by 2029. However, the amount invested in US military equipment is expected to fall below 2024 levels (in absolute terms) between 2032 and 2035. This is a plausible outcome that will require understanding on the part of the US, recognising that a functioning EU defence market can complement the US defence industry and serve the mutual interests of allies on both sides of the Atlantic.

The compatibility of EDIS objectives with the agreement's procurement expectations depends on increased purchases of both US and «Made in EU» goods, but there is no precise quantification or guarantee that these objectives will be met in practice. It is essential that the US recognises that a thriving EU defence market is also strategically advantageous, as it is possible that the Americans alone will not be able to meet both the needs of a European theatre and those arising from a possible conflict in Asia.

The overall assessment highlights that the trade framework is complex, based on non-binding commitments and assumptions, and may have significant long-term strategic and

economic implications for EU autonomy, defence industry and market policies, as well as transatlantic relations.

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Appendix A.
Scenario 1. Figures.

	Defence spending	% Year-on-year increase	Annual increase	% of EU GDP	Forecast EU GDP	Increase applied to GDP	Defence investment	% of investment in defence within defence spending	Acquisition of defence equipment	% of procurement within defence investment	Purchases from the US	Annual increase in purchases from the US compared to 2024	% of purchases from the US within total purchases of new equipment	Purchases manufactured in the EU	% of purchases manufactured in the EU	Purchases from Non-US/Non-EU	% of purchases outside the US/outside the EU of total purchases of new equipment
2024	343			1.90	**18,052.63**		106	31	88	83	55.4		63	19.4	22	13.2	15.0
2025	381	38.00	11.08	2.09	**18,269.26**	**1.20**	125	33	104	83	61.2	5.7	59.0	27.7	26.7	14.9	14.3
2026	445	102.45	26.89	2.41	**18,451.96**	**1.00**	147	33	122	83	67.1	11.7	55.0	38.3	31.4	16.6	13.6
2027	513	169.67	38.09	2.74	**18,691.83**	**1.30**	169	33	140	83	71.6	16.2	51.0	50.6	36.0	18.2	13.0
2028	583	239.71	46.76	3.07	**18,972.21**	**1.50**	192	33	160	83	75.1	19.6	47.0	64.9	40.7	19.6	12.3
2029	655	311.73	53.50	3.40	**19,256.79**	**1.50**	216	33	179	83	77.2	21.8	43.1	81.3	45.3	20.8	11.6
2030	668	13.08	2.0	3.42	**19,545.64**	**1.50**	220	33	183	83	71.5	16.1	39.1	91.5	50.0	20.0	10.9
2031	681	13.32	2.0	3.43	**19,838.83**	**1.50**	207	30	171	82	64.4	9.0	37.8	88.7	52.0	17.4	10.2
2032	695	13.57	1.99	3.45	**20136.41**	**1.50**	193	28	158	82	57.6	2.2	36.5	85.3	54.0	15.1	9.5
2033	709	13.83	1.99	3.47	**20,438.46**	**1.50**	179	25	145	81	50.9	-4.5	35.1	81.2	56.0	12.9	8.9
2034	723	14.09	1.99	3.48	**20,745.03**	**1.50**	163	23	132	81	44.5	-10.9	33.8	76.3	58.0	10.8	8.2
2035	737	14.35	1.99	3.50	**21,056.21**	**1.50**	147	20	118	80	38.3	-17.1	32.5	70.7	60.0	8.8	7.5
					2026–29:		724				679.6			756.6		175.0	

NOTE:** The ideas contained in the ***Analysis Papers are the responsibility of the authors and do not necessarily reflect the views of the IEEE or the Ministry of Defence.

Scenario No. 2. Figures

	Defence expenditure	% Year-on-year increase	% Annual increase	% of EU GDP	Forecast EU GDP	Increase applied to GDP	Defence investment	% of investment in defence within defence spending	Acquisition of defence equipment	% of procurement within defence investment	Purchases from the US	Annual increase in purchases from the US compared to 2024	% of purchases from the US within total purchases of new equipment	Purchases manufactured in the EU	% of purchases manufactured in the EU	Purchases from Non-US/Non-EU	Percentage of purchases outside the US/outside the EU of total acquisitions of new equipment
2024	343			1.90	**18,052.63**		106	31	88	83	55.4		63	19.4	22	13.2	15.0
2025	381	38.00	11.0	2.09	**18,269.26**	**1.20**	125	33	104	83	61.2	5.7	59.0	27.7	26.7	14.9	14.3
2026	411	29.91	7.85	2.23	**18,451.96**	**1.00**	136	33	113	83	61.9	6.5	55.0	35.3	31.4	15.3	13.6
2027	443	31.78	7.73	2.37	**18,691.83**	**1.30**	146	33	121	83	61.9	6.4	51.0	43.7	36.0	15.7	13.0
2028	476	33.48	7.56	2.51	**18,972.21**	**1.50**	157	33	130	83	61.4	5.9	47.0	53.1	40.7	16.0	12.3
2029	511	34.38	7.22	2.65	**19,256.79**	**1.50**	168	33	140	83	60.2	4.8	43.1	63.4	45.3	16.2	11.6
2030	546	35.31	6.92	2.79	**19,545.64**	**1.50**	180	33	150	83	58.4	3.0	39.1	74.8	50.0	16.3	10.9
2031	582	36.25	6.64	2.93	**19,838.83**	**1.50**	177	30	146	82	55.1	-0.4	37.8	75.8	52.0	14.9	10.2
2032	619	37.22	6.39	3.08	**2013**	**1.50**	172	28	141	82	51.3	-4.1	36.5	76.1	54.0	13.4	9.5
2033	658	38.20	6.17	3.22	**20,438.46**	**1.50**	166	25	135	81	47.3	-8.2	35.1	75.3	56.0	11.9	8.9
2034	697	39.21	5.96	3.36	**20,745.03**	**1.50**	157	23	127	81	42.9	-12.5	33.8	73.6	58.0	10.4	8.2
2035	737	40.24	5.77	3.50	**21,056.21**	**1.50**	147	20	118	80	38.3	-17.1	32.5	70.7	60.0	8.8	7.5
					2026–29:		607				599.9			669.5		153.9	

Scenario No. 3. Figures.

	Defence spending	% Year-on-year increase	Annual increase	% of EU GDP	Forecast EU GDP	Increase applied to GDP	Defence investment	% of investment in defence within defence spending	Acquisition of defence equipment	% of procurement within defence investment	Purchases from the US	Annual increase in purchases from the US compared to 2024	% of purchases from the US within total purchases of new equipment	Purchases manufactured in the EU	% of purchases manufactured in the EU	Purchases from Non-US/Non-EU	% of purchases outside the EU/outside the EU of total purchases of new equipment
2024	343			1.90	**18,052.63**		106	31	88	83	55.4		63	19.4	22	13.2	15.0
2025	381	38.00	11.08	2.09	**18,269.26**	**1.20**	125	33	104	83	61.2	5.7	59.0	27.7	26.7	14.9	14.3
2026	422	41.38	10.86	2.29	**18,451.96**	**1.00**	139	33	116	83	63.6	8.2	55.0	36.3	31.4	15.8	13.6
2027	466	43.55	10.31	2.49	**18,691.83**	**1.30**	154	33	128	83	65.1	9.7	51.0	46.0	36.0	16.5	13.0
2028	512	45.62	9.79	2.70	**18,972.21**	**1.50**	169	33	140	83	65.9	10.5	47.0	57.0	40.7	17.2	12.3
2029	558	46.89	9.17	2.90	**19,256.79**	**1.50**	184	33	153	83	65.9	10.4	43.1	69.4	45.3	17.7	11.6
2030	577	18.15	3.25	2.95	**19,545.64**	**1.50**	183	32	152	83	59.2	3.8	39.1	75.8	50.0	16.5	10.9
2031	595	18.57	3.22	3.00	**19,838.83**	**1.50**	181	30	149	82	56.2	0.8	37.8	77.4	52.0	15.2	10.2
2032	614	19.00	3.19	3.05	**20136.41**	**1.50**	178	29	146	82	53.1	-2.3	36.5	78.7	54.0	13.9	9.5
2033	634	19.43	3.16	3.10	**20,438.46**	**1.50**	175	28	142	81	50.0	-5.4	35.1	79.7	56.0	12.6	8.9
2034	653	19.88	3.14	3.15	**20,745.03**	**1.50**	172	26	139	81	46.9	-8.5	33.8	80.4	58.0	11.3	8.2
2035	674	20.33	3.11	3.20	**21,056.21**	**1.50**	168	25	135	80	43.8	-11.6	32.5	80.9	60.0	10.1	7.5
					2026–29:		646				631.0			709.1		161.8	