

DEFENSE RESOURCES IMPLICATIONS OF THE CONFLICT IN UKRAINE ON EUROPEAN COUNTRIES

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Abstract: *The conflict in Ukraine has determined significant shifts in European defence and security paradigms. This paper focuses on the European Union (EU) has reacted to the crisis on its borders, examining the evolution of EU defence spending, procurement policies, and cooperation agreements in the wake of the conflict, analysing the impact on both individual member states and collective EU initiatives. The aim of this paper is to examine how the conflict in Ukraine influenced the European Union countries in terms of defence spending and defence policies. The objectives of the paper consist in identifying the main changes in the defence expenditures of the European Union Countries, overall and in terms of destination of expenditures and highlighting the main changes on terms of procurement policies and cooperation agreements generated by the events in Ukraine.*

Keywords: defence spending, EU, war, Ukraine

1. Introduction

The conflict in Ukraine following the 2022 attack from Russia has marked the beginning of numerous changes in the European defense and security environment. The European Union (EU) had to step up as a defense and security actor, in a rather significant departure from its traditional position of a mainly economic and political organization, less interested in military affairs. Consequently, the EU has become a strategic partner for Ukraine in countering Russian aggression and has provided significant support for the restoration of the territorial integrity and preservation of the sovereignty of Ukraine, as well as putting political and economic pressure on Russia.

At the same time, Russia’s war against Ukraine was a hard wake-up call for the EU members in relation to the need to develop their own defense and security capabilities that would meet the scale of new threats

outflow from aggressor. The European countries and EU institutions were forced to reconsider their approaches in terms of planning and development of defense capabilities, but also in terms of defense resources allocations.

The invasion of Crimea in 2014 marked the end of an era marked by a rather naïve (in hindsight) perception that the era of armed conflicts in Europe is over and that defense expenditures are no longer required in a climate of cooperation and understanding. Since 2015, the national defense budgets of EU member-states started growing, but at a rather slow pace. Not even the pressures from the Trump administration on the European NATO members to increase their defense spending to a minimum of 2% of GDP did not lead to spectacular increases in defense budgets and a change in priorities in terms of defense policies.

The events unfolding in Ukraine since February 2022 created an impetus for a

change in priorities and a significant increase of total defense spending of EU member-states. Serious challenges for the European defense were finally brought to the decision makers and public's attention, such as the need to increase the investments in defense capabilities, the worrying reductions in armaments and ammunition stockpiles among European countries due to providing military support to Ukraine, the fragmentation of the EU national defense industries interests. The date of 24th February 2022 marked a strategic transformation of the European union, manifested through the realization that it must step up to its role of a global actor through an increased importance given to the defense area. The changes in the EU actions and the collective mindset of the member countries were significant, from the unprecedented unity (despite the objections of countries such as Hungary) in supporting Ukraine through financial and even military assistance, renewed security commitments, creation of novel mechanisms such as the solidarity corridor, increased defense spending, the creation of the munitions plan etc.

Despite the progress made in the last decade, there are still too few cooperative defense project investments among EU countries. The will to cooperate at the EU level appears more frequently when such initiatives match the national defense plans, benefit their military industry or strengthen strategic relations.

The aim of this paper is to examine how the conflict in Ukraine influenced the European Union countries in terms of defense spending and defense policies.

The objectives of the paper consist in identifying the main changes in the defence expenditures of the European Union Countries, overall and in terms of destination of expenditures and highlighting the main changes on terms of procurement policies and cooperation agreements generated by the events in Ukraine. In support of the research goal and objectives,

the following research questions have been considered:

- (1) Did the invasion of Ukraine have an influence on the European Countries defence expenditures? (main research question);
- (2) What are the specific steps the EU countries took in order to enhance their defence from the perspective of defence resources management (policies, procurement programs, cooperation agreements, filling the gaps in terms of human resources)?

2. The Impact of the Conflict in Ukraine on the Consumption of Defense Resources

For a long time, the European Union, unlike NATO, did not emphasize a minimum recommended level of defence expenditures, leaving the matter to the member countries discretion.

The increasingly aggressive stance of Russia, the pressures of the Trump administration on the European NATO members to increase their defence expenditures and the prospect of US withdrawing from NATO have been significant drivers in the process of strengthening the defence sector of the EU member countries. The adoption of the EU Strategic compass for security and defence in 2022 came in the same year when the European security architecture was dramatically challenged by Russia's attack on Ukraine, resulting in unprecedented increases in most of the EU member states defence spending. European Union defence expenditure increased by 24.6 per cent from \$207.3 billion in 2014 up to \$258.3 billion in 2022 [1]. The EDA data shows that the period of détente and decrease of defense expenditures in the EU members stopped in 2014, with the invasion of Crimea by Russia. The following years marked a reversed trend, of gradually increasing defence spending, with a real term increase in 2022 of 69 billion euro, meaning a 40% increase. Still, the average defence expenditures of the EU member states

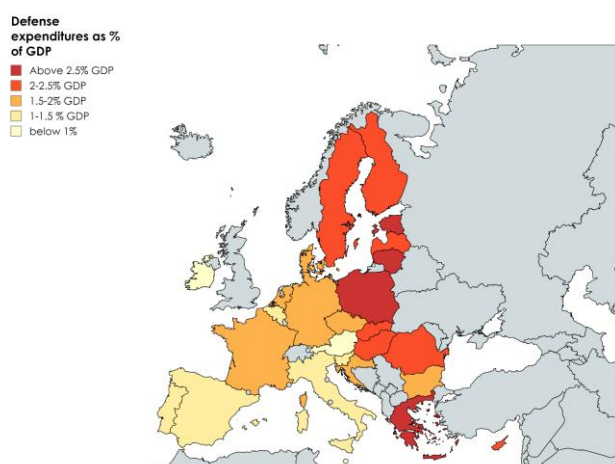
remained below the recommended NATO guideline of 2% of GDP, at an average of 1.5% of gross domestic product (GDP), which means that the EU member states would need to collectively further increase their defence spending with 76 billion euro. This average reflects the different degrees of concern of various EU member states regarding the Russian threat. As seen in figure 1 below, the EU member states in closer geographical proximity to Ukraine and Russia have registered the highest increases in their defence spending in 2023, with the exception of Greece, who already had a high degree of military spending due to the tensions with Turkey. The leader in Poland, with 3.9% of GDP for defence, followed by Estonia with 2.74%, Lithuania with 2.54%, Finland with 2.45% and Romania with 2.44%. The countries of Western Europe and others of Central Europe are more restrained in increasing their defense spending.

In addition to defense spending the EU and countries' governments faced with the need to direct financial resources to aid for Ukraine. Since the start of the war in Ukraine in 2022, the EU and member states have made over €143 billion in financial, military, humanitarian, and refugee

assistance, including nearly €49 billion for a new Ukraine facility to support Ukraine's recovery, reconstruction and modernization, as well as its efforts to carry out reforms as a part of its accession path to the EU, until 2027, billion in financial, economic and humanitarian support via EU budget, €33.1 billion in military support, €17 billion in support for refugees within the EU, €12.2 billion in financial, economic and humanitarian support by EU member states) [2].

The largest contribution in bilateral financial, humanitarian, and military aid from January 24, 2022, to January 15, 2024, was made by EU institutions, such as the Commission and the EU Council, which provided around €85 billion. The second-highest value of commitments in Europe was recorded from Germany at approximately €22 billion. The third is the UK with €15.6 billion [3].

In terms of defence investments, the EU member states have exceeded the guideline of 20% of defence spending for investments from the year 2019, reaching an average of 24.2% in 2022 [4]. Only 5 EU members are below the 20% of the defence spending allocated for defence guideline (Austria 9.4%, Germany 18.35%, Ireland 10.75%, Malta 13.21% and Portugal 18.37%).



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Figure 1: EU member states defense expenditures as % of GDP in 2023

Source: <https://www.statista.com/statistics/584088/defense-expenditures-of-nato-countries/>,
<https://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?locations=MT>

3. Material Resources and Defence Procurements

In 2007, the Ministerial Steering Board of the European Defence Agency, approved four collective benchmarks for investment in order to increase the level of modernization of the EU members armed forces and enhance cooperation (20% of total defense spending for equipment procurement, 35% of total equipment spending from European collaborative equipment procurement, 2% of total defense spending for R&T and 20% of total R&T spending from European collaborative defense R&T). But these benchmarks were not very effective in stimulating the development and modernization of the armed forces of the EU members, reflecting the lack of interest of the EU in military matters, as they were collective, applying to the total sum spent by all EDA Member States together, they were purely voluntary, as the countries were not bound to turn them into national targets and they had no timelines for their implementation [5].

The significant increase in defense spending at the EU level is a step forward, but it does not automatically solve the serious capability gaps faced by many European countries, in terms of major equipment, ammunition supplies, ISR capabilities. The war in Ukraine has abruptly highlighted the urgent need to increase the ammunition and equipment stocks, as the countries which sent military aid to Ukraine found their reserves seriously diminished and incapable of producing enough ammunition to sustain a war of attrition.

From a strategic policy perspective, the war in Ukraine spurred the adoption of the first European Defense Industry Strategy EDIS [6] and its associated European Defense Industry Programme [7]. The EDIS sets a set of very ambitious goals for the European industry, such as increasing the value of the intra-EU defence trade to at least 35% of the value of the EU defense market by 2030 and that the member states

should procure at least 40% of their defense equipment in a collaborative manner until 2030. Following the footsteps of NATO, the strategy sets the lofty goal of having at least 50% of Member States defense procurement budget devoted to procurement from the EDTIB by 2030 and 60% by 2035, in an attempt to diminish the dependence on US defense systems and products.

Worthy as they are, these goals are difficult to achieve in practice, as they require overcoming the national interests of the member states that may still favor a close relation with the US (as defense acquisitions are not always purely economic in reason), the tendencies for protectionism of the national defense industry and the reluctance of some smaller member states to spend EU funds on defense products. It would also require an increase in the size and technological development of the EU defense producers and overcoming the operational and bureaucratic challenges that have prevented a closer cooperation in the past.

The European Defense Industry Programme intends to offer more concrete steps to achieve the goals stated in the strategy, but some of these are not always rooted in reality or feasible in practice. For instance, it aims to provide support to Ukraine using the windfall profits from frozen Russian assets, but this is a controversial issue, requiring determination in terms of political will and an the identification/creation of an appropriate legal framework, both of which are not easy to achieve. Strengthening the competitiveness, responsiveness and resilience of the EU's Defence Technological and Industrial Base is another objective, supported by measures such as "VAT exemptions, grants, and loans to help match supply and demand across the bloc and change the market's organisation by motivating more cooperation between the member states" [8]. In order to achieve the objective of ensuring the availability and supply of defence products on a steady basis, the

European Commission would be given purchase rights [9], a measure which is not without controversy, as some member states would be reluctant to renounce their prerogatives in the matter to a supranational body, which would be granted access to sensitive information such as supply chain, critical reserves or requisitioning of economic assets for defence production in times of conflict.

In this context, it is worth mentioning two notable EU initiatives aimed at facilitating common procurement (European defence industry reinforcement through common procurement act (EDIRPA) [10], which offers over 300 million euros incentives to compensate the drawbacks of joint procurement, and replenishing the dwindling European stocks (the Act in Support of Ammunition Production) [9], under which the European Commission allocated in March 2024 500 million euros to support the European defense industry to increase its ammunition production capacity up to 2 million shells per year by 2025. A third initiative to the fourth annual Work Programme of the already existing European Defense Fund.

The numerous initiatives in this area are a positive development, but many difficulties and challenges still remain. The EU is not a federal country, it is a union composed of various nations, with sometimes diverging security and economic interests and priorities, and the harmonization of political wills, of the legal framework and ensuring the appropriate funding for the initiatives remain.

4. Human resources

The war in Ukraine has also highlighted that size still matters in terms of armed forces personnel, prompting many EU members to take a hard look at the validity of the professional army concept, the possibility of reintroducing conscription and at the challenges faced in term of recruitment. The reports from many EU member countries are not optimistic, showcasing that even large countries such

as Germany and France are faced with recruitment and retention problems. The Bundeswehr reported a 7% drop in recruitment in 2023, despite the efforts to increase the number of active duty personnel, with 1,537 soldiers leaving the military and reducing the German armed forces to 181,514 personnel in just one year [11]. In 2023, the French land forces missed their recruitment target with a number between 2000 and 2500 military personnel [12]. According to the Italian Chief of the Defense Staff, the Italian armed forces are “absolutely undersized,” suggesting the problem may affect their ability to fulfill missions, as the current strength of the Italian military is 165,564, below the “limit of survival,” which is 170,000 [13].

Although there are multiple causes for this phenomenon, ranging from changing attitudes and values for the younger generation, unattractive wages in the military compared to the private sector, work related stress, demographic factors, to the influence of technology and social media, the war in Ukraine and the return of the possibility of a major war in Europe has compounded the issue in many member states of the EU, but at the same time served as a sober reminder for the urgent need to prepare a mobilization resource in a face of challenges of hybrid aggression. Russia’s invasion of Ukraine in 2022 shocked Europe into taking a long hard look at its defence, with Lithuania and Denmark announced plans to extend its draft, while German and British politicians have suggested reviving compulsory military service.

6. Conclusions

The conflict in Ukraine has ushered a new era of defense and security for the EU member states. The EU’s response to Russian aggression has led to significant increases in defense spending and a reevaluation of defense policies. While this shift marks a departure from the EU’s traditional role as primarily an economic and political entity, the urgency of

addressing evolving security threats remains a challenge.

The war in Ukraine has underscored the importance of collective action and investment in defense resources, leading to increased defense spending across European countries. This includes not only bolstering military capabilities but also supporting Ukraine through financial, military, humanitarian, and refugee assistance. However, challenges remain, including the need to solve fragmentation in defense planning and procurement, as well as the dependence on foreign actors for armaments and ammunition.

In addition to the EU's collective efforts, individual member states have taken proactive steps to enhance their defense

capabilities in response to the conflict in Ukraine. Several European countries have notably increased their defense spending and investments in defense resources. A key issue for the following years will be addressing human resource challenges within armed forces, strengthening strategic partnerships, and promoting defense industry integration are vital for ensuring the EU's long-term security. Without the implementation of concrete measures and increased cooperation, the EU cannot solidify its position as a credible defense and security actor and will become vulnerable to the multitude of threats that characterize the modern security environment.

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