

SAFE AND THE EUROPEAN STRATEGIC AUTONOMY: FROM COORDINATION TO CAPABILITY DELIVERY

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The adoption of the Security Action for Europe (SAFE) in 2025 marks a pivotal transformation in the EU's approach to defense resources. This paper analyzes SAFE as a paradigm shift from grant-based cooperation to loan-based strategic investment, introducing a novel fiscal architecture to close the EU's persistent "coordination–capability gap." Drawing on qualitative analysis of the SAFE Regulation, National Defense Investment Plans (NDIPs), and early implementation data from 2025–2026, the analysis finds that SAFE's loan-based, jointly-conditioned mechanism has the potential to shift member state procurement from nationally fragmented acquisitions toward structured, EU-aligned capability programs. The instrument's long-term effectiveness is however constrained by three inherent structural tensions: differential industrial absorption capacity across member states, the moral hazard of subsidized sovereign lending, and industrial protectionism embedded in the instrument's non-EU component cap. A comparative analysis of the NDIPs of Poland and Romania, the two largest SAFE beneficiaries, demonstrates how these tensions manifest in practice, shaping national procurement strategies and capability outcomes. The paper concludes that while SAFE's fiscal architecture provides a sound framework for capability delivery, its success will ultimately depend on member state political will and institutional capacity.

Key words: SAFE, autonomy, coordination, capability, gap

1. INTRODUCTION

On 6 March 2025, the President of the European Commission announced the ReArm Europe plan - a package of measures designed to mobilize up to €800 billion in additional defense investment across the European Union over the following years (EU Commission

2025). Less than three months later, on 27 May 2025, the Council of the European Union formally adopted Regulation 2025/1106, establishing the Security Action for Europe (SAFE): a €150 billion loan facility enabling Member States to finance joint procurement of priority defense capabilities at competitive rates,

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backed by the EU's collective credit rating (EU Council, 2025).

The speed and scale of this legislative response were unprecedented in the history of European defense cooperation, connected to the geopolitical context changes arising after February 2022. Russia's invasion of Ukraine exposed the structural inadequacy of Europe's defense posture and the limits of the voluntary coordination mechanisms that had governed EU defense cooperation for two decades. The return of Donald Trump to the U.S. presidency in January 2025, accompanied by explicit signals of conditional commitment to NATO's collective defense guarantee, removed any remaining ambiguity: Europe could no longer treat its own defense as a residual responsibility. The Readiness 2030 agenda, of which SAFE is the central fiscal pillar, represents the EU's institutional response to this twin rupture in the post-Cold War security order (EU Commission 2025).

Yet despite the attention SAFE has generated since its adoption, the instrument remains systematically under-analyzed from the perspective of defense resource management. Existing scholarship on European strategic autonomy has concentrated predominantly on two dimensions: the political dimension, the decision-making independence from the United States (Fiott, 2025) (Zandee at

al, 2020) and the industrial dimension, the development of the European Defense Technological and Industrial Base (Mueller, 2025), (Hartley, 2011). The *fiscal dimension*, namely the specific architecture of financial instruments, conditionalities, and governance rules that determines whether increased political will and industrial ambition translate into actual capabilities, has received comparatively little systematic attention.

2. METHODOLOGY

This paper employs a qualitative research design combining documentary policy analysis with structured comparative institutional analysis. The primary data source consists of official EU legal and policy documents, supplemented by the publicly available National Defence Investment Plans submitted by member states, official government statements, and early implementation announcements and the established literature on EU defense financing instruments. NDIPs were selected as the primary empirical source because they represent the first instance in which member states have been required to disclose detailed defense procurement intentions as a condition of accessing EU financing.

Secondary sources include peer-reviewed academic articles, policy reports from recognized research institutions (EDA, IISS, SIPRI,

Bruegel, EPRS, ECB and NATO), and official data from the European Defence Agency's Defence Data series.

The analysis refers to the period from SAFE's adoption in May 2025 to the first disbursement phase in early 2026, reflecting the available literature at the time of writing.

The Poland–Romania comparison was selected because both states are on NATO's eastern flank with elevated threat perceptions, both rank among the top three SAFE beneficiaries by allocation, both disclosed enough information to permit structured comparison, and they differ substantially across key dimensions relevant to SAFE's effectiveness (industrial absorption capacity, fiscal capacity, and NDIP structure).

The NDIP data is analyzed along four comparative dimensions: allocation size and structure (percentage dedicated to acquisitions versus infrastructure), the ratio of joint to national procurement programs, sectoral distribution of procurement priorities, and domestic industrial content requirements. Where available, systematic indicators are reported, including the percentage of joint procurement projects within each NDIP, SAFE-to-annual-defense-budget ratios as a proxy for absorption risk, and the share of SAFE allocations directed to each capability category.

Important limitations must be acknowledged: NDIPs are political documents as much as planning instruments and they reflect stated intentions rather than executed contracts. Execution rates, delivery timelines, and actual disbursement data are not yet available for systematic comparison and will require longitudinal analysis as the program matures beyond the first disbursement phase. Also, the Commission has not yet published systematic cross-national execution dashboards, so NDIPs and first-wave announcements are treated as planning and initial implementation proxies rather than definitive evidence of delivery.

Three research questions structure the paper.

RQ1: How does SAFE's loan-based fiscal architecture alter the traditional resource management model of EU defense, compared to prior grant-based instruments such as EDIRPA, ASAP, and the European Defense Fund?

RQ2: To what extent does SAFE's conditionality structure - joint procurement requirements, National Defense Investment Plans, and the 35% non-EU component cap -accelerate capability delivery while managing the risk of industrial fragmentation?

RQ3: What are the strategic management implications for national defense ministries navigating the

debt-versus-capability trade-off that SAFE introduces?

The analysis is structured around two research hypotheses.

H1 - the Fiscal Architecture

Hypothesis: SAFE's loan-based fiscal architecture produces a qualitatively different pattern of defense resource allocation than prior EU grant-based instruments, specifically by shifting member state procurement behavior from nationally fragmented acquisitions toward jointly structured, EU-conditioned capability programs.

H2 the Structural Tension

Hypothesis: The effectiveness of SAFE in closing the coordination-capability gap is systematically constrained by three structural tensions: different absorption capacity across member states, the moral hazard inherent in subsidized sovereign lending, and the industrial protectionism embedded in the 35% non-EU component cap, such that fiscal scale alone is insufficient to guarantee capability delivery.

**3. THEORETICAL
FRAMEWORK: FISCAL
ARCHITECTURE, STRATEGIC
AUTONOMY, AND THE
ECONOMICS OF EUROPEAN
DEFENSE**

The theoretical framework of the SAFE mechanism derives from three bodies of literature: the political science literature on

European strategic autonomy, the public economics literature on fiscal federalism and supranational public goods, and the defense economics literature on procurement fragmentation costs.

Strategic autonomy has become one of the most frequently invoked yet analytically contested concepts in European security studies. Its interpretations range from full independence from external powers to a more modest capacity for autonomous action within alliance frameworks. For the purposes of this paper, strategic autonomy operates across three analytically distinct dimensions:

- the political dimension, concerning decision-making independence from external actors, notably the United States;
- the industrial dimension, concerning the European capacity to develop, produce, and maintain the defense equipment European armed forces require;
- the fiscal dimension, concerning the ability to mobilize, allocate, and sustain the resources necessary to translate political will and industrial ambition into actual military capabilities.

SAFE is the first EU instrument to directly address the fiscal dimension of strategic autonomy,

particularly the set of financial instruments, incentive structures, conditionalities, and governance rules which constitute the framework of defense investments. Every previous instrument touched the political or industrial dimensions and assumed the fiscal would follow. It did not.

Fiscal federalism theory provides the foundational logic for why supranational financing instruments for defense are both economically rational and institutionally resisted. The core insight, drawing upon the classic body of literature (Musgrave, 1959) (Oates, 1972) is that the optimal level of government for providing a public good corresponds to the geographic scope of that good's benefits. Collective defense against shared threats is a quintessential transnational public good that cannot be efficiently provided by fragmented national actors acting independently (Olson and Zeckhauser, 1966), (Sandler and Hartley 1999).

Applied to the EU context, this means European defense should be financed, at least partially, at the supranational level. Until SAFE, EU fiscal instruments for defense were limited to modest grant programs operating well below the required scale. The structural obstacle was the EU's own architecture: no autonomous tax base, and fiscal rules that treat defense spending as any other public expenditure subject to deficit limits.

The change in the security environment prompted the need for the EU to start considering defense expenditures as a political priority and the solution to circumvent the fiscal restrictions was EU-level borrowing on capital markets, leveraging the bloc's collective AAA credit rating, followed by on-lending to member states at rates unavailable to many of them individually (Bénassy-Quéré et al. 2021). The precedent set by NextGenerationEU (NGEU) is analytically significant: the COVID recovery fund demonstrated that EU-level debt issuance could mobilize resources at a scale and speed that intergovernmental coordination alone could not achieve, while simultaneously generating a political debate about whether such instruments should become permanent features of the EU's fiscal architecture (Cepparulo and Reitano 2025). The European Central Bank's analysis of defense spending's macroeconomic implications confirms that SAFE-type instruments, when channeled through joint procurement, can generate positive GDP effects of approximately 0.1 percentage points per year while containing inflationary pressures, provided the stimulus favors European-made military goods and defense R&D with civilian spillovers (ECB 2025), (Moretti, Steinwender and Van Reenen 2025). Recent scholarship on EU defense industrial

policy has further documented the structural transformation underway: Genini (2025) demonstrates that the EU's defense industrial base has undergone an unprecedented wave of integration since 2022, with aggregate defense expenditure increasing by 36% and new instruments such as the EIB's tripled defense lending and the proposed Savings and Investments Union seeking to channel private capital into defense. These developments position SAFE within a broader institutional evolution from ad hoc crisis response toward a structured EU fiscal capacity for security.

SAFE's defining innovation derives from its supranational fiscal capacity for defense without requiring an EU tax base or a full transfer of fiscal sovereignty. Just as the European Stability Mechanism created a supranational lending facility for macroeconomic stabilization, SAFE creates one for defense capability investment. Yet SAFE is not a European treasury in miniature. In the post-NextGenerationEU debate, it is better understood as a partial, sector-specific, and temporary fiscal-capacity instrument that uses common borrowing to finance a strategic public good while leaving repayment obligations at national level (Arnal et al. 2026), (ECB 2025).

Recent scholarship on EU fiscal capacity and defense industrial

policy strengthens this interpretation. Post-NGEU analyses ask whether common borrowing will remain an exceptional crisis device or evolve into a more durable Union instrument for strategic investment, while recent work on EU defense industrial policy emphasizes that financing alone does not solve fragmentation, information-sharing problems, third-country controversies, or weak integration with NATO planning (Besch 2025). SAFE therefore sits at the intersection of two debates: the future of EU fiscal capacity and the institutional governance of European rearmament.

The economic rationale is strengthened by the evidence on what fragmentation costs. The European Parliamentary Research Service estimates the annual cost of non-Europe in defense (the efficiency losses from duplicating capabilities, procurement systems, and research programs across 27 national defense establishments) at between €18 and €57 billion per year (Centrone and Fernandes 2024).

EU member states collectively maintain over 170 different weapons systems, compared to fewer than 30 in the United States, generating significant diseconomies of scale in procurement, maintenance, and training (EDA 2025). By incentivizing joint procurement through conditioned lending, SAFE aims to close these gaps by

capitalizing on economies of scale that fragmented national procurement structurally cannot generate.

This paper introduces the concept of the *coordination–capability gap* to denote the persistent disparity between the stated political ambitions of European defense cooperation and the military capabilities those cooperative frameworks have actually produced.

To make this concept analytically robust and reusable in future research, the gap is operationalized along four measurable dimensions. First, the procurement fragmentation ratio: the share of total EU defense procurement conducted jointly (multi-state) versus purely national channels. Second, the degree of alignment between NDIPs and EU or NATO capability priorities. Third, the administrative capacity to convert endorsed plans into contracts, disbursements, and deliveries, a metric that prior instruments (PESCO, EDF) have struggled to optimize. Fourth, the interoperability deficit: the degree to which nationally procured systems can operate seamlessly within multinational force structures, measurable through NATO Standardization Agreement (STANAG) compliance rates and performance in joint exercises. These four dimensions provide a structured framework for assessing whether SAFE, or any successor instrument, is narrowing the gap between

cooperative intent and operational capability.

On the coordination side of the identified gap, the EU already possesses important but incomplete mechanisms: CARD aligns planning assumptions, the EDF funds collaborative R&D, and PESCO organizes structured cooperation. These arrangements generate policy convergence and some industrial collaboration, but they do not directly finance capability acquisition at the scale required to close Europe's identified defense gaps, nor do they by themselves guarantee procurement aggregation, implementation discipline, or standardized force outcomes. The incentives are too voluntary and the national free-rider logic too durable for coordination alone to close Europe's capability shortfalls.

The capability side is what coordination was supposed to produce but did so in a very limited manner: interoperable hardware, deployable force structures, and the logistical and industrial base to sustain them at scale. Collective defense is a transnational public good in the technical sense, which means every member state has a structural incentive to let someone else pay for it. Voluntary, grant-based mechanisms don't dissolve that incentive. They work around it, temporarily, until the political moment passes.

The coordination–capability gap serves as the analytical lens through which this paper evaluates the evolution of EU defense financing instruments, distinguishing between those that primarily foster political and industrial *coordination* (PESCO and the EDF) and those, like SAFE, that are designed with a fiscal architecture to directly finance and incentivize the delivery of *capability*.

From this perspective, SAFE represents the first truly systematic attempt to close this gap through a fiscal architecture that makes capability delivery the primary objective of EU defense governance.

4. FROM PESCO TO SAFE

SAFE is the product of a decade-long institutional learning process in which the EU progressively escalated its defense financing ambition, each instrument responding to the demonstrated inadequacies of its predecessor.

Permanent Structured Cooperation (PESCO), established in 2017, created the EU's first legally binding defense cooperation framework, encompassing 26 member states and 68 collaborative projects by 2023 (Council of the EU, 2017) (EDA, 2023). Yet PESCO provided no EU-level financing, as it was a coordination mechanism without a fiscal instrument, the equivalent of agreeing to build a house without providing either the

materials or the money. The European Defence Fund (EDF), operational from 2021 with a budget of €8.8 billion broke the longstanding taboo against EU defense expenditure by co-financing collaborative research and development (European Commission, 2021). By 2025, five work programs had committed €5.4 billion to collaborative projects (European Commission, 2025). The drawback is that the EDF finances R&D, not procurement and the most critical period - the gap between development and acquisition that economists call the “valley of death” for suppliers - remained unaddressed.

Russia's invasion of Ukraine in 2022 forced the EU into procurement financing for the first time. EDIRPA (€310 million, 2023) incentivized joint procurement of urgently needed defense products and ASAP (€500 million, 2023) targeted artillery ammunition and missile production capacity (European Commission 2023). Although these programs were a step forward, their combined €810 million budget was insufficient to fill Europe's actual capability gaps. EDIP (€1.5 billion, adopted at the end of 2025) consolidated both instruments and introduced security-of-supply measures, but remained a grant-based bridge to the 2028 Multi Annual Financial Framework cycle rather than a structural solution (Council of the EU 2025).

SAFE represents a qualitative break across all four dimensions in

Table 1: its scale exceeds all prior instruments combined by a factor of fifteen; its EU-bond financing mechanism creates supranational fiscal capacity for defense with no historical precedent; its conditionality (joint procurement by at least two member states, NDIP compliance, and a 35% non-EU component cap) is the most demanding of any EU defense instrument; and its governance architecture, anchored by a dedicated SAFE Special Group and quarterly reporting, constitutes a new institutional infrastructure for EU.

5. THE FISCAL ARCHITECTURE OF SAFE: DESIGN, MECHANISMS, AND CONDITIONALITIES

SAFE is financed through EU bonds issued on international capital markets, replicating the NextGenerationEU fund structure used during the COVID pandemic. Member states access financing at rates reflecting the EU's AAA/Aa1 credit rating rather than their own sovereign ratings. Early implementation data indicates a benchmark rate of approximately 1% per year for smaller member states,

Table 1: Comparative Overview of EU Defense Financing Instruments

Instrument	Year	Budget	Financing Mechanism	Procurement Conditionality	Governance Strength
PESCO	2017	None	None (coordination only)	Voluntary commitments	Weak — no sanctions
EDF	2021	€8.8 bn (2021–27)	EU budget grants	R&D collaboration (≥3 entities)	Moderate — work programs
ASAP	2023	€500 m	EU budget grants	Production capacity investment	Light — project-based
EDIRPA	2023	€310 m	EU budget grants	Joint procurement (≥3 MS)	Light — project-based
EDIP	2025	€1.5 bn (2025–27)	EU budget grants	Joint procurement + supply security	Moderate — NDIP alignment
SAFE	2025	€150 bn	EU bonds (loans to MS)	Joint procurement (≥2 MS) + NDIP + 35% non-EU cap	Strong — Special Group + quarterly reporting

(Source: Compiled by author from European Commission (2021; 2023; 2025), Council of the EU (2017; 2025), EDA (2023; 2025).

compared to sovereign borrowing costs of 3–5% for several eastern and southern members (European Commission, 2025).

The loans are long term, on a 45-year repayment horizon with a ten-year grace period on principal, and pre-financing of up to 15% of the total loan value is available upon NDIP submission. Unlike the previous financing mechanisms, SAFE's borrowing is off-budget, backed by the EU's general creditworthiness rather than a specific Multiannual Financial Framework line - a design choice that raises long-term fiscal governance questions.

Access to SAFE loans is conditional on three cumulative requirements. First, member states must submit a *National Defense Investment Plan (NDIP)* endorsed by the Commission, demonstrating alignment with EU capability priorities identified in the Capability Development Plan, the EDA's CARD, and the White Paper for European Defense Readiness 2030 - by January 2026, 24 NDIPs had been endorsed (European Commission, 2026). Second, procurement must involve at least two participating states - EU member states, Ukraine, EEA-EFTA countries, or acceding states (Article 8), creating a structural incentive for collaboration instead of fragmented acquisition. Third, components originating outside the EU, EEA-EFTA, and Ukraine must

not exceed 35% of the estimated cost of the end product's components (Defense Finance Monitor 2026), a mandatory eligibility condition that functions as an industrial policy instrument to reinforce European supply chains.

SAFE supports procurement across two categories. *Category 1* covers the most urgent systems, such as ground-based air and missile defense, artillery and ammunition, armored vehicles, military mobility assets, naval vessels, and cyber and electronic warfare capabilities.

Category 2 covers strategic enablers, such as military aircraft, unmanned systems, space-based assets, and C3I infrastructure. For *Category 2*, design authority must reside in or transfer to an EU-based entity, which constitutes the strongest industrial sovereignty requirement of any EU defense instrument to date (Santopino, 2025). The allocation of the €150 billion envelope, with *Category 1* receiving the larger share based on September 2025 expressions of interest, confirms that member states have prioritized near-term capability delivery over long-term industrial transformation.

The *SAFE Special Group*, composed of all member state representatives and chaired by the Commission, reviews NDIPs, monitors implementation, and coordinates loan allocation, with a quarterly reporting requirement that

creates an unprecedented rhythm of EU-level scrutiny of national defense resource allocation. There are also VAT exemptions for SAFE-financed procurement operations which reduce the effective cost of joint procurement relative to nationally financed alternatives and strengthens the financial incentive for the MS to participate (European Council, 2025).

6. FROM COORDINATION TO CAPABILITY: SAFE'S TRANSFORMATIVE IMPLICATIONS

A critical test of H1 is whether SAFE is generating genuinely joint procurement programs or merely providing EU-subsidized financing for parallel national acquisitions that nominally satisfy the two-member-state threshold. The early evidence is mixed but broadly encouraging.

As the Commission has not yet released a standardized cross-national implementation dashboard, the available evidence must be read cautiously. The analysis therefore relies on three observable proxies derived from endorsed NDIPs and official announcements: the composition of NDIP envelopes, the share of publicly identifiable projects that are genuinely joint, and early implementation signals such as endorsement timing and signed contracts.

Romania's Ministry of National Defense will implement 21 projects under SAFE, of which 10 are joint acquisitions with other countries and 11 are exclusively national. Most joint projects are being carried out with France and Germany, including a signed contract with France for Mistral missiles (worth €652 million, with six other states), 12 H225 helicopters from France, 12 radars in a joint purchase with France, and three air defense systems to complement the Patriot system in a program with Germany. (Romania Insider, 2026)

Poland's NDIP identifies joint procurement partnerships with Baltic States for artillery systems and air defense, with the Safe Baltic project - a dedicated €3.4 billion sub-program for Baltic Sea security - representing the most geographically coherent joint procurement initiative in the first two waves, linking Poland's SAFE engagement to a broader Baltic Sea security architecture. (Glowacki, 2026).

The NDIP data also reveals that 15 member states have declared joint procurement projects with Ukraine, underscoring SAFE's dual function as both a European rearmament instrument and a mechanism for integrating Ukraine into the EU defense industrial ecosystem (European Commission, 2026).

These are meaningful instances of cooperation. They are not, however,

evidence that the coordination–capability gap has been closed. The tension between national and European common interests persists, as the European Union is not a military alliance, and many countries are still using SAFE to support their national defense interests.

The political contestation surrounding SAFE’s joint procurement conditionality is most visible in the proposal put forward by Polish President Nawrocki in March 2026, presented as “concrete, Polish, safe and sovereign,” and as an alternative to what he described as “the financial and political constraints of the EU program” (President of the Republic of Poland 2026). Rather than borrowing from the EU at interest, Poland would finance its defense spending at zero cost through two potential mechanisms: a sell-buy-back operation on the National Bank of Poland’s gold reserves to generate capital gains directed to the Armed Forces Support Fund, and/or a reallocation of the National Bank of Poland’s annual profit earmarked specifically for defense (ING Think 2026).

The political appeal is real, but also are the constraints. The gold mechanism could generate the required funds one year later than the first potential disbursement from SAFE. Large-scale gold operations to finance public spending could be perceived by bond markets as quasi-

monetary financing, potentially raising Poland’s sovereign borrowing costs at a time when it is actively rebuilding its standing with international investors (ING Think 2026).

What makes the SAFE 0% proposal analytically significant is not whether it works or not, but what it reveals. It is the most concrete manifestation to date of the sovereignty dimension of H2: the moral hazard of loan-financed rearmament has already generated a credible domestic counter-proposal capable of decoupling Poland’s defense financing from EU joint procurement conditionality. It brings to light a structural tension within the SAFE architecture, between the instrument’s fiscal incentive logic - which assumes the interest rate differential is sufficient to overcome sovereignty concerns - and the political economy of member states where sovereigntist actors may use it to promote their own agendas.

6.1 Case Comparison: Poland and Romania as Contrasting SAFE Archetypes on the Eastern Flank

Poland and Romania offer an illustrative bilateral comparison within the SAFE framework. They are both NATO eastern flank states with elevated threat perceptions, both rank among the largest SAFE beneficiaries by allocation, and both have submitted NDIPs that reflect

genuine strategic ambition. They also differ substantially across dimensions relevant to SAFE's effectiveness: defense spending trajectory and fiscal capacity, industrial absorption capacity, the balance between acquisitions and infrastructure investment, and the degree of joint procurement integration.

The comparison is nonetheless limited by the asymmetric public disclosure across NDIPs, and the lack of data on execution rates, contracting pace, or full disbursement, so the analysis captures planned allocations and early implementation rather than completed delivery.

The two countries moved through the SAFE approval pipeline at different speeds. Romania was included in the first wave of endorsements on 11 February 2026, alongside Belgium, Bulgaria, Cyprus, Denmark, Spain, Croatia, and Portugal. Poland was approved in the second wave — a sequencing that reflects both Romania's earlier NDIP submission and a smoother domestic ratification process (Council of the EU 2026; Romania Insider 2026).

Poland is the largest single SAFE beneficiary, with an allocation of €43.7 billion — more than a quarter of the entire €150 billion envelope (Glowacki 2026). This reflects Poland's exceptional defense spending trajectory (4.7% of GDP in 2025, the highest in NATO) and its demonstrated capacity to absorb

large-scale procurement programs. The Polish Government estimates that 89% of SAFE funds will flow to Polish industry, with approximately 12,000 Polish companies participating in the supply chain (Chancellery of the Prime Minister 2026). This absorption capacity is the product of a decade of sustained investment progressively building Poland's defense technological and industrial base, including licensed production arrangements with South Korean and US prime contractors.

Poland's NDIP is unambiguously firepower-centric, reflecting a threat calculus shaped by the land warfare lessons of Ukraine. Artillery systems account for the largest single share (28%, approximately €12.2 billion), followed by air and missile defense and anti-drone systems (26%), ground combat and support systems (19%), and ammunition and missiles (14%). The remaining 13% covers strategic air transport, space resources, cybersecurity and AI, and the Safe Baltic maritime component. Some funding also flows to Poland's Police, Border Guard, and State Protection Service, as well as military mobility including roads and bridges (Glowacki 2026).

Romania is the second-largest SAFE beneficiary, with an allocation of €16.7 billion - a figure that significantly exceeds its annual defense budget of approximately €8.5 billion in 2025 (European

Commission 2026; Jipa 2025). The ratio between SAFE funds and the annual defense budget in the two countries is relevant: 1.9 for Romania compared to 0.99 for Poland. Romania does not have a mature defense industrial base capable of absorbing large-scale procurement within a compressed timeline. Despite political ambitions to become a defense provider in the Black Sea area and the advances made in the past 5 years, its defense industry remains characterized by limited production capacity, a history of procurement delays and litigation, and a relatively small pool of qualified defense contractors (Visan 2019; Wolf Theiss 2025).

Romania's NDIP reflects a fundamentally different threat calculus and a distinctive three-part allocation: €9.53 billion for defense modernization managed by the Ministry of Defence; €2.8 billion for equipment for the Ministry of Internal Affairs and civil protection; and €4.2 billion for strategic sections of the A7 and A8 motorways in the country's northeast, improving links toward Ukraine and Moldova (Romanian Ministry of National Defense 2025).

The infrastructure component is the most distinctive feature of Romania's NDIP and has no equivalent in Poland's plan. The specific corridors Pașcani–Suceava–Siret and Pașcani–Iași–Ungheni are

simultaneously civilian economic assets and critical military mobility routes enabling rapid force projection along NATO's southeastern flank. By allocating 25% of its SAFE envelope to this dual-use infrastructure, Romania is leveraging the instrument's military mobility eligibility to address a structural deficit that prior national budgets could not close. It also means that Romania's actual defense acquisition budget under SAFE is €9.53 billion, not €16.7 billion - a distinction that matters when assessing the instrument's direct contribution to closing the coordination–capability gap.

Within the €9.53 billion military envelope, Romania's procurement priorities differ significantly from Poland's. While Poland's acquisitions focus on mass fires (28% on artillery alone), Romania's dominant priority is armored maneuver mass. The IFV replacement program alone accounts for €2.98 billion, making it the single largest line item in Romania's entire SAFE portfolio, due to the fact that Romania still operates approximately 142 Soviet-era MLI-84 infantry fighting vehicles - a deficiency Poland addressed in an earlier procurement cycle.

Ground forces modernization dominates at approximately 39% of the military envelope, covering 198 tracked IFVs (€2.98B), 139 Piranha 5 APCs (€761M), and over 1,370

logistics vehicles (€471M). *Air and missile defense* comes second at approximately 26%, with Mistral missiles, Skynex V-SHORAD batteries, IRIS-T SLM systems, and GM200 radars. *Aviation* (H225M Caracal helicopters), *naval capability* (offshore patrol vessels and Naval Strike Missiles, approximately 9%), and *C4ISR and digital systems* (approximately 5%) complete the portfolio (Romanian National Defense Ministry 2026).

What Romania is not buying through SAFE is equally relevant. There is no significant artillery allocation, despite the fact that the war in Ukraine has demonstrated that deep fires are the dominant currency of high-intensity land warfare. The explanation is that the K9 howitzer program is already under a separate 2024 contract with Hanwha Aerospace, being assembled in Romania, and Romania has separately acquired HIMARS and CAESAR howitzers through bilateral channels. There is no main battle tank, although Romania continues to depend on upgraded Soviet-era legacy platforms, but 216 modern MBTs are already approved under a separate program, including 458 million euros for a battalion of M1A2 SEPv3 Abrams tanks (Watkins 2025).

The OPV acquisition is the most debatable line item, as it can be argued that it has limited war-fighting

value compared to what frigates or corvettes with anti-submarine and anti-ship capabilities would offer against Romania's actual Black Sea threat environment. Romania is separately procuring a light corvette (Vulcan 2025), but the overall naval surface picture remains insufficient for a country with significant Black Sea responsibilities. The C4ISR software platform appears significantly underfunded relative to the complexity of digitally networking a force of this scale, a lesson the Ukraine war has made impossible to ignore.

The overall assessment is that in Romania's case, SAFE is filling the capability gaps that prior national budgets could not close, in accordance with the instrument's design logic.

Romania's most significant programs also carry a condition of at least 50% domestic production, with some requiring 100% for sovereignty and security reasons (Romania Insider 2026). This combination of joint acquisition and domestic production requirements reflects Romania's ambition to embed itself in European defense supply chains while simultaneously building national industrial capacity - a more complex and potentially more fragile procurement strategy than Poland's predominantly domestic model.

The Poland-Romania comparison illustrates four structural

dynamics likely to determine SAFE's different effectiveness across member state typologies.

First, the relationship between industrial absorption capacity and SAFE effectiveness is non-linear. Poland's high absorption capacity means its €43.7 billion allocation is likely to generate genuine capability delivery within the 2025–2030 window, as the industrial infrastructure exists to convert financial commitments into deployed systems. Romania's constrained absorption capacity creates a risk that its €9.53 billion acquisition envelope will exceed the contracting and delivery capacity of its defense procurement system, potentially resulting in underspent allocations, delayed deliveries, or a concentration of contracts with a small number of foreign prime contractors.

Second, Romania's infrastructure investment reveals an important design feature of SAFE that Poland has not exploited at scale: the instrument's military mobility eligibility allows member states to use defense financing to address dual-use infrastructure gaps that would otherwise require separate civilian investment programs. The A7/A8 investment is simultaneously a military mobility asset, a NATO force projection enabler, and a civilian economic development project — a convergence that maximizes the strategic value of Romania's SAFE

allocation but complicates the direct measurement of its contribution to the coordination–capability gap.

Third, the two NDIPs reflect contrasting strategic orientations.

Poland's plan is almost entirely firepower-centric, optimized for high-intensity land warfare on the northeastern flank. Romania's plan is more diversified, combining armored modernization, air defense, naval capability, infrastructure, and internal security and reflecting the multi-domain demands of the Black Sea strategic environment and Romania's ambition to become a regional defense provider rather than a purely defensive consumer.

Fourth, and most consequentially, the political economies of the two states are moving in opposite directions. Romania's SAFE engagement rests on broad domestic consensus. Poland's is contested — a president publicly proposing sovereign alternatives to EU financing, a government defending the instrument's value, and a domestic political debate that has moved SAFE from a technical instrument to a constitutional question about the boundaries of European integration. The fiscal architecture holds. The political architecture around it is under stress.

Table 2: Poland–Romania Comparative Profile under SAFE

Dimension	Poland	Romania
SAFE allocation	€43.7 bn (29% of total)	€16.7 bn (11% of total)
Defense spending (2025)	~4.7% GDP (~€48 bn)	~2.3% GDP (~€9.8 bn)
SAFE/annual defense budget ratio	~0.9x	~1.7x
Industrial absorption capacity	High (mature DTIB, 12,000 companies)	Constrained (limited base, history of delays)
NDIP structure	Predominantly acquisitions	58% acquisitions, 25% infrastructure, 17% internal security
Key procurement priorities	Artillery, air defense, ground systems, ammunition	IFVs, helicopters (joint FR), air defense, naval
Infrastructure component	Military mobility (roads, Safe Baltic)	A7/A8 motorways (northeast corridor to Ukraine/Moldova)
Joint procurement flagship	Safe Baltic; artillery with eastern flank partners	Caracal helicopters (France); Mistral/IRIS-T (multilateral)
Political economy	Contested (government vs. president)	Broad consensus
H1 evidence	Strong	Moderate
H2 risk profile	Moral hazard (debt burden, sovereignty)	Absorption capacity (e
Dimension	Poland	Romania
SAFE Allocation	€43.7 billion	€16.7 billion
Approval Batch	2nd (Feb 17, 2026)	1st (Feb 11, 2026)
Military Share	~98%	~75%
Infrastructure Share	~2% (Baltic/roads)	~25% (A7/A8 motorways)
Top Capability Priority	Artillery & air/missile defence	Air defence & ground modernisation
Joint Procurement	Limited	Extensive (10 of 21 programmes)
Key Partners	Primarily domestic	France, Germany
Political Context	Contested (presidential opposition)	Broadly supportive
Domestic Industry Target	89%	50–100% per programme

(Source: Compiled by author from European Commission data)

7. CRITICAL ASSESSMENT: LIMITATIONS, RISKS

The preceding section supports H1 only in a qualified sense: SAFE is producing a measurable shift in procurement planning toward jointly structured, EU-conditioned programs, but the evidence still concerns endorsed plans and early contracts rather than audited execution rates. That is nonetheless analytically significant, because previous EU instruments rarely structured national acquisition plans at this scale. The evidence on H2 is more complex, as the structural tensions previously identified are now visible in the first year of implementation.

The two-speed Europe risk is the most immediate, as high absorption capacity states (Belgium, Denmark, Poland) are converting their SAFE allocations into deployed capabilities. Lower absorption capacity states (Romania, Bulgaria, Croatia) are accumulating financial commitments that their procurement systems may not execute within the 2025–2030 window.

The risk is not merely delayed capability delivery, considering that if lower-absorption member states consistently underspend their allocations, the political legitimacy of SAFE as an instrument of collective capability development will be undermined and its successor will face a more skeptical political environment.

The Commission's NDIP endorsement process provides partial mitigation: by requiring member states to demonstrate alignment with EU capability priorities before accessing pre-financing, it creates a planning discipline that may improve execution rates relative to purely national procurement cycles. This conditionality does not address the underlying structural constraints, such as limited contracting capacity, shallow defense industrial bases, procurement agency staffing deficits, that produce absorption failures in the first place. A more robust mitigation would require the Commission to provide technical assistance to lower-absorption member states, analogous to the REFORM support instrument deployed under NextGenerationEU, but no such mechanism is currently embedded in the SAFE Regulation (Council Regulation (EU) 2025/1106).

The moral hazard operates at two levels: at the first level, SAFE loans are sovereign obligations that will appear on national balance sheets and must be repaid over a 45-year horizon. For member states already carrying elevated debt-to-GDP ratios, the addition of SAFE obligations, even at concessional interest rates, creates a long-term fiscal commitment that constrains future defense budget flexibility and will generate political resistance as the repayment phase begins after

2030. The Polish SAFE 0% episode, previously analyzed and the political logic it embodies, that sovereign debt-free defense financing is preferable to concessional EU loans with procurement strings attached, is the clearest early manifestation of this tension.

At the second level, SAFE's concessional interest rates reduce the effective cost of defense investment below market rate, creating an incentive for member states to over-allocate to defense relative to their genuine strategic requirements. The NDIP conditionality provides a partial check, but it does not prevent member states from submitting ambitious NDIPs that exceed their realistic absorption capacity in order to maximize their SAFE allocation.

The 35% non-EU component cap is the most politically contested structural tension. The cap was designed to reinforce European defense supply chains and reduce third-country dependencies, a legitimate industrial policy objective in the current geopolitical context. It also creates three categories of practical difficulty that the first year of implementation has already made visible.

First, the cap creates a direct conflict with existing procurement commitments. Poland's largest defense procurement programs — the K2 Black Panther main battle tank and the FA-50 light combat

aircraft (both from South Korea) and the HIMARS multiple launch rocket system (from the United States), involve component shares that may exceed the 35% non-EU threshold, potentially rendering them ineligible for SAFE financing without renegotiation of supply chain arrangements (Reuters 2025). Member states that have invested in transatlantic and Indo-Pacific defense industrial partnerships are penalized relative to those that have not.

NATO's Updated Defence Production Action Plan explicitly links industrial expansion, multinational demand aggregation, and materiel standardization to Alliance capability targets, while recent EU-NATO literature stresses that stronger EU initiatives should reinforce interoperability and avoid duplication rather than create parallel standards (NATO 2025; European Parliament 2025). Several of the most capable and NATO-standardized systems in the European defence market, such as US-origin air defence systems, precision munitions, and C4ISR infrastructure, contain component shares that approach or exceed the 35% threshold. Substituting European components may be a long-term solution, but in the short term it risks degrading interoperability with US and Canadian NATO allies.

Third, the cap's enforcement mechanism creates a compliance

burden asymmetrically distributed: larger member states with sophisticated procurement agencies navigate the review process efficiently; smaller member states with limited administrative capacity face a disproportionate compliance cost. The Regulation provides no waiver mechanism for cases where no European alternative to a non-EU component exists at the required capability level, scale, or timeline — leaving member states in a legal grey zone that deters participation in otherwise eligible programs.

8. POLICY RECOMMENDATIONS

The previous analysis generates a set of actionable recommendations directed at the four principal actors whose decisions will determine SAFE's long-term effectiveness.

Defense ministries in member states with constrained absorption capacity should take the opportunity to consider SAFE implementation as a defense resource management reform program, not merely a procurement exercise. The primary bottleneck is not financial but institutional: contracting capacity, project management expertise, and qualified defense acquisition workforce. Ministries should use the pre-financing window — up to 15% of the SAFE allocation available on NDIP endorsement — to invest in procurement agency capacity before

committing to large-scale acquisition contracts. Engaging national audit institutions and parliamentary defense committees in NDIP oversight from the outset will reduce the risk of political backlash during the repayment phase.

Defense ministries in member states with high absorption capacity should ensure that the ambitious stimulus to the domestic industrial base does not become a barrier to genuine joint procurement. The SAFE conditionality requires at least two participating states; the spirit of the instrument demands durable industrial cooperation, not merely contractual co-signatures. Joint procurement agreements should include technology transfer, co-production, and maintenance arrangements that create lasting supply chain interdependencies.

The European Commission should introduce a technical assistance mechanism, similar to the REFORM support instrument under NextGenerationEU, specifically designed to strengthen defense procurement capacity in lower-absorption member states. The 35% non-EU component cap requires a formal waiver procedure for cases where no European alternative exists at the required capability level, scale, or timeline. The absence of such a procedure creates legal uncertainty that deters participation and penalizes legitimate transatlantic procurement

commitments. A waiver procedure, subject to Commission approval and SAFE Special Group endorsement, would preserve the instrument's industrial policy objectives while eliminating the perverse incentive. Quarterly SAFE implementation dashboards, covering NDIP execution rates, joint procurement participation ratios, and 35% cap compliance data for each participating member state, would create accountability pressure and provide the evidence base that research and policy communities need to evaluate SAFE's effectiveness in real time.

European defense prime contractors and system integrators should treat SAFE not merely as a demand stimulus but as a structural opportunity to consolidate fragmented European supply chains. The NDIP data reveals a convergence of national procurement priorities (particularly in ground-based air defense, artillery, and armored vehicles) that creates the conditions for multi-country framework contracts at a scale justifying new production capacity investment. Primes that position themselves as SAFE-compliant supply chain integrators, demonstrating 35% cap compliance across their product lines and offering co-production arrangements to member state partners, will have a structural advantage in the competition for NDIP-linked contracts. For small and

medium-sized defense enterprises, the SAFE framework creates both opportunity and risk. Industry associations should engage with the SAFE Special Group to advocate for SME-friendly contract structures in the NDIP implementation guidelines.

NATO should formalize a consultation channel linking SAFE NDIPs to the NATO Defense Planning Process and NATO standardization processes. Treating endorsed NDIPs as complementary planning inputs would help align SAFE-financed investments with Alliance capability targets, identify interoperability problems early, and manage conflicts between the 35% non-EU cap and operational requirements before they translate into procurement bottlenecks. Such a mechanism would also help ensure that EU support for Ukraine's defence industry complements long-term NATO force-generation and standardization goals rather than evolving on a parallel track.

9. CONCLUSIONS

This paper set out to analyze the Security Action for Europe as a paradigm shift which shifts the operative logic of European defense cooperation from voluntary coordination to fiscally incentivized capability delivery.

H1, the Fiscal Architecture Hypothesis, is broadly supported. SAFE's loan-based mechanism,

combined with the NDIP conditionality and the joint procurement requirement, is producing a visible change in member state procurement behavior. The institutional genealogy traced in Section 4 demonstrates that this shift is the culmination of a decade-long escalation in EU defense financing ambition, with each instrument responding to the demonstrated inadequacies of its predecessor. The NDIP data from the first two endorsement waves confirms that member states are channeling significant shares of their SAFE allocations into jointly structured programs. The instrument's fiscal architecture has successfully lowered the financial barrier to joint procurement participation.

H2, the Structural Tension Hypothesis, is also supported. The structural tensions identified in Section 7 are not design flaws correctable by regulatory amendment. They are inherent features of an instrument that attempts simultaneously to achieve fiscal scale, industrial policy objectives, and sovereignty-respecting conditionality. The two-speed Europe risk reflects the structural diversity of EU member states' defense industrial bases — a diversity that SAFE's uniform conditionality framework cannot eliminate. The moral hazard of loan-financed rearmament reflects the fundamental tension between the

EU's collective credit advantage and the national sovereignty of the member states that must ultimately service the debt. The industrial protectionism embedded in the 35% non-EU cap reflects the unresolved conflict between the EU's strategic autonomy objectives and its alliance commitments — a conflict that SAFE has made more visible but has not resolved.

The paper's central analytical contribution is the concept of the *coordination–capability gap* and its operationalization through the lens of fiscal architecture. By framing SAFE as a fiscal architecture rather than merely a procurement instrument, the analysis reveals that the instrument's effectiveness depends not only on the scale of financing it mobilizes but on the institutional infrastructure that converts financial commitments into deployed capabilities. Fiscal architecture can close the coordination–capability gap by aligning incentives and aggregating demand. It cannot substitute for the industrial capacity, procurement expertise, and political consensus that capability delivery ultimately requires.

The Poland–Romania case comparison illustrates these dynamics. Poland demonstrates that high absorption capacity and strong domestic industrial routing can convert a large SAFE allocation into genuine capability delivery

within the implementation window — at the cost of a domestic political contestation that has already produced a credible sovereignty-based counter-proposal. Romania demonstrates that strategic ambition and a diversified NDIP combining acquisitions, joint procurement, and dual-use infrastructure can maximize the strategic value of a SAFE allocation, on the condition the underlying procurement system can execute the plan within the timeline the instrument imposes.

Three open questions define the directions for future research: first, whether SAFE's joint procurement conditionality will generate durable industrial cooperation or merely transient contractual arrangements; second, whether the instrument's off-budget financing structure will survive the EU's reformed economic governance framework; third, whether SAFE will be renewed, expanded, or succeeded by a permanent EU defense financing instrument after 2030.

SAFE represents the most ambitious and structurally coherent attempt yet to close the coordination–capability gap in European defense. Whether it succeeds will depend less on the quality of its fiscal architecture, which is sound, than on the political will of member states to honor their NDIP commitments, the capacity of their procurement systems to execute them, and the

resilience of the EU's collective defense financing consensus in the face of the sovereignty pressures that loan-financed rearmament inevitably generates. The architecture is built. The question is whether the people inside it will hold it up.

AI DISCLOSURE

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