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Wake-Up Call With a Price Tag: The EU's Unprecedented Push to Militarize Autonomy

On Wednesday, the European Parliament approved a non-binding resolution on the White Paper on Defence, which the European Commission will present on 19 March. The document will include the ReArm Europe plan, outlined by the President of the Commission, Ursula von der Leyen, during Tuesday's plenary debate. The resolution was adopted with 419 votes in favour, 204 against, and 46 abstentions. *But now, let's talk money.*

How the EU Plans to Unleash a €800 Billion Defence Overhaul

The initiative seeks to mobilise around €800 billion over the next four years, with the majority of this funding expected to come from Member States boosting their national defence and security budgets.

"If Member States were to increase their defence spending by an average of 1.5% of GDP (the cap set by the Commission for additional annual defence expenditure), this could create fiscal space of close to €650 billion over a four-year period." Von der Leyen told reporters on Tuesday.

The remaining €150 billion would be generated through a new defence financing mechanism, allowing the Commission to borrow from capital markets and issue bonds to provide loans to Member States. This approach is similar to the EU's strategy during the COVID-19 recovery, when it raised funds through the SURE instrument. However, unlike the grants distributed under SURE, this new mechanism will allocate funds as loans, tied to national defence procurement plans spanning the next decade.

"We're talking about [funding] pan-European capability domains, such as air and missile defence, artillery systems, missiles and ammunition, drones and anti-drone systems, but also addressing other needs, from cyber defence to military mobility." the Commission President stated.

The new instrument will operate off-budget, meaning it will involve joint borrowing that will eventually need to be repaid. A key element of von der Leyen's rearmament strategy is providing Member States with greater fiscal flexibility by activating the so-called national escape clause of the Stability and Growth Pact, as announced at the Munich Security Conference last month. The pact, adopted last year, imposes strict fiscal rules requiring

Member States to keep debt below 60% of GDP and deficits under 3%. Countries such as Poland and the Baltic states have long pushed for more lenient rules to allow higher defence spending without penalties. The escape clause can be triggered under exceptional circumstances that "*lead to a major impact on public finances*," though von der Leyen did not specify how increased spending by heavily indebted nations like France and Spain would be managed. Additional defence expenditure of up to 1.5% of GDP will be exempt from EU spending limits for four years, but any spending beyond that threshold must be accommodated within national budgets.

Is there any other way?

The Commission has put forward three further measures:

- mobilising additional private capital,
- revising the European Investment Bank's (EIB) mandate,
- creating incentives for defence-related investments within the EU budget.

In the immediate term, the EU is urging Member States to reallocate funds from cohesion policy programmes—designed to reduce economic gaps between regions—towards defence and security priorities.

Unlocking the full potential of the Capital Markets Union is described as "essential" for von der Leyen's strategy. While the EU has no shortage of capital—European households save €1.4 trillion annually, compared to €800 billion in the US—€300 billion of these savings are invested outside the EU each year. To tackle this, the Commission will present a proposal by 19 March for a European Savings and Investment Union, aimed at encouraging risk capital and facilitating smoother cross-border capital movement within the EU.

The final component of the plan involves expanding the EIB's mandate. The bank has already adjusted its policies to support dual-use companies—those deriving less than 50% of their revenue from defence activities—and is now exploring ways to further extend its financing scope while maintaining its lending capacity.

"In a time of rising defence expenditures, that's quite a constraint because many dual use companies cannot be funded by the EIB (...), so I think that there is scope to change the mandate of the EIB and use the EIB as a vehicle to fund companies that have a severe gap in their funding from private banks and from capital markets." Wolff said.

To sum up, **here's Ursula von der Leyen's five key step to ReArm Europe**:

1. **Activate Fiscal Flexibility for Defence Prioritization**
   The ReArm Europe initiative proposes leveraging the Stability and Growth Pact's "national escape clause," enabling Member States to temporarily exceed fiscal

thresholds to prioritize defence investments. A 1.5% GDP annual increase in defence spending—within Commission guidelines—could unlock €650 billion over four years, transforming fiscal constraints into strategic opportunity.

2. **Launch a €150 Billion Pan-European Defence Facility**
   A new loan instrument will catalyze cross-border collaboration, financing next-generation capabilities such as integrated air defence systems, advanced artillery, and cyber resilience infrastructure. This joint procurement framework reduces redundancies, enhances military interoperability, and accelerates support for Ukraine, while reinforcing the EU's defence industrial ecosystem.
3. **Redirect EU Budgetary Resources**
   Cohesion policy funds, traditionally allocated to reduce regional disparities, will be partially repurposed to fast-track defence modernization. Member States gain targeted incentives to align national security priorities with EU-wide objectives, ensuring cohesion investments double as strategic security safeguards.
4. **Mobilize Private-Sector Capital**
   Accelerate the European Savings and Investment Union to channel €1.4 trillion in annual household savings toward defence innovation. Simultaneously, expand the European Investment Bank's mandate to finance dual-use technologies, bridging gaps between private capital markets and Europe's defence ambitions.
5. **Forge a Cohesive Security Architecture**
   Collectively, these measures aim to mobilize €800 billion, cementing Europe's role as a global security actor. By aligning with NATO and integrating defence, economic, and industrial policies, the EU positions itself not merely as a responder to crises but as a proactive architect of a resilient, sovereign future.

ReArm Europe transcends budgetary arithmetic — it's a recalibration of priorities, uniting fiscal pragmatism, industrial innovation, and collective resolve to meet an era of geopolitical upheaval.

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