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The European Council summit: approval of boosting military capabilities, stalemate on Ukraine

Łukasz Maślanka

At a special European Council meeting held on 6 March, the leaders of EU member states expressed their support for most elements of the five-point ReArm Europe plan, which had been presented by the President of the European Commission two days earlier. The plan aims to increase public and private investment in European defence. Its provisions propose easing restrictions related to the excessive deficit procedure, establishing a loan facility worth up to €150 billion for defence procurement funded through joint debt, allowing unused funds from the Cohesion Fund and NextGenerationEU to be allocated to defence projects, encouraging private capital investment in the defence sector (by advancing the integration of the capital markets to establish a savings and investments union), and increasing the involvement of the European Investment Bank. The Commission has been tasked with presenting specific proposals on most of these points before the next European Council meeting.

The leaders also agreed on a list of seven priority areas for joint EU action in developing military capabilities. These include air defence, artillery systems (including long-range missiles, ammunition, and missile stockpiles), drone and anti-drone systems, strategic enablers, military mobility, cyber defence, artificial intelligence, and electronic warfare systems. The conclusions of the meeting also emphasised that strengthening the defence of the EU's eastern border contributes to the security of Europe as a whole.

The European Council failed to achieve unanimous support for a proposal on further aid to Ukraine due to Hungary's veto. However, the remaining 26 member states adopted a joint statement outlining the key conditions for halting hostilities, as agreed during a meeting of European representatives in London on 2 March. The statement also reaffirmed their commitment to continuing support for Kyiv (see '*The failure of Zelensky's US visit and Europe's plan to end the war*').

The European Council meeting can hardly be considered a breakthrough. The conclusions on European defence appear to represent a compromise between conflicting expectations among member states. A clear consensus on joint EU debt for defence purposes is still lacking, although the initial approval to exempt a portion of military spending from the excessive deficit procedure and redirect EU funds toward defence projects is a notable step. However, the ongoing deadlock over additional military support for Ukraine undermines Europe's credibility as a participant in negotiations aimed at ending the Russia-Ukraine war.

Commentary

- Member states responded with caution to the European Commission's groundbreaking proposal to create a new financial instrument based on joint borrowing worth €150 billion. They merely 'took note' of it and called on the Council to address it urgently. This reception was influenced by Italy's scepticism. Despite its previous support for the idea of joint debt, Italy now fears that additional shared borrowing could further increase the cost of servicing its sovereign debt. The proposed instrument would provide low-interest loans to at least two EU member states engaging in joint procurement of arms and military equipment. Since the repayment of the €150 billion debt would be proportional to each country's GDP, the EU's wealthiest and largest member states would effectively shoulder the main portion of the financial burden.
- The initial approval of allowing an EU member state to invoke increased defence spending to avoid the excessive deficit procedure is politically significant. According to the European Commission's plans, this would enable national military expenditures to rise by an additional 1.5% of GDP, unlocking up to €650 billion in extra funding over four years. In this context, the positive shift in the stance of certain countries that have traditionally advocated for strict fiscal discipline (particularly Germany) is surprising.
- The European Council also approved the use of unspent funds from the Cohesion Fund and NextGenerationEU. A key advantage of this solution is that the unused money will remain with the country to which it was originally allocated and can be directed towards dual-use infrastructure projects, such as military mobility or civil protection initiatives.
- Contrary to expectations, the European Council meeting did not result in a breakthrough on additional military aid for Ukraine, which could have helped offset the halt in US arms deliveries. Earlier reports mentioned a proposal by the EU High Representative for Foreign Affairs and Security Policy to establish a €25 billion fund, which, due to an expected Hungarian veto, would have been financed voluntarily by the remaining member states, with contributions based on their GDP. The lack of agreement on this initiative, along with the lack of progress on the confiscation of Russian assets, raises doubts about the EU members' actual determination to pursue a strategy of 'peace through strength' and their influence on the negotiations conducted by the United States to end the Russia-Ukraine war.