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The defence dilemma: can Spain ride Europe's defence revival?

Elcano Policy Paper

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Executive summary[1]

Defence has become a public policy area of the highest priority in Europe. As the war in Ukraine rages on and the second Trump administration encourages Europeans to take ownership of conventional defence within NATO, the European Union (EU) has launched a flurry of initiatives in recent years to bolster Europe's military capabilities and revitalise Europe's defence industrial and technological base. What does this mean for Spain?

Spain is often singled out as a laggard when it comes to defence spending. To be sure, input metrics – such as spending – provide an incomplete picture about an ally's contribution to collective security. And Spain's ongoing commitment to NATO and EU missions paints a somewhat more positive picture. Moreover, after years of under-investment, Spain announced a €10.4 billion increase in defence expenditure in 2025, aiming to meet NATO's 2% GDP target. However, questions remain about the sustainability and focus of this investment, particularly as future NATO targets may increase to 3% or 5% of GDP. As NATO and the EU continue to roll out various benchmarks and initiatives relating to spending, capability development and industrial production, Spain must either up its game or risk missing the boat when it comes to defence modernisation.

In this context, Spain faces both an opportunity and a risk: it must assert itself within evolving EU defence frameworks or risk exclusion from key capability-building initiatives. Spain must carefully align its national defence strategy with the EU's Readiness 2030 initiatives to maintain its role as a key player in EU defence and industrial cooperation. Strategic alignment with EU defence objectives is essential, particularly in the context of uncertain transatlantic relations and evolving security threats. Without a coordinated national effort, Spain risks marginalisation in major EU defence programmes, which would hinder its industrial competitiveness and diminish its influence in European integration.

To play a central role in future EU flagship defence programmes, Spain's defence innovation ecosystem will need reform. It continues to be challenged by a fragmented, silo-based approach. Despite recent strategic plans promoting regional defence hubs and dual-use technology development, integration with civilian innovation sectors remains limited. A cultural shift toward open innovation and whole-of-society engagement

1. This Policy Paper draws on the input received during two closed-door seminars as well as extensive consultations with relevant stakeholders. The two closed-door seminars were organised in Brussels and Madrid during the first half of 2025, and included participation from various officials and experts from the Spanish Government, the Spanish private sector, the EU and NATO. The authors thank the participants for their input and feedback on previous drafts, and remain solely responsible for the contents of this Policy Brief.

is critical in order to enhance national competitiveness and ensure access to EU funding mechanisms.

This paper has two central aims: first, to map the strategic, technological and regulatory changes shaping EU defence; and second, to assess their implications for Spain's defence industry. Structured in three parts, the report examines the geopolitical context, emerging industrial trends and Spain's positioning within EU frameworks. It concludes with recommendations for how Spain can enhance its role in European defence and fully engage in collaborative industrial initiatives.

1. Introduction

The geopolitical context for Europe and Spain is rapidly changing. Russia's continued war against Ukraine and shifts in the transatlantic relationship pose serious questions for Madrid. This is an era of great power competition where the US-China geostrategic rivalry is having an enormous impact on the strategic direction of Europe. Past thinking centred almost exclusively on addressing transnational threats.[2] Although the security challenges from hybrid tactics (e.g. disinformation, cyber-attacks or the instrumentalisation of migration flows) will not disappear, the reality today is that the titans of international politics such as the US and China are reinforcing their military prowess, mastering new and disruptive technologies and reforging the global trading system. Europe has been unprepared for such a shift, not least because the open economic system of the past – with its emphasis on multilateralism and free trade – is being called into question. In this respect, Europe is being forced to reinvest in its defences and to ensure that it can collectively boost its economic competitiveness and technological mastery.

For Spain, the changing strategic context is having an impact on national decisions about defence investment and the generation of military capabilities. Indeed, as a country with a relatively low level of defence investment, Spain has come under pressure by the United States – during both terms of Donald Trump's presidency – to invest more of its national GDP in defence. In 2018, for example, President Trump sent a letter to the Spanish government to implore Madrid to invest 2% of GDP in defence[3]. Again, in 2025, a frank conversation between the US and Spanish economy ministers resulted in a further plea for Spain to increase its defence spending[4]. Faced with such pressure, in late April 2025 the Spanish government announced that it would invest an additional €10.4 billion into defence in 2025. This, it is hoped, will take Spain to NATO's 2% of GDP target[5]. However, such pressure is not only being exerted from

2 Simón, L. "Thinking about NATO-EU Relations in Wartime", Elcano Royal Institute, 31 May 2024. See: https://www.realinstitutoelcano.org/en/analyses/thinking-about-nato-eu-relations-in-wartime/

3 Gonzalez, M. "Trump urges Spanish PM to increase defense spending", El Pais, 3 July 2018. See: https://english.elpais.com/elpais/2018/07/03/inenglish/1530603349_167070.html

4 Jimenez, M. "Washington asks Spain to increase defense Spending and axe 'Google tax' after meeting with economy minister", El Pais, 16 April 2025. See: https://english.elpais.com/economy-and-business/2025-04-16/washington-asks-spain-to-increase-defense-spending-and-axe-google-tax-after-meeting-with-economy-minister.html

5 "Press conference by the President of the Government of Spain after the Council of Ministers", La Moncloa, 22 April 2025. See: https://www.lamoncloa.gob.es/lang/en/presidente/intervenciones/Paginas/2025/20250422-council-press-conference-speech.aspx?qfr=120

Washington; the EU, NATO and several fellow allies/member states are also calling on Madrid to raise its defence investments[6].

Even with the increased defence investment that has already been announced however, questions remain about the quality and nature of the additional investment. While Spain will invest more on defence in 2025, albeit on modernising some of its defence and deterrence capabilities[7], it remains to be seen whether additional investment will be unlocked in the years ahead. In 2025, Spain made a significant economic effort to meet its NATO commitment to spend 2% of its GDP on defence. To this end, defence items have been included alongside other security items that are not usually included in NATO accounting. If, as seems likely, the forthcoming NATO Summit in The Hague in June 2025 results in an allied agreement to move to targets of 3% or more of GDP in defence investments and 1% or more in security[8] then Spain would yet again feel the political pressure to spend even more on both – defence and security –at a time of economic and budgetary uncertainty across Europe. This may prove insufficient, especially if Europe seeks to fill the gap left by a likely retrenchment in America's conventional military presence on European soil, which would require Europeans to generate significant military might.

Still, in the discussions about additional defence investment in Spain, it is important not to lose sight of Spain's overall contribution to European defence. Spain has played an active role in NATO's Enhanced Forward Presence (eFP) in Latvia, with contributions to the eFP battlegroups. Additionally, Spain has led NATO air policing missions in the Baltic region and Romania on numerous occasions[9], and has been contributing for over a decade to NATO's efforts to reinforce Türkiye's air defences through the provision of a Patriot surface-to-air missile battery.[10] In an EU context, Spain has also played an instrumental role in the training of members of the Ukrainian armed forces following Russia's invasion of Ukraine, with some 7,000 soldiers having been trained among the Spanish military by

6 See e.g., Chislett, W. "Spain Under Pressure to Spend More on Defence", Elcano Royal Institute, 8 April 2025. See: https://www.realinstitutoelcano.org/en/commentaries/spain-under-pressure-to-spend-more-on-defence/; and Barigazzi, J. "Southern Europe Must Spend More on Defense, Lithuania Warns", Politico Europe, 17 March 2025. See: https://www.politico.eu/article/southern-europe-must-spend-more-on-defense-lithuania-warns/.

7 The additional investment announced by Spain focuses more on improving working conditions and staff training (35% of the additional investment) and modernising existing defence and deterrence capabilities (18.75%). See: Government of Spain, "Plan Industrial y Tecnológico para la Seguridad y la Defensa", Ejercicio 2025, p. 8. See: https://www.lamoncloa.gob.es/consejodeministros/resumenes/Documents/2025/230425-plan-industrial-y-tecnologico-para-la-seguridad-y-la-defensa.pdf

8 Recently, the NATO Secretary General floated the idea of taking the NATO spending target to 3.5% from 2% of GDP and to insist on a further 1.5% to be spent on wider security issues. Together, this would reach the 5% of GDP called for by President Trump. See Gray, A. and Bayer, L. "NATO's Rutte floats including broader security spending to hit Trump's 5% defence target", Reuters, 2 May 2025. See: https://www.reuters.com/world/nato-chief-rutte-floats-two-tier-spending-plan-meet-trump-target-2025-05-02/.

9 NATO, "Spain to Handover NATO Air Policing Mission in Romania", 26 March 2025. See: https://ac.nato.int/archive/2025-2/spain-to-handover-nato-air-policing-mission-in-romania-to-the-italian-air-force

10 NATO, "Spain joins Patriot missile defence mission to Turkey", 27 January 2015. See: https://www.nato.int/cps/en/natohq/news_116890.htm

February 2025[11]. As part of EU naval operations, Spain has also been one of the major naval contributors to ensure freedom of navigation and the implementation of arms embargoes. Finally, it should not be forgotten that Spain hosts US Navy assets (Aegis Ballistic Missile Defence System) at the Rota naval base. It is important to point out that contributions to allied solidarity cannot be calculated only in terms of the percentage of GDP dedicated to defence or other input metrics[12]. In fact, the NATO Defence Planning Process is as much about capabilities and commitments as it is about investments. While Spain is lagging behind on investments and can do more on capabilities,it is pulling its weight in terms of commitments.

Spain is under some pressure due to its relatively low level of defence investment; however, it is important not to lose sight of its overall contribution to European security.

Nevertheless, Spain is entering a decisive moment in which European defence is undergoing a potentially major transformation. The second Trump presidency has doubled down on the need for Europeans to invest more on defence and on the procurement of military capabilities. The clear logic coming from Washington is the need for Europeans to be better placed to look after conventional defence in Europe, while the US focuses its efforts on the Indo-Pacific and China. Europeans have long had an obligation to look after their own defence, but the Trump presidency is reinforcing the urgency of this need. As US Secretary of Defence Pete Hegseth reiterated in February 2025, "[t]he U.S. is prioritising deterring war with China in the Pacific, recognising the reality of scarcity, and making the resourcing trade-offs to ensure deterrence does not fail […] as the United States prioritises its attention to these threats, European allies must lead from the front"[13]. And even in the industrial realm, there have been – admittedly inconclusive – statements from Washington about the need for Europeans to build up their own defence technological and industrial base. At the same time, the US is building defence industrial partnerships with close Indo-Pacific allies such as Australia (i.e. AUKUS) and South Korea, in industrial domains such as naval shipbuilding where Spain enjoys some competitive advantages. All of these signals amount to an urgent need to boost defence production in Europe and to ensure that Europe's militaries and industries are fit for purpose in an era of warfare and rivalry.

11 "Around fifty Ukrainians receive military training from the Legion in Almeria", La Moncloa, 3 February 2025. See: https://www.lamoncloa.gob.es/lang/en/gobierno/news/paginas/2025/20250203-ukrainians-military-training.aspx

12 Bell, R.G. "Fixing NATO's 2014 Defense Investment Pledge", CSDS Policy Brief, 3/2022. See: https://csds.vub.be/publication/fixing-natos-2014-defense-investment-pledge/.

13 US Department of Defense, "Opening Remarks by Secretary of Defense Pete Hegseth at Ukraine Defense Contact Group (As Delivered)", Brussels, 12 February 2025. See: https://www.defense.gov/News/Speeches/Speech/Article/4064113/opening-remarks-by-secretary-of-defense-pete-hegseth-at-ukraine-defense-contact/.

How Spain develops and consolidates its own national defence industrial base in the current context is a major issue. In addition to Spain's own efforts to boost its national defence investments, new European initiatives have emerged to aid EU member states meet capability targets and to underwrite their technological and operational autonomy. Spain has already shown that it can play a major role in EU-funded defence industrial initiatives, as it has already done in case of the European Defence Fund (EDF[14])[15], but there is a risk of Spain losing its momentum in EU programmes. In this report, it will be argued that Spain needs a far more ambitious approach to EU-level defence industrial initiatives, since Spanish firms are increasingly at risk of being excluded from EU capability plans – despite the fact that Spanish operators can significantly contribute to all of the capability areas outlined in the EU White Paper on Defence (see Figure 2). Spain should actively seek to participate in all of the EU's future capability flagship projects[16] so that its firms can ensure a strong position within European supply chains. This would boost firms' competitiveness, enhance European interoperability and contribute to the revitalisation of Spain's defence industrial and technological base. After all, these are already objectives outlined in Spain's 2023 national defence industrial strategy, in particular: 1) strengthening Spain's autonomy and reducing dependencies on third parties; 2) contributing to European defence through cooperation; and 3) consolidating a competitive Spanish defence technological and industrial base (DTIB)[17].

In 2025, the European Commission unveiled new defence initiatives that will require careful consideration by Madrid. With the release of the EU White Paper on Defence, the Commission and member states have agreed to a new loan facility of €150 billion for defence (the so-called Security Action for Europe (SAFE) instrument) and to a relaxation of the Stability and Growth Pact (SGP) rules on debt so that defence expenditures in the EU can rise without fear of excessive deficit procedures being triggered. The Commission calculates that such a relaxation of the SGP rules could amount to an additional €650 billion in defence investment at the national level. The Spanish government is still evaluating whether to activate the relevant national escape clause or not. In addition to this, the EU is working to reformulate the European Investment Bank's (EIB) lending policies on defence and is about to create the European Defence Industry Programme (EDIP), which could see further EU investment dedicated to defence procurement. Finally, the EU

14 See Fiott, D. "Defence Innovation Trends: A Data Snapshot of the European Defence Fund, 2021-2024", CSDS Policy Brief, 15/2025. See: https://csds.vub.be/publication/defence-innovation-trends-a-data-snapshot-of-the-european-defence-fund-2021-2024/.

15 Arteaga, F., Fiott, D. and Simón, L. "All In? The Revival of the Spanish and European Defence Industry", Elcano Royal Institute, 25 February 2025. See: https://www.realinstitutoelcano.org/en/analyses/all-in-the-revival-of-the-spanish-and-european-defence-industry/

16 The seven capability priorities listed in the EU's White Paper on Defence are: 1) Air and missile defence; 2) Artillery systems; 3) Ammunition and missiles; 4) Drones and counter-drone systems; 5) Military Mobility; 6) AI, Quantum, Cyber and Electronic Warfare; and 7) Strategic enablers and critical infrastructure protection.

17 Government of Spain, "Estrategia Industrial de Defensa, 2023". See: https://publicaciones.defensa.gob.es/media/downloadable/files/links/e/s/estrategia_industrial_de_defensa_2023.pdf.

also announced a recent change to its cohesion policy rules, to enable EU member states to redirect cohesion investments into defence, if needed.

In this rapidly changing EU environment, it is important for Spain to play a leading role in the direction of investments, but these investments need to reflect Spain's own geostrategic predicament and comparative advantages, including in terms of defence innovation. Madrid has insisted in the past that European cooperation is a useful way of developing defence and commercial opportunities across the EU and globally, and Spain has emphasised the importance of supporting defence innovation and technological development in Europe. It is the opinion of the present authors however that Spain needs to make its mark on forthcoming major EU-funded programmes. With France, Germany and Italy all likely to play a major role in flagship projects, such as air and missile defence, cyber, maritime and space domain awareness and more, Spain cannot afford to miss the opportunity of playing a full role in all of these areas. Spain has the technological know-how to participate in these domains, although it is critical for the country to ensure rapid development of the skills and technical expertise required to participate in EU projects.

However, with these new EU initiatives on the table, Spain faces some essential questions including: 1) how can Spain contribute to current defence and deterrence efforts in Europe? 2) what capabilities will Spain prioritise in this contribution to defence and deterrence? 3) how can Spain balance these urgent needs with its broader strategic priorities? 4) how can the Spanish defence sector benefit from and participate in European collaborative efforts? 5) what impact will EU efforts in the defence industrial realm have on the competitiveness of Spain's industrial base? and 6) how can EU defence industrial efforts help support EU-NATO cooperation?

To address such questions, this paper has two main objectives. The first is to outline and analyse the strategic, regulatory, technological and governance changes that are taking place in the European Union at present. The second is to understand the repercussions of these developments for the Spanish technological and industrial base. Following this analysis, the paper recommends a series of lines of action to enable Spain to adapt to the new context. To this end, this paper is structured in three major parts. Part one looks at the changing strategic and geopolitical environment for Europe and takes stock of the threats facing Europe, its military posture and future war scenarios. On this basis, the paper also discusses the capability implications of this changing strategic environment. Part two addresses industrial trends in the European defence market. Here, the paper analyses the structural changes to the defence industry that have emerged since Russia's war on Ukraine. In this part, the paper focuses specifically on recent EU defence industry initiatives. Part three then looks at the consequences of the analysis for Spain. The paper ends with a conclusion and recommendations.

2. Spanish defence policy in a changing strategic context

Spanish defence stands at an inflection point. Traditionally anchored within the Atlanticist framework and the European project[18], Spain today confronts a global order marked by geopolitical fragmentation and great power rivalry[19]. Spain's defence policy revolves around two main axes: the transatlantic relationship, including both NATO and Spain's bilateral ties with the United States; and the European Union's emerging role in defence. Indeed, a top strategic priority for Spain has been to further reinforce the complementarity between these two dimensions. Spain remains a major supporter of EU integration and, despite the current transatlantic context, it continues to position itself as a reliable NATO ally and it remains a major supporter of EU defence. In Spain's view, a strengthening of the transatlantic relationship and EU defence – and reinforcing complementarity between both – offers an opportunity to better manage a turbulent international landscape.

2.1. The transatlantic dimension

Spain's military collaboration with the United States has been a cornerstone of the bilateral relationship. The deployment of US Arleigh Burke-class destroyers to the Rota naval base underscores Spain's strategic importance to NATO's southern flank. In addition to serving NATO's southern flank, such bases support American operations across Europe, the Mediterranean and Africa. Furthermore, the presence of such bases has led to increased intelligence cooperation and interoperability exercises, reflecting Spain's embeddedness within the transatlantic fabric.

18 Government of Spain, "Estrategia de Acción Exterior de España, 2025-2038 : Una Política Exterior con Identidad Propia". See: https://www.exteriores.gob.es/es/Comunicacion/NotasPrensa/Documents/2025-04%20DOCUMENTO%20ACCION%20EXTERIOR%20v2.pdf.

19 Arteaga, F. "Europe at War and European Defence: the Same as Ever?", Elcano Royal Institute, 23 October 2024. See: https://www.realinstitutoelcano.org/en/analyses/europe-at-war-and-european-defence-the-same-as-ever/

Historically, there has been remarkable bipartisan support in Spain for the bilateral relationship with the US.[20]

However, it is clear that there are shifts underway in the transatlantic relationship. While the US government has not, as yet, undertaken any major shift away from European security, the re-election of Donald Trump in 2024 introduced new dynamics into the US-Spain relationship. The Trump administration has urged Spain to meet NATO's defence spending target of 2% of GDP, a commitment made during the 2014 Wales Summit. In a March 2025 call between US Deputy Secretary of State Christopher Landau and State Secretary for Foreign and Global Affairs at the Spanish Ministry of Foreign Affairs Diego Martínez Belío, the US emphasised the importance of aligning defence expenditures with NATO obligations. Additionally, Trump's protectionist trade policies aimed towards the EU have raised concerns in Spain and other member states, particularly within the agricultural sector. The US imposition of universal tariffs ranging from 10% to 20% threatens Spanish exports, which were valued at approximately €18.179 billion in 2024[21], with products like olive oil and wine being particularly vulnerable.

While these economic tensions have not translated into a breakdown of strategic cooperation, they do complicate the political landscape. Indeed, Spain's foreign policy establishment faces a dual imperative: reassuring Washington of its reliability, while reinforcing strategic autonomy within the EU. Spain remains committed to NATO and US security objectives – particularly in the Mediterranean – but it also sees the need to insulate itself from overdependence on an unpredictable Washington and strengthen European integration and EU defence. Furthermore, shifting US alliances in the Indo-Pacific also harbour potential repercussions for Spain. Currently, Washington is developing strong defence industrial partnerships in Asia (e.g. Australia and South Korea[22]) to ensure that they can out-produce China in key defence domains such as naval warfare. Given Spain's strategic dependence on US naval technologies (e.g. launch systems, anti-submarine warfare, etc.), there is a risk of Madrid missing an opportunity to use its added-value in naval production in the Indo-Pacific. As the Indo-Pacific becomes a major innovation hub in the maritime domain[23], Spain needs to develop a strategy for ensuring and extending its naval production prowess.

20 Simón, L. "Trump, Rajoy II y el futuro de la relación Estratégica entre Espana y EEUU", Elcano Royal Institute, 13 December 2016. See: https://www.realinstitutoelcano.org/analisis/trump-rajoy-ii-y-el-futuro-de-la-relacion-estrategica-entre-espana-y-eeuu/

21 ICEX, "Informe estadístico sobre el comercio bilateral del hábitat entre España y Alemania", p. 8. See: https://www.icex.es/content/dam/es/icex/oficinas/043/documentos/2025/03/anexos/OD_Informe%20estadístico%20hábitat_2025.pdf.

22 Lagrone, S. "Naval Shipbuilder HII Signs Agreement with South Korean Shipyard Hyundai Heavy Industries", US Naval Institute, 7 April 2025. See: https://news.usni.org/2025/04/07/naval-shipbuilder-hii-signs-agreement-with-south-korean-shipyard-hyundai-heavey-industries.

23 Fiott, D. "Military-Technological Cooperation Across the Euro-Atlantic and Indo-Pacific", War on the Rocks, 19 January 2024. See: https://warontherocks.com/2024/01/military-technological-cooperation-across-the-euro-atlantic-and-indo-pacific/.

2.2. The European dimension

Spain has been consistently committed to European integration and the strengthening of EU-wide institutions. Spain has, over time, become a firm advocate of a stronger and more integrated EU security and defence policy. Spain's approach to European security and defence changed significantly in the late 1990s and early 2000s. Under successive governments, Spain took a more proactive role in European security matters. Spain has long recognised the strategic importance of an autonomous European defence capability within the framework of NATO. In the 2000s, Spain began contributing significantly to EU-led missions and operations under the CSDP. Spanish forces participated in missions such as EUFOR Althea in Bosnia and Herzegovina, EUTM Mali, EUNAVFOR Atalanta (an anti-piracy operation off the Horn of Africa) and EUCAP Sahel in Mali and Niger. These operations reflected Spain's growing willingness to deploy military and civilian assets under EU command, particularly in regions of direct strategic interest, such as North Africa and the Sahel. As part of its commitment to EU missions and operations, Spain has also been supportive of the development of an EU permanent Command and Control (C2) capability, and it is playing an active role in the development of the Union's Rapid Deployment Capacity (RDC) for robust crisis response.

Spain is also committed to working within EU collaborative efforts on defence. To date, Spain participates in over 31 PESCO projects, often taking a leadership role (in five of them), such as in the development of the EU's Strategic Command and Control System and maritime surveillance initiatives. It is also an active contributor and partner in the European Defence Fund24. Such steps reflect Spain's belief that more European autonomy in defence is beneficial for the EU-NATO relationship, the defence of Spain and Europe and Europe's economic competitiveness. Spain's endorsement of strategic autonomy does not imply a rejection of NATO. Rather, it envisions a complementary relationship in which the EU strengthens its capacity to act where NATO may be unwilling or unable to do so. Spain remains a committed NATO member and views the alliance as the cornerstone of European defence.

Indeed, Spanish governments have consistently stressed the importance of NATO-EU complementarity, advocating a dual-track approach in which the EU develops autonomous capabilities while continuing to rely on NATO for collective defence. This has lost none of its importance, since the steps taken by the EU predominantly address the industrial dimensions of European defence. That said, there are still legitimate

24 Fiott, D. "A Partner of Choice? Spain's Performance in the European Defence Fund in 2023", Elcano Royal Institute, 7 August 2024. See: https://www.realinstitutoelcano.org/en/analyses/a-partner-of-choice-spains-performance-in-the-european-defence-fund-in-2023/; and Fiott, D. "Investing and Innovating? Spain and the European Defence Fund", Elcano Royal Institute, 28 August 2023. See: https://www.realinstitutoelcano.org/en/analyses/investing-and-innovating-spain-and-the-european-defence-fund/

questions about Europe's overall defence strategy, which must include serious reflections on capability priorities and an overarching strategic vision. While it is true that the EU's White Paper on European Defence does provide additional guidance on defence capability priorities that are closer to NATO's own identified priorities, Spain can play a role in forging closer EU-NATO cooperation in defence. Primarily, this could be achieved by ensuring closer collaboration between NATO and the EU in the development of doctrine, technological objectives and capability priorities. In a period in which Europe is preparing for a greater role in NATO, Spain can help ensure that the EU's industrial and technological efforts underpin an overarching strategic vision for Europe.

While Spain is now a firm advocate of stronger and more integrated EU security and defence policies, it remains a committed member of NATO, which it considers the cornerstone of European defence.

Spain hosted the 2022 NATO Madrid Summit, where leaders adopted the new NATO Strategic Concept. The Concept recognised the strategic competition posed by China and it reaffirmed the threat from Russia. While maintaining NATO commitments, Spain has argued for a more balanced burden-sharing mechanism within the EU, advocating for increased EU defence spending, investment in joint capabilities and the consolidation of the European Defence Technological and Industrial Base (EDTIB). Such efforts are needed more than ever today. While Spain has contributed meaningfully to CSDP missions, it does not – much like other EU member states – possess the full spectrum of strategic enablers (e.g. air lift capabilities or advanced ISR – intelligence, surveillance and reconnaissance) necessary for large-scale autonomous EU operations. This underscores the importance of cooperative European capability development, where Spain sees both a strategic need and an industrial opportunity.

2.3. Strategic priorities for Spain and the implications

The two dimensions outlined above have several implications for Spain's overall defence strategy. Although Spain is not located on Europe's eastern flank, it nevertheless cannot neglect the geostrategic dimensions of Russia's war and the geopolitical shifts arising from US-China rivalry. Spain has a vested interest in ensuring that the European and transatlantic dimensions are robust and militarily prepared for any contingency. Spain should also consider that, if it does not fulfil its political role in NATO and the EU, it will have limited say over the direction of European integration and transatlantic strategy. This is vital at present, as there is a need to ensure a coherent EU-NATO strategic approach that combines strategy, doctrine, capabilities and technologies. In this respect, it is important for Spain not to rely solely on soft power or normative appeals (such as the promotion of democracy or human rights). It must pursue a form of strategic realism: investing in bilateral ties, delivering tangible infrastructure or energy partnerships and aligning itself with regional powers' priorities. This approach requires more active diplomacy, a truly 360-degree and comprehensive government strategy across defence, trade, technology and energy and more sustained defence investments.

In terms of its national defence strategy however, Spain needs to balance its capability and industrial objectives. Yes, Spain has to make its contribution to wider European defence and deterrence, but this should move in step with Spain's own defence priorities. These include maintaining its own military-technological gap in the air and missile domains over any state in the southern neighbourhood, maintaining naval and amphibious power project capabilities and developing its special forces for military contingencies in the southern neighbourhood. Such objectives have key capability and industrial implications, which actually chime with the EU's own wider capability objectives on defence. For example, Spain's national defence objectives mean investments and capability development in missiles, missile defence, C2, air combat, C4ISR, electronic warfare, drones, radar, naval systems, space-defence and information and communications technologies.

3. The new European defence market

Ever since Russia's first invasion of Ukraine in 2014, the EU has sought to boost its role in defence industrial policy. The European Defence Fund emerged after 2016 as a tool designed to stimulate EU cooperation in defence innovation, with Spain playing a leading role in terms of project coordination and participation. Although endowed with only €8 billion until 2027, the EDF has cemented its position as a major defence collaborative tool at the EU level to stimulate cooperation on defence innovation projects. The Commission has also launched the EU Defence Innovation Scheme, which channels €1.46 billion from the EDF and other sources as a means of boosting access to finance for defence projects, accelerating businesses, empowering SMEs and speeding up innovation, especially in terms of dual-use technologies[25]. There are consequently many more European opportunities for developing joint defence capabilities and defence innovation projects.

However, Spain is at risk of losing its momentum in EU-level defence initiatives such as the EDF. For example, in 2021 Spain coordinated 14 out of 60 total projects and 116 Spanish entities participated in EDF projects. In 2023, Spain coordinated eight out of 61 projects and 90 entities participated in EDF projects. In 2024, Spain coordinated a further eight out of 62 projects, and 77 Spanish firms participated in projects. Since the EDF began in 2021, Spain has coordinated 36 projects and there have been 371 Spanish participants in such projects. To gauge the significance of this, note that Greece coordinates 25 projects, Italy 21 and Germany 17 – only France coordinates more (54 projects), with a considerably larger defence industrial base than Spain[26]. Keeping up the momentum in the EDF and other EU programmes is important for Spain's DTIB and political standing. Indeed, ever since the launch of the EDF, the EU has ceaselessly come up with new cooperative frameworks. The 2022 Versailles Declaration – agreed by heads of state and government in the wake of Russia's February 2022 full invasion of Ukraine – provided the impetus for

25 European Commission, "EU Defence Innovation Scheme (EUDIS)". See: https://eudis.europa.eu/index_en#funding--budget.

26 Op.Cit. "Defence Innovation Trends: A Data Snapshot of the European Defence Fund, 2021-2024".

new initiatives when it stated that the EU "must resolutely invest more and better in defence capabilities and innovative technologies"[27].

Since the Versailles Declaration, the EU has proposed a range of new defence industrial tools including the Act in Support of Ammunition Production (ASAP), the European Defence Industry Programme (EDIP), the Secure Action for Europe (SAFE) loan instrument, and more. Following the release of the Draghi Report and its emphasis on developing the defence sector as a major element of Europe's overall economic competitiveness, these collaborative EU tools have taken on even more importance. Indeed, the European strategic situation has made it necessary to accelerate the integration of the European defence market to support the EU's strategic autonomy. To date, in line with the EU's geopolitical approach, industrial defence policy has been seen as an integral part of the common industrial policy and both as key components of economic security. From this perspective, investment in the defence, security and space industry and technologies contribute to improving the competitiveness of all European industry by creating synergies between the civil and military sectors. However, while the EDTIB is developing these long-term policies, the White Paper and the ReArm Plan ask member states to provide specific military capabilities in the short-term to strengthen the EU's defence posture before 2030.

Most recently, the EU has released its White Paper on European Defence Readiness 2030 to guide and direct the Union's collaborative efforts in the defence industrial sector. It presents a number of innovative and strategic proposals aimed at transforming Europe into a credible and autonomous security actor by 2030. Building on the European Defence Industrial Strategy (EDIS) of 2024, and in response to an increasingly hostile geopolitical environment, the White Paper outlines a plan linked to specific capability and readiness goals for 2030. The Readiness 2030 document raises the level of ambition of the European defence industry beyond what was proposed in the Spanish government's 2025 Plan, due to the exceptional strategic situation of recent months. Figure 1 shows the main breakthroughs proposed by the European Commission to be supported by member states.

Readiness 2030 seeks to create a true single market for defence products, harmonising norms and speeding up cross-border procurement. It encourages cross-border industrial cooperation and mergers and the security of the supply of components and spare parts across the EU. Readiness 2030 also continues to call for the removal of fragmentation at the national level by leveraging common standards and procurement templates. The forthcoming launch of an EU Foreign Military Sales Mechanism together with the review of EU legislation on defence will promote a European preference in procurement. Ukraine's integration into

27 European Council, "Versailles Declaration", 11 March 2022, p. 4. See: https://www.consilium.europa.eu/media/54773/20220311-versailles-declaration-en.pdf

the wider EU market, together with new industrial partnerships, is another distinguishing feature.

Figure 1. Major Breakthroughs comparing EDIS (2024) to Readiness 2030 (2025)

EDIS (2024)	Readiness 2030 (2025)
From fragmented national policies	To capability-building, deterrence and industrial resilience
From industry support	To defence posture — linking industrial output directly to strategic deterrence and combat-readiness
From fragmented national policies	To a coordinated, strategic European approach focused on capability-building, deterrence and industrial resilience
From collaborative procurement	To large-scale, jointly defined projects with special EU status and financial incentives
From R&D support	To core military capability domains (AI, quantum, cyber, electronic warfare and space)
From stock gaps	To EU operational stockpile management and pooled procurement
From passive alignment with NATO	To active integration including cooperation on planning and standards
From isolated planning	To integrating the EU's core governance structure
From industrial competitiveness	To full-spectrum capabilities and readiness benchmarks
From the EU as facilitator	To the EU as strategic defence enabler and co-investor
From weak cooperative incentives	To Defence Projects of Common European Interest (DCEIs)

Source: the authors.

To accelerate the transition to a truly single European defence market, the European Commission will also seek to simplify norms and procedures related to industrial programmes, certification, standards, fast-track construction/environmental permits for defence projects, financial barriers and intra-EU transfers of defence products. The proposal for regulatory simplification (the "Defence Omnibus") will be presented by June 2025, following a strategic dialogue with the defence industry. The Commission has also argued that European supply chains require the creation and financing of strategic reserves of defence products, raw materials, components (strategic stockpiles) and pre-positioned defence products (readiness pools).

Another objective in the Readiness 2030 plan is the creation of a European Defence Innovation Ecosystem for dual-use and defence-related innovation, specifically in the fields of artificial intelligence, quantum computing, space and underwater domain technologies. Whereas the EDIS prioritised the scaling up of industrial production over high-tech R&D breakthroughs in the short term, Readiness 2030 emphasises technological disruption and war-waging superiority. Substantial funding, greater openness to civilian research and innovation, new defence players and more cross-border cooperation will prepare the EDTIB for new forms of warfare. Member states could take advantage of EU incentives for SMEs (EDF calls, FAST/EDIP) to escalate their added-value to defence.

Readiness 2030 also seeks to strengthen military mobility infrastructure across Europe to ensure the rapid deployment of armed forces and to enhance interoperability by means of standardised logistics corridors between member states in coordination with NATO. In addition to simplifying and streamlining rules and procedures, it is foreseen that member states will need to invest in identified hot-spots and cooperate in the provision of critical dual-use transport assets. The Commission will review military mobility legislation and finance long-term dual infrastructure projects by the end of 2025.

3.1. The Readiness 2030 plan on defence

More specifically, the Readiness 2030 White Paper outlines a range of new financial tools that are designed to boost European cooperation in defence. Aside from providing an updated threat perspective for the EU, the Readiness 2030 White Paper is built on six main pillars of action: 1) a revision of the Stability and Growth Pact (SGP) rules to enable more national defence spending; 2) a newly agreed loan facility, namely SAFE; 3) using existing EU financial instruments for defence; 4) a greater role for the European Investment Bank; 5) mobilising more private capital; and 6) finalising the negotiations for the European Defence Industry Programme. It is worth reflecting a little on each of these pillars in turn:

- **Pillar 1: revision of the SGP rules and activation of the National Escape Clause** – the White Paper calls for a relaxation of the Stability and Growth Pact rules for defence spending. In the past, member states could fall into the excessive deficit procedure under the SGP and this was seen as a disincentive to investment in defence. The argument from certain member states was that debt rules disincentivised more national defence spending. The European Commission has therefore proposed to amend the SGP rules in order to facilitate greater national defence spending, and it estimates that the additional flexibility could free up additional defence expenditure of up to 1.5% of GDP. In concrete terms, the Commission estimates that the relaxation of the SGP rules could result in an additional €650 billion spent on defence over a four-year period. As of 30 April 2025, 12 member states requested the activation of the national escape clause, and additional requests are expected to be submitted at a later stage[28].

- **Pillar 2: a Secure Action for Europe loan instrument for defence (SAFE)** – the second major initiative in the White Paper is the new SAFE instrument, which will see the European Commission provide loans to member states backed by the EU budget. The SAFE instrument will provide loans of up to €150 billion and be geared towards the common procurement of the Union's most urgent capability needs. Loans will be approved by the European Commission subject to member states submitting a national defence industrial plan for assessment, and they will be repayable over a 45-year period (with an initial 10-year grace period of no principal repayments).

- **Pillar 3: using existing EU instruments for European defence** – the European Commission proposes using existing financial instruments in the EU budget for defence purposes. Specifically, the idea is to utilise unspent funds under cohesion and regional development policy for defence. It should be noted that such policy areas can already support the defence sector, but the Commission believes that there is financial space in these instruments for further defence investments. As part of the mid-term review of the Multi-annual Financial Framework (MFF), the Commission introduced a new regulation in April 2025 to ensure that the EU budget can be fully utilised to support defence and dual-use technologies via cohesion funds, regional development funds, Horizon Europe, the Connecting Europe Facility and the Digital Europe Programme.[29]

- **Pillar 4: a greater role for the European Investment Bank** – building on the EIB's Security and Defence Action Plan, the White Paper foresees scope to further widen the Bank's defence-related funding. The EIB intends to increase its yearly investment in drones, space, cybersecurity, quantum technologies, civil protection and military facilities to €2 billion. The Bank further revised its loan eligibility criteria in March 2025 – which presently excludes defence proper (i.e. weapons and ammunition) – to better serve European defence by permitting investments in barracks and storage facilities, land and aerial vehicles, drones and helicopters, radars and satellites, advanced avionics, propulsion and optics, land border protection, military mobility, critical infrastructures, de-mining and de-contamination, space, cybersecurity, anti-jamming technologies, military equipment, seabed infrastructure protection and research[30].

28 European Commission, "12 Member States request activation of the national escape clause in a coordinated move to boost defence spending", 30 April 2025. See: https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1121.

29 European Commission, "EU budget set for defence-related boost under new regulation", 22 April 2025. See: https://ec.europa.eu/commission/presscorner/detail/ov/ip_25_1076

30 European Investment Bank, "EIB steps up financing for European security and defence and critical raw materials", 21 March 2025. See: https://www.eib.org/en/press/all/2025-156-eib-steps-up-financing-for-european-security-and-defence-and-critical-raw-materials.

- **Pillar 5: mobilising private capital for defence** – the European Commission will work on encouraging greater private investment in defence, especially for SMEs and Mid-Caps. The financial sector is showing growing interest in defence as an investment opportunity, but significant market restrictions still exist, and this affects defence SMEs' ability to access finance. To this end, the Commission seeks to clarify its environmental, social and governance (ESG) rules and how they apply to defence, and it hopes the Savings and Investments Union can unlock pan-EU investments in strategic sectors such as defence.

- **Pillar 6: finalising the negotiations for the European Defence Industry Programme (EDIP)** – the EDIP is the next phase in EU defence procurement efforts, with the idea that grants will be issued to groups of member states to develop and purchase European-made capabilities. Until 2027, the EDIP is expected to have a budget of €1.5 billion in order to test the feasibility of the programme. After 2027, it is unclear what amount from the EU budget will be dedicated to the EDIP, but amounts ranging from €100-€500 billion have been touted by senior EU officials. Unlike SAFE, EDIP is envisaged as a grant-issuing financial tool rather than a loan facility.

These six new pillars will have a potentially major impact on the nature and future direction of EU security and defence. It is clear that there is an EU-level ambition to ensure that sufficient finances are put in place to stimulate European collaborative investments on defence capabilities and technologies. While it is ultimately up to member states to consent to the finalisation and use of such instruments, the Readiness 2030 White Paper will potentially shake-up defence planning and investments at the EU level. As Figure 3 shows, there are a number of EU tools currently on the table.

3.2. The challenges and opportunities for Spain

It is foreseeable that the new EU instruments outlined above will pose challenges and opportunities for Spain. In terms of the first pillar of the Readiness 2030 plan, the Commission expects up to an additional €650 billion in national spending under the revised SGP rules. This amount of money does not, in reality, exist today and it is unclear at present whether Madrid would like to take advantage of the new found flexibility in the SGP. Taking on more debt for defence has its own ramifications, including affecting a nation's credit rating and borrowing costs on international markets. Furthermore, the new SGP flexibility assumes that governments wish only to invest in defence, when they may have other spending commitments in a national context. It should be borne in mind that the new flexibility is also time-limited for four years, after which defence-related debt will probably be treated as it was before. This means that governments will have to think carefully about how they balance additional debt and defence investments.

Nor is it clear what overarching impact the relaxation of SGP rules will have for the European defence market. Since the rules only allow for a time-limited expansion of debt for national defence spending, there is a risk that this measure simply reinforces national spending without a collaborative European dimension. While governments naturally decide how to invest additional budget resources in defence, a lack of cross-border investment risks further fragmentation in the defence market along national lines. Should additional defence investments indeed lead to a continued fracturing of the defence market along national lines, the opportunity for future cross-border collaboration could decrease. For Spain, this is an important consideration. This reinforced fragmentation could lead to much lower competitiveness in the EU defence sector, crowd-out SMEs and start-ups and contribute to the creation of fewer and fewer "national champions" that operate on a European scale – thereby crowding out more competition in the defence market.

Figure 2. A comparison of Spanish and EU capability priorities

	EU White Paper on European Defence (2025)	EU Coordinated Annual Review (2024)	Spanish Industrial and Technological Plan for Security and Defence (2025)	Spanish Defence Industrial Strategy (2023)
Air and missile defence	✓	✓		✓
Artillery systems	✓	✓		✓
Ammunition and missiles	✓	✓	✓	✓
Drones and counter-drone systems	✓			✓
Military mobility	✓	✓		
AI, quantum, cyber & electronic warfare	✓	✓	✓	✓
Strategic enablers and critical infrastructure protection	✓	✓		✓
Next-generation fighter aircraft			✓	✓
Naval combat		✓		

Source: the authors.

Yet even here Spain should consider how its own actions could contribute to the fragmentation of the European market, with the 2025 Defence and Security Industrial and Technology Plan stating that 89% of all new investments will be invested in Spain[31]. There is, as Figure 2 shows, also a need for Spain to maintain its interest and presence in a host of capability domains. If it does not do so, it risks being marginalised in European projects and this would be counter to the growth of Spain's DTIB. For example, for various reasons Spain is not capitalising on EU military mobility funding and it lags behind many countries that are trying to access €1.69 billion in funding[32]. Indeed, Spain requires a more proactive strategy that: 1) brings together its industry, armed forces and research centres under a single ecosystem; 2) develops a multi-year financing commitment to ensure certainty and predictability for defence producers; 3) recruits and retains skills in science, technology and project management; and 4) restructures its management and procurement systems to gain scale and synergies, and take advantage of EU-level industrial programmes. This would place Spain in a better position to participate and lead European defence projects.

Indeed, Spain's defence industry has the potential to make a significant contribution to the priorities set out in the EU's White Paper on European Defence. Spain has firms involved in the production of small and medium-calibre ammunition, 155 mm artillery ammunition, radars and air surveillance, C2, missiles, artillery systems, rockets, self-propelled howitzers, long-range projectiles, cyberdefence, electronic surveillance, image intelligence, secure communications, armoured vehicles, drones and disruptive technologies such as AI, augmented reality, blockchain and quantum computing. In many cases, Spanish firms are already engaged in European collaborative defence projects.

Another set of questions accompanies the second pillar of the Readiness 2030 plan and the SAFE loan facility. So far, the EU's approach to incentivising defence cooperation (e.g. via the EDF) has been based on grants, not loans. Loans by definition need to be repaid, and it is unclear how many member states will be genuinely attracted by Commission-backed loans (even with a 45-year repayment horizon and 10-year grace period), other than those already experiencing higher borrowing costs and more immediate defence investment needs. It is unclear today whether loans rather than grants will be enough to incentivise greater investment in defence, although the low interest rates over a long repayment period may represent an important source of savings. Still, borrowing costs in the EU differ across member states. As of 29 April 2025, the Eurozone 10-year bond yield sits at 3.06%, while Spain's yield is at 3.16%; this means

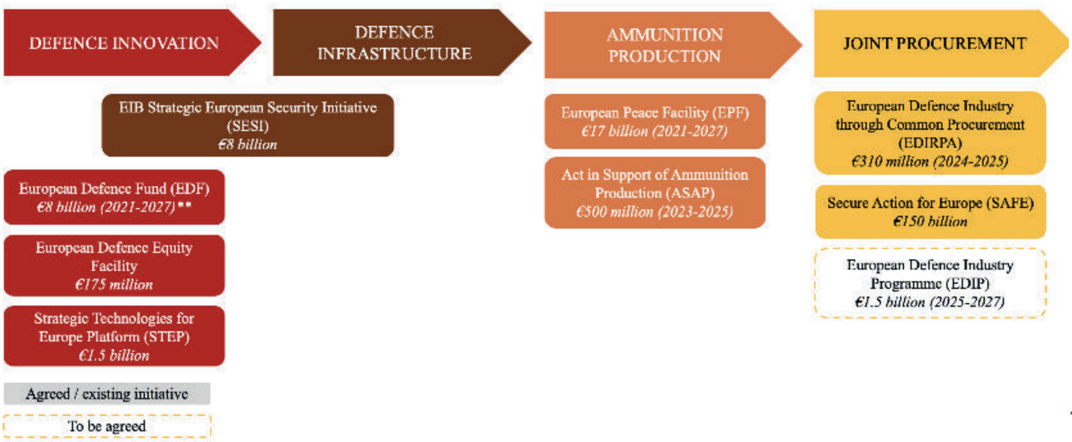
31 Op. Cit. "Plan Industrial y Tecnológico para la Seguridad y la Defensa", p. 9.

32 The EU's first budget for military mobility includes an allocation of €1.69 billion under the Connecting Europe Facility for the 2021-2027 multiannual financial framework (MFF). European Court of Auditors, "Movilidad militar en la UE", Special Report 04, p. 36. See: https://www.eca.europa.eu/ECAPublications/SR-2025-04/SR-2025-04_ES.pdf. See also Community of European Railway and Infrastructure Companies (CER), "Rail's Vital Role in Enabling the Future of EU defence", Position Paper, February 18, 2025. See: https://www.cer.be/images/publications/positions/250218_CER_Position_Paper_Military_Mobility.pdf.

that Madrid would have only a marginal incentive, apart from sending a strong political message of support for the Europeanisation of defence financing, to borrow from SAFE if interest rates are the only criteria used as a basis for participation. In fact, Spain's participation in SAFE should be aligned with its strategic defence objectives in developing key capabilities, enhancing technological autonomy and strengthening its domestic defence sector.

It is important to acknowledge that SAFE, as an additional EU instrument, calls for serious reflection regarding the governance of EU defence tools. There is a risk of over-complication in establishing an effective and coherent relationship between the EDF, the EDIP and SAFE – not to mention other EU initiatives such as Permanent Structured Cooperation (PESCO). There is an opportunity for Spain to insist on more coherent governance of EU defence investments and capability prioritisation. Doing so would allow Spain to play a more active role in the EU's defence industry policy, but this would require an active approach to policy developments in Brussels whilst ensuring a presence for Spanish influence in key EU institutions. Moreover, for Spain to gain greater influence over decision-making processes in Brussels it needs to engage with European-level projects and be clear about which projects it wants to participate in. For example, with the exception of the Spain-based (but German-owned) firm Rheinmetall Expal Munitions S.A.U., Spain did not participate in the ASAP scheme[33]. Spain needs to clearly articulate how it will engage with major European defence projects in the months ahead.

Figure 3. Making sense of the EU's defence industrial tools



Source: the authors.

33 European Commission, "ASAP Results: Boosting Ammunition Production", 2024. See: https://defence-industry-space.ec.europa.eu/document/download/b694b109-fa2c-493e-bf1e-87768ae6469e_en?filename=ASAP%20factsheet.pdf. Spain also participated in EDIRPA through the Mistral 3 joint acquisition project for air defence systems along with 8 other EU member states. See: https://www.mbda-systems.com/mistral-3-project-receive-eu60-million-european-union.

In terms of the role that private capital plays in defence, Spain has a vested interest in helping to unlock investments in defence innovation, start-ups and SMEs. Such enterprises are in most need of up-front capital, but across Europe as a whole there remains a marked lack of a defence investment culture. Investors continue to be cautious about investing in the sector because of the ESG criteria. Beyond such concerns however, there is evidence of increasing numbers of venture capital/start-up funds in Europe becoming interested. In some cases, pension funds have started to invest in the defence sector. An overarching concern however is that European institutions and governments still lack coherent business cases for defence investment. For example, it is unclear whether governments are investing in defence only for the short-term (< 5 years) or the long-term (>10 years). Long-term business plans for defence would stimulate industry, provide predictability and encourage long-term investments.

Ensuring that the EIB persists in changing its statute on lending to include all areas of defence would go a long way to removing hesitation in the investment community and enable local and regional banks to invest more in defence efforts. Here it is also essential for governments to provide clear, multi-year commitments to procurement, since defence companies, especially those developing complex technologies or maintaining specialised production lines, rely on a stable and foreseeable flow of government orders to justify long-term investments. When procurement cycles are erratic or subject to frequent political delays, companies are forced to adopt a reactive posture, stalling capital expenditures, slowing innovation and, in some cases, withdrawing from key capability areas altogether.

Lastly, the future European Defence Industry Programme holds considerable promise for Spain in terms of meeting its objectives of stimulating its national defence industry and seeking out European collaborative efforts for defence cooperation. However, it is currently uncertain how much investment from the EU budget will be dedicated to the EDIP. A low amount would ultimately be detrimental to the EU's defence efforts, and it would not provide a positive political signal given the geopolitical context facing Europe. What is required today is scale and mass, so a sizeable EDIP of multiple billions could kick-start a genuine dynamic in the European defence market for the production and acquisition of European-made weapons systems, defence equipment and technologies. For Spain, having a sizeable grant-based defence financing mechanism is in many ways more attractive than a loan-making facility. This is partly why the current Spanish government has called for an increase in the MFF after 2027, especially in light of the fact that defence – while critical today – should not crowd out other important priorities.

However, there is also a need for Spain to give firm encouragement to private and public investment in the defence sector. Madrid is playing its part in trying to encourage a greater role for the EIB in Europe, with the Spanish government having signed a letter on 30 January 2025 along with 18 other EU member states calling for changes at the Bank. Access to finance is an important issue for Spain's SMEs, as they still suffer from relatively restricted sources of finance and investment. One estimate indicates that less than 0.1% of credit over the past 20 years has been allocated to defence for the manufacture of arms or munitions[34]. The EIB has already revised its lending policy on security and defence, while simultaneously preserving effective financing of the EIB's other strategic priorities[35]. The recent decisions by the EIB, Euronext and the European Commission represent a strategic shift designed to improve access to financing for SMEs in the defence and aerospace sectors.[36] Spain should emulate European changes to facilitate access to national public and private financing for its industrial sector, especially for SMEs that do not have similar market access or have ESG measures in place.

34 "Santander's Botin wants EU to let banks use buffers for defence investment", Reuters, 27 March 2025. See: https://www.reuters.com/business/finance/santanders-botin-wants-eu-let-banks-use-buffers-defence-investment-2025-03-27/.

35 "Joint Letter on the European Investment Bank", 30 January 2025. See: https://www.netherlandsandyou.nl/documents/d/pr-eu-brussels/eib-letter-january-2025-1-pdf?download=true.

36 Cohen, C. "Commission to boost investments into high-tech defence startups under new strategy", *Euractiv*, May 14, 2025. Euronext, Press Release, 6 May 2025.

Conclusions: implications for Spain

What the current authors' analysis shows is that the Spanish government and Spanish defence sector will have to make a careful assessment of the Readiness 2030 proposals in line with Spain's strategic, capability, industrial and technological priorities. It will be necessary to reflect on how best to organise Spain's participation in European cooperative efforts on defence, especially given the present and potential future turbulence in transatlantic relations. Overall, Spain needs to ensure that it is ready to engage in all of the major collective defence projects being promoted at the EU level and to develop its own national managerial and technical ability to lead and participate in EU-funded projects. Without a concerted national effort, Spain may risk being side-lined in forthcoming major EU defence projects. Any exclusion from such efforts would be negative for Spain's industrial opportunities and its role as a leading proponent of European defence, and it would simply ensure that Spain is a "taker" of defence technologies rather than becoming a "master" of them. Spain's participation in EU defence industrial efforts cannot be calculated only in economic terms – although this is critical – but must also consider how proposed EU initiatives align with Spain's strategic priorities.

In the short-term, Spain will need to replenish the stocks that have been depleted by its deliveries in support of Ukraine's war efforts. For this era of potentially high-intensity warfare, and with Europeans expected to do more in NATO for conventional defence, Spain will also have to consider its ammunition and missile requirements beyond the short-term need to replenish stocks. Thus far, there is no coherent strategy for investing in artillery systems or long-range missile systems, although Spain is upgrading its NASAMS, Patriot capabilities and armoured vehicles. With a more ambitious approach, Spain could become a manufacturing hub for sea-based air and missile defence and it could play the role of a repair, maintenance and overhaul hub for Patriot-like mobile interceptors. Yet to achieve such objectives Spain needs to state in concrete terms how it intends to contribute to the seven capability priorities outlined in the EU's Readiness 2030 Plan, as its own 2025 plan does not fully align with them. In fact, what is missing today is an overarching strategy of how Spain will engage in flagship European defence projects.

Over the medium to longer term, Spain will continue to develop its drone capacities with the development of the Eurodrone and SIRTAP programmes, designed to be operational by 2030. With regard to new and disruptive technologies, the 2025 Defence and Security Industrial and Technology Plan refers only to modernising defence capabilities, rather than expanding them. It also refers to disruptive technologies only in terms of security and dual-use capabilities. Nevertheless, Spain should also consider the modernisation of its armed forces with AI and electronic warfare capabilities. Spanish companies such as Indra are well-placed to push such efforts, and several Spanish firms are already engaged in the EDF and its defence innovation projects. In particular, Spain is already playing a role in developing critical strategic enablers such as the EDF-financed "Optimas" project on advanced secure laser communications and SpainSat NG is also contributing to the EU's $IRIS_2$ space communication network initiative with a specific focus on military applications. This being said, Spain also has a vested interest in developing its cyberdefence capabilities.

In terms of defence innovation and dual-use technologies, Readiness 2030 underlines that innovation is key for defence superiority and industrial competitiveness, and Spain should clarify its position regarding these initiatives. The Commission calls for an open innovation scheme, synergies among civil and military sectors and investment in dual-use technologies. Traditionally, SMEs, universities, start-ups and research centres have faced significant challenges in transferring civil innovations to the Spanish DTIB.[37] For this reason, and due to the reputation issues that the defence sector has faced until now, regional development clusters have been reluctant to incorporate defence and dual-use technologies into their innovation ecosystems. Consequently, other regional centres in Europe have been able to access European funding, including cohesion funds and security framework programmes. Spain's regional centres have gradually joined the European Network of Defence-Related Regions (ENDR) and the Spanish 2023 Defence Industrial Strategy and the 2025 Defence and Security Industrial and Technology Plan[38] recognise the need to collaborate with the civil innovation ecosystem, encourage regional technology corridors and hubs and to promote dual technologies. However, Spain's DTIB must work out how to transition from a silo-based culture of innovation to an open innovation culture based on a whole-of-society approach and how to reduce the competitiveness gap with European innovation ecosystems. Without a national inclusive innovation ecosystem, it will be difficult for Spain to join European efforts, and national innovators may opt for European options instead of national and regional ecosystems.

37 Arteaga, F. "Tecnología y autonomía estratégica en la Defensa española", Elcano Policy Paper, October 2021.

38 Op.Cit. "Estrategia Industrial de Defensa, 2023".

In terms of defence development and procurement, Readiness 2030 offers flexibility in the governance framework for each capability, which is advantageous for Spain since it also engages in a range of intergovernmental organisations (EDA, NATO, OCCAR). However, expectations for new procedures, incentives and partnerships could change these priorities. Accordingly, the Spanish DTIB and the Ministry of Defence should agree on the need to carry out a full review of the national procurement regime. The European Commission is committed to launching a dialogue with the EDTIB before proposing the Defence Omnibus Simplification by June 2025. The Spanish DTIB should take part in the EU dialogue and, in parallel, propose a national debate to identify potential measures to simplify legislation and reduce bureaucracy in Spain. Without a more streamlined and harmonised defence regime in the EU, it will be difficult to ensure the competitiveness of the European defence sector.

Yet this poses a challenge for Spain – if it delays its role in new EU instruments it could place its industry at a disadvantage compared to fellow EU member states. So, while the Spanish DTIB will benefit from a national preference in the short-term[39], it could be counter-productive in the long-term. The consolidation of a "European preference" based on EU initiatives could jeopardise the Spanish DTIB's contribution to European defence supply chains. This, incidentally, is one more reason to invest in defence projects of common European interest (DPCEIs), as Spain has already benefitted from participation in civilian Common European Projects of Interests (IPCEI) through joint research and development. Another challenge will be the search for third-country industrial partners and partnerships outside the EU as recommended by Readiness 2030. Any market policy should be driven by long-term strategic partnerships rather than short-terms exports, and Spain should consolidate existing partnerships and explore new ones among like-minded countries.

39 It is noteworthy that Spain's 2025 industrial and technology plan for security and defence does not prioritise joint or cooperative procurement. See: https://www.lamoncloa.gob.es/consejodeministros/resumenes/Documents/2025/230425-plan-industrial-y-tecnologico-para-la-seguridad-y-la-defensa.pdf

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