

March 2025

How the UK and the EU can deepen defence co-operation

By Luigi Scazzieri



CENTRE FOR EUROPEAN REFORM

LONDON ★ BRUSSELS ★ BERLIN

How the UK and the EU can deepen defence co-operation

By Luigi Scazzieri

- ★ The UK and the EU face daunting common security challenges. However, EU-UK defence co-operation remains limited and the UK's relationship to EU defence instruments is shallower than that of many other non-EU partners. Labour's idea of a security pact has become mired in the broader discussions over the EU-UK reset.
- ★ Most defence co-operation in Europe happens bilaterally, in NATO and in small groups. However, the EU's role is also growing. The EU has established funds to foster joint defence research and procurement, and to expand industrial production. The EU's role in financing defence is likely to expand, for example by directing more of the EU budget to defence or by issuing defence bonds.
- ★ The EU's defence toolbox only allows for limited involvement by non-EU countries, excepting Norway, which is formally associated to EU defence tools. In theory, participation by non-EU countries and companies is possible. But in practice, it is limited by a range of conditions that are mainly designed to prevent the involvement of US firms. These conditions, however, also affect the UK.
- ★ The easiest way for the EU and the UK to deepen co-operation is to reap some quick wins. By the date of their May summit, they should conclude a security and defence partnership to formalise their foreign policy dialogue. The partnership should either include or set out a timeline for the UK's association to the European Defence Agency (EDA) and for its possible participation in EU military operations.
- ★ The UK and the EU should also work together closely in developing options to channel additional funds to defence. A co-ordinated funding injection would frontload spending, increase co-operation and send a strong signal to Europe's allies and adversaries. It would not be easy for the UK to participate in an EU defence bond issue, but the UK could be involved if the bonds were issued by a coalition of countries. There is also scope to work together on plans for a defence bank.
- ★ The EU could take unilateral action to integrate the UK more closely in its defence capability development efforts, to benefit from its large and advanced industrial capacity and expertise. And if the EU does issue defence bonds in its own right, it could make it possible for UK companies to plug into individual projects.
- ★ For its part, the UK should seek formal association to EU capability development tools. One way to do this would be by copying Norway's association model. This would allow UK defence firms to participate in consortia on equal footing with EU firms and would entail a UK financial contribution to EU instruments. The association agreement could contain a safeguard mechanism, as the UK's contribution to Horizon Europe does.

- ★ An alternative to the Norway association model would be for the UK and the EU to agree on a bespoke model. This could be based on a 'pay-to-play' mechanism, allowing UK entities to participate in EU projects as part of consortia, bringing their own funding – and without benefitting from any EU funds.
- ★ Reaching an agreement will not be easy. Defence needs to be disentangled and elevated from the discussions surrounding the implementation and revision of the UK-EU Trade and Co-operation Agreement (TCA). Linking the UK to EU defence tools as closely as possible would strengthen the pan-European defence industrial base and make a decisive contribution to Europe's security. Failure to work together will only make Europe weaker.

The UK and the EU face enormous common security and defence challenges. The threat from Russia's revisionism, combined with Trump's threats, means that Europeans urgently need to strengthen their defences. Yet, EU-UK co-operation in defence is underdeveloped – in fact the UK's relationship to the EU in defence is currently more shallow than that of other major non-EU NATO allies like Norway or the US.

When the Labour government assumed office in July last year, it made strengthening relations with the EU in security and defence a priority in the context of the broader UK-EU reset. Yet, plans for a UK-EU security partnership have been slowed down by broader disagreements about UK-EU relations, including possible revisions or extensions of the Trade and Co-operation Agreement (TCA) signed in 2020. These talks have been marked by disagreements

over issues such as fishing quotas and youth mobility. This policy brief starts by setting out why UK-EU co-operation is a key building bloc of a stronger European security posture. It then takes stock of the reasons for the current lack of UK-EU defence co-operation, its risks and missed opportunities. Finally, it makes recommendations on how the EU and the UK should deepen co-operation.

The UK's European defence partnerships and the EU's role in defence

The many faces of European defence

To understand the parameters and significance of closer UK-EU defence co-operation, it is important to situate it in Europe's broader defence landscape. NATO is (still) the pre-eminent security organisation in Europe. It is through NATO that most European countries structure their defences. NATO carries out planning for potential conflict, allocating military capability targets to individual countries and co-ordinating their efforts. And in case of a crisis, NATO's operational HQ co-ordinates the response.

Beyond NATO, European countries co-operate extensively bilaterally and in small groups. For example, the UK has strong relationships with France, Germany, Italy and Poland. The relationship with France is underpinned by the 2010 Lancaster House Treaties. Their focus is both on the ability to carry out joint operations through a formation known as the Combined Joint Expeditionary Force, and on co-operation in military capabilities, especially in the missile domain and in the nuclear field. Co-operation with Germany traditionally focused on tanks and infantry vehicles, and both the UK and Germany are part of the Eurofighter consortium with Italy and Spain. The relationship is growing, as shown by the signing of the Trinity House defence agreement between

the two countries late last year. The idea is to solidify the relationship in the land sector and look for opportunities in other areas, such as uncrewed systems, long-range strike weapons and missile defence.¹

Italy and Poland are also important partners for the UK. Like Germany, Italy is a part of the Eurofighter consortium. Moreover, Italy is developing a next-generation fighter with the UK and Japan in the Global Air Combat Programme. Co-operation with Poland is more recent, and has developed especially after Russia's full-scale invasion of Ukraine. The partnership focuses on missiles and frigates, with the UK providing most of the technology.

Aside from bilateral relationships, small-group co-operation is very important. This can be focused on operations, or on developing military equipment. For example, the UK leads the Joint Expeditionary Force, an informal grouping designed mainly to improve interoperability and provide quick reaction forces. It is made up of the UK, the Nordic countries, the Baltic states and the Netherlands. The UK is also part of other informal groupings like the German-led European Sky Shield (which includes 23 countries) that aims to improve European air and missile defences, and the European Long Range Strike Approach, which develops missiles

¹: UK Ministry of Defence, 'UK-Germany Trinity House Agreement on Defence - Joint Communiqué', October 23rd 2024.

with France, Germany, Italy, Poland, the Netherlands and Sweden. Finally, the UK is part of the Organisation for Joint Armament Co-operation (OCCAR), an organisation that manages large joint procurement programmes such as the A400 transport aircraft. The other members of OCCAR are Belgium, France, Germany, Italy and Spain.

These interstate relationships are complemented by a network of relationships between defence firms. Many EU firms have a substantial presence in the UK – for example Airbus, Leonardo, Safran and Thales. At the same time, UK firms such as BAE Systems have a substantial presence in the EU. And the missile maker MBDA is a pan-European firm with the UK, France and Italy as the main partners.

The EU's role in defence

The EU is a relative newcomer to defence, and its role in that field has been examined at length in a recent CER paper.² In essence, there are two elements to the EU's defence activities: fostering more defence co-operation through a range of instruments, and carrying out operations under the framework of the Common Security and Defence Policy (CSDP).

In terms of operations, the EU has carried out over 40 since the establishment of CSDP in the early 2000s. Many of them have been small, but there are exceptions. One particular example is the mission to train Ukrainian military forces launched in 2022, through which the EU has already trained over 70,000 personnel.³ Other missions are about peacekeeping, like the one in Bosnia,

or about building up partner countries' capacity in policing and border management.

In terms of fostering more co-operation between member-states, the EU is fairly well-established in defence research though the European Defence Fund (EDF), set up in 2021. The European Defence Agency (EDA) also manages some co-operative R&D and acquisition projects. The member-states co-operate within the Permanent Structured Co-operation (PESCO) enhanced co-operation framework, which contains 66 individual projects. The flagship one is the military mobility project, which aims to ease physical and regulatory barriers to moving troops and equipment across Europe.

Since Russia's 2022 invasion, the EU's role has expanded: it now has an instrument to foster joint procurement, the European Defence Industry Reinforcement through Joint Procurement Act (EDIRPA). The EU has also established another tool to provide financing to the defence industry to expand production capacity of ammunition and missiles – the Act in Support of Ammunition Production (ASAP).

The EU's involvement in defence is a moving target. Last year, the European Commission published a Defence Industrial Strategy, underpinned by a European Defence Industry Programme (EDIP). The idea is to move from short-term measures to support Europe's defences (ASAP and EDIRPA) to long-term reinforcement.⁴ The final shape of EDIP remains to be seen, as negotiations are underway. These tools are summarised in the table below.

Table 1: The EU's capability development toolbox

	Aim	Date of establishment	Budget
EDA	An agency mandated to foster joint capability development	2004	€48 million (2024)
EDF	An EU fund to foster joint defence R&D	2021	Roughly €1 billion a year
PESCO	A framework for enhanced defence co-operation	2017	None
ASAP	A programme to expand ammunition production	2023	€500 million over 2 years
EDIRPA	A programme to foster joint procurement	2023	€300 million over 2 years
EDIP	A programme to expand defence production and foster co-operation	Under negotiation	€1.5 billion over 2 years

2: Luigi Scazzieri, 'Towards an EU 'defence Union?', Centre for European Reform policy brief, January 30th 2025.

3: European External Action Service, 'EU assistance to Ukraine', February 25th 2025.

4: Luigi Scazzieri, 'The EU's defence ambitions are for the long term', Centre for European Reform insight, March 13th 2024.

In parallel to the EDIP negotiations, there are many ideas on how the EU can help strengthen Europe's defences. The Commission has stated that countries can use cohesion funds to support the defence industry. On March 6th, EU leaders welcomed a Commission proposal to relax the rules on national deficits to allow for more defence spending, and endorsed the Commission's proposal for a new financial instrument to provide up to €150 billion to member-states, in the form of loans backed by the EU budget. Leaders also urged the European Investment Bank to expand its lending activities in the defence domain.⁵

The idea of more EU-level borrowing, in the form of defence bonds based primarily on grants, is also being discussed. Defence bonds could also rely on a coalition of member-states instead of the EU as such; potentially with the UK and other non-EU allies also involved.⁶ Another possibility could be establishing a defence or rearmament bank that could help channel Europe's large private savings into defence. Participating countries would provide the core capital for the bank, which would then lend both to governments and to defence companies to expand production capacity.⁷ Other proposals may also gain momentum, like the idea of financing defence using unspent funds from the post-pandemic Resilience and Recovery Fund and from the European Stability Mechanism, the eurozone's bailout fund.

The state of UK-EU defence co-operation

The EU-UK defence relationship is currently shallow – especially when compared to other non-EU allies like Norway, the US and Canada.

During the Brexit negotiations, there were discussions about defence co-operation. Theresa May's government was keen on working with the EU on defence. In 2019, the EU and the UK signed a Political Declaration appended to the Withdrawal Agreement. In it they agreed on the principles of defence co-operation: the UK would conclude a co-operation agreement with the EDA and participate in some of its work, and the two sides would explore co-operation in PESCO and the EDF. However, these ideas did not find their way into the 2020 Trade and Co-operation Agreement. Boris Johnson's government believed that its negotiating capital was better spent on other issues, and that in any case there was little to be gained as the EU's role in defence was minor.

“EU-UK co-operation on capability development is very limited.”

The lack of a formal agreement has not prevented good UK-EU co-operation on many defence-related issues since Russia's full-scale invasion of Ukraine. British leaders have increasingly been invited to EU summits; most notably Prime Minister Keir Starmer was present at the informal meeting of EU leaders on February 3rd this year. The EU and the UK have co-ordinated their training for Ukrainian troops through liaison officers, and the EU is basing its military training on a UK blueprint. In autumn 2022, the UK was invited to join the PESCO military mobility project.

However, the dispute between the UK and Spain over border arrangements in Gibraltar has meant that the UK has not yet formally joined the project.

EU-UK co-operation on capability development is very limited. The key reason is that the EU's capability development initiatives only allow for limited participation by non-EU countries. The rules for third country involvement in PESCO, the EDF and EDIRPA are very complex. While in principle, third countries and third country entities are allowed to participate, in practice the EU's rules limit their involvement, restricting the scope for co-operation.

Third country involvement in PESCO is possible only subject to a range of conditions. Politically, a country must have good relations with the EU and its members. In the case of PESCO projects that are not about developing specific military capabilities, like the one on military mobility, there are no meaningful additional requirements. But in the case of projects that involve capability development, there is a range of conditions. The most important is that third country participation “must not lead to dependencies” on that country. Moreover, there cannot be any “restrictions imposed by [a third country] against any member-state of the Union, as regards armament procurement, research and capability development, or on the use and export of arms or capabilities and technology”⁸ The UK thinks that these conditions in practice make involvement in developing capabilities impossible.⁹ According to the UK, the stipulation that third-country participation cannot lead to dependency means that no unique intellectual property (IP) can be generated outside the EU, and that to be involved in manufacturing, a third country would have

5: European Council, 'Conclusion on defence', March 6th 2025.

6: Luigi Scazzieri and Sander Tordoir, 'European common debt: Is defence different?', Centre for European Reform policy brief, November 5th 2024.

7: Edward Lucas, 'A new defence bank will boost our security', *The Times*, February 12th 2025.

8: Council of the European Union, 'Decision establishing the general conditions under which third states could exceptionally be invited to participate in individual PESCO projects', October 27th 2020.

9: Baroness Goldie, 'Letter dated 26 January 2021 from the Rt Hon Baroness Goldie DL, Minister of State, Ministry of Defence to Lord Ricketts, Chair EU Security and Justice Committee about EU Permanent Structured Co-operation (PESCO)', January 27th 2021.

to give up the rights to the IP it had contributed to a given project. Additionally, the UK sees the requirement that there cannot be any third country restrictions as meaning that it would have to permanently waive its ability to impose export controls on any products or technology. These conditions are very unusual for co-operative defence programs.

The conditions for third-country participation in the EDF are not very different.¹⁰ The EDF's rules stipulate that EDF-funded outputs cannot be subject to third country controls or restrictions – again suggesting that a third country would have to unilaterally waive its right to impose any restrictions. Moreover, the EDF rules state there should not be dependency on third countries for “inputs critical to the action”.¹¹ However, the concept is not clearly defined, and this makes third country companies reluctant to engage in many EDF projects. In terms of IP, there is some ambiguity over whether third country entities can own IP developed in the framework of an EDF project, or whether they would have to waive their rights to it. Finally, the EDF contains an obstacle to third-country entity participation through its award criteria. A key criterion is the contribution of a given project to the autonomy of the EU's defence base – which means involving non-EU entities entails a lower score.

“The current situation presents both missed opportunities and real risks.”

The conditions for third country involvement in EDIRPA are more lenient. Defence products funded by EDIRPA cannot be subject to a “restriction by a non-associated third country or a non-associated third-country entity”.¹² According to Article 9.11 this requirement can be waived in the case of “urgent and critical defence products” so long as they were already being used by member-states and they commit to replacing the components subject to restriction. This looser criterion reflects the fact that EDIRPA is designed to address urgent capability gaps. In any case, the cost of non-EU components cannot exceed 35 per cent of the final value of the product.

As to ASAP, funding is reserved for entities in the EU or associated countries. According to Article 10.6, grants cannot be used to finance the expansion of production capacity for products subject to restriction on use by non-associated third countries and entities.¹³

10: For a comprehensive overview see: Tim Lawrenson and Ester Sabatino, 'The impact of the European Defence Fund on co-operation with third-country entities', International Institute for Strategic Studies, October 24th 2024.

11: European Union, 'Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund', April 29th 2021.

12: European Union, 'Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA)', October 17th 2023.

The conditions to access EDIP may well be similarly restrictive in terms of their effect on the UK's ability to be meaningfully involved in the development of any new capabilities. EDIP is meant to move away from the short-term measures of ASAP and EDIRPA towards a long-term strategy. The Commission's original draft echoes the EDF's stance on involving third countries: Article 21.6 of the EDIP Regulation states that “potential negative effects over security of supply of inputs critical to the action shall be avoided”, while Article 11.8.c states that third country entities will not be eligible for funding if they are “subject to control or restriction by non-associated third countries or by non-associated third-country entities”.¹⁴ The precise conditions on involving non-EU countries have been subject to extensive negotiations between the member-states. The debate has focused on whether EU funding can finance the purchase of non-EU equipment made under license in Europe, and on the amount of foreign content allowed in military equipment.

From a British perspective, the EU's requirement that funded projects should be free from third-country restrictions and should not lead to dependency on third countries is the key issue. Some British firms have been involved in EU-funded programs. Notably, the Norwegian subsidiary of the British firm Chemring has been able to secure a substantial ASAP grant. However, the production of explosives is a very different matter to the development of complex capabilities such as drones or tanks. In the latter area, the current rules make meaningful involvement by the UK very challenging.

For the EU, these conditions are designed to safeguard essential interests and promote the development of its own defence industry. First, by ensuring that EU taxpayer money does not subsidise foreign firms. Second, by ensuring that projects supported with EU funds lead to outputs that can be used without being subject to third-country restrictions. US restrictions are a particular issue, because of Washington's International Traffic in Arms Regulations (ITAR) which severely limit the ability of allies to export any equipment containing components subject to ITAR.

The current situation presents both missed opportunities and real risks. The main missed opportunity is the creation of economies of scale, which would result from bringing the defence industrial base of the EU and UK as close as possible. The EU can benefit from UK advanced

13: European Union, 'Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP)', July 20th 2023.

14: European Union, 'Proposal for a Regulation of the European Parliament and of the Council establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products ('EDIP')', March 5th 2024.

know-how and technology, leading to more efficient capabilities. Having the UK involved in the development of next generation European capabilities would also increase their commercial viability, giving them a broader customer base. The risk with the EU's current approach is that it might disrupt existing co-operation

between the UK and its European partners, for example if new capability programmes are placed under an EU framework that makes it difficult for the UK to contribute meaningfully. There is also a risk of undermining the close links between the British defence industry and the EU defence industrial base.

What could EU-UK co-operation look like?

To understand what deeper EU-UK defence co-operation could look like, the best starting point is looking at the structure of the EU's relationships with other partners. Most non-EU NATO allies have agreements to contribute to EU CSDP missions, and many have done or are doing so. Norway, Switzerland, Serbia, Ukraine and the US have co-operation agreements with the EDA.

These agreements allow for the exchange of information and for officials from partner countries to participate in some EDA projects and discussions. However, they do not give partners decision-making rights within the EDA. Many partners also participate in certain PESCO projects. However, the only partner that is currently involved in the EU's capability development tools (EDF, ASAP, EDIRPA) is Norway.

Table 2: Existing models of EU co-operation with partners

	UK	US	Canada	Ukraine	Norway
CSDP participation	No	Yes (civilian missions only)	Yes	Yes	Yes
EDA co-operation	No	Yes	No	Yes	Yes
PESCO participation	Yes Military mobility (not fully)	Yes Military mobility	Yes Military mobility; logistics hubs	No	Yes Military mobility
Links to industrial toolbox (EDF, ASAP, EDIRPA, EDIP)	No	No	No	EDIRPA and ASAP designed to benefit Ukraine. The EDIP draft allows Ukrainian entities to benefit, without Ukraine paying into the instrument.	Yes Pays a fee and firms can participate in consortia and benefit from EU funds

Norway is classified as an associated country to the EU's defence industrial toolbox (EDF, ASAP, EDIRPA, EDIP). Norway derives this status by virtue of being a member of the European Economic Area (EEA), and therefore being formally associated to the EU single market, in which the EU's defence tools are embedded. Being an associated country means that Norway contributes to EU tools on the basis of its GDP, and that its firms can benefit from EU funding. Moreover, Norway is not subject to the same conditions and restrictions as non-EU members when it comes to intellectual property and third-country restrictions. In practice, Norway is represented on the

governing bodies of EU instruments, but it does not have a vote.

Ukraine's defence relationship to the EU is also noteworthy. Ukraine is not an EEA member, but is in the process of joining the EU. Both ASAP and EDIRPA are aimed in large part at assisting Ukraine. Moreover, according to EDIP, Ukraine would have a unique status. A pillar of EDIP would specifically be dedicated to supporting Ukraine and Ukrainian firms that could benefit from funding. However, Ukraine would not have to pay a fee into EDIP, as Norway does.

How EU-UK defence co-operation can be deepened

1) Harvesting low-hanging fruit

First the EU and the UK should reap the few low-hanging

fruit that exist, bringing the UK-EU defence relationship in line with that of other major non-European allies. To do that, the UK should conclude an administrative agreement

with the EDA. This would allow for UK participation in EDA initiatives, subject to the agreement of participating countries. The UK's importance as a European partner may also allow it to secure an agreement that would enable it to observe the EDA's capability development processes, helping ensure that they reflect priorities identified in NATO. The UK should also agree to a framework participation agreement that would allow UK contributions to CSDP military and civilian missions, when it has an interest in doing so. The EU is unlikely to give the UK more influence than other partners, but the UK may be able to shape a mission's mandate if it signals an interest in making a substantial contribution.

“The UK could be at the heart of a coalition of European countries borrowing jointly.”

Once the Gibraltar dispute is resolved, the UK may want to consider participating in additional PESCO projects. If it joined the project on logistics hubs, it would then be in the same position as Canada currently is. The UK could also consider joining the Twister project to develop an interceptor missile for threats like hypersonic missiles. However, this seems unlikely so long as the third-country conditions to participate in PESCO remain as they currently are.

2) Co-operating on defence financing

If the EU directs additional funding from its own budget to defence, or issues defence bonds in its own right, it seems likely that this will be subject to buy-European provisions, with the funding directed in large part to European projects of common interest. Nevertheless, it would make sense for the EU to design any new instruments in a way that allowed the UK to plug in more easily than existing tools do. For example, allowing the UK to join co-operative orders would increase their volume and bring down the overall price. Alternatively, if funding was directed at developing new equipment, the UK would bring additional capital and know-how and ensure a larger number of orders.

EU defence bonds face a range of hurdles, not least the reticence of some EU members to fund higher defence spending, and to do so through the EU. The idea of joint borrowing by a coalition of EU members and non-EU allies, whether through a special purpose vehicle or a new institution like a defence bank, may turn out to be the more feasible option. The UK could be at the heart of a coalition of European countries borrowing jointly, or putting up the capital to fund a defence bank. As a core member of such an effort, there would be no question that the UK would be fully involved. Therefore, it would be in the UK's interest to push forward the idea of joint borrowing via a coalition of the willing, and of a defence bank.

3) Unilateral EU action to facilitate UK involvement

The EU could act unilaterally to integrate the UK more closely in its capability development efforts. Specifically, the EU Council could redefine PESCO's terms of participation for third countries, clarifying the precise meaning of dependency on a third country and circumscribing the scope of unacceptable third-country restrictions only to restrictions that are as strict as ITAR. These changes would make it easier for the UK to participate. Similarly, the EU could refine and circumscribe the language around third-country export restrictions, intellectual property and critical inputs in the rest of its defence toolbox to facilitate UK participation. For example, the EU could clarify the concept of dependency on third countries for security of supply to ease UK participation.

If the EU does not wish to relax the language regarding third-country participation, the EU could include specific references to the UK in the legal texts of EU instruments. For example, EDIP and the next version of the EDF text could contain references to the effect that UK-based companies are able to participate in EU programmes as part of consortia, without obtaining any EU funding. A precedent for associating non-EU non-EEA countries to EU instruments already exists in the form of Ukraine's envisaged terms of participation in EDIP. According to the EDIP draft, Ukraine can benefit from EU funds without paying into the instrument. The terms of UK involvement could be less generous, with the UK neither contributing financially to EU instruments nor drawing any EU funding from them.

All the above goes for EU instruments that already exist (PESCO, EDF, EDIRPA, ASAP) or are under negotiation (EDIP). But making UK involvement easier would also be important as far as any new instruments that the EU establishes are concerned.

4) Formally associating the UK to EU defence

The fully fledged co-operation option would be for the UK to become formally associated to EU defence tools. This could be done in two ways: either by copying the Norway model, or through a bespoke agreement.

The Norway model is in theory reserved for EEA countries, and the UK has no intention of joining the EEA. However, with political will, a similar status could be carved out for the UK. The TCA envisages the UK becoming associated to additional EU policies by concluding additional protocols. The EU and the UK could negotiate such a protocol, spelling out the terms of UK participation and its financial contribution. From the UK's perspective the Norway model would need to be amended to be satisfactory. Specifically, the UK is concerned that it would be making a GDP-based contribution to EU instruments without

necessarily obtaining good value in return, for example if the Commission prefers to award grants to consortia that do not include British firms. The issue would be less problematic if the UK could negotiate a financial safeguard mechanism that mitigated fears about losing money. Such a mechanism was negotiated to ease the UK's participation in Horizon 2020.

Alternatively, the EU and the UK could aim to forge a bespoke relationship that would reflect the UK's status as a leading defence player and key EU partner. A bespoke model could allow for British firms to participate in EU

projects as part of consortia, bringing their own funding and without benefitting from any EU funds. For the UK, this model would be appealing as it would allow it to participate in EU projects without having to pay a standing fee for participation. Some member-states may argue that the UK would have too good a deal as it would be able to participate in projects only when it wanted to, while being exempt from making a standing contribution. Yet such criticism would not be fair, since UK entities would not be benefitting from any EU funding, but would instead be bringing their own funds to the table.

Conclusion

The UK and the EU face enormous common challenges and working together as closely as possible should be a priority for both sides. Yet, the defence relationship between the EU and the UK is underdeveloped. The immediate priority is for the EU and the UK to continue close consultations on funding a boost to European defence. A large co-ordinated funding injection would bring forward increases in defence spending, improve co-ordination and send a strong political signal to Russia, the US and Ukraine, as well as to Europe's citizens.

The EU and the UK should aim to conclude a security and defence partnership by the time of their planned summit in May. This should formalise the arrangements for bilateral foreign policy consultations and commit the UK and the EU to quickly agree the terms of UK association to the EDA and UK participation in CSDP operations.

These steps would pave the way for formally associating the UK to EU defence industrial tools. Reaching an agreement will not be easy. Defence needs to be disentangled and elevated from the discussions surrounding the implementation and revision of the UK-EU TCA. But linking the UK to EU tools more closely would strengthen the pan-European defence industrial base. Failure to work together will only make Europe weaker.

Luigi Scazzieri
Assistant director, CER

March 2025