



EU Unpacked

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EU Unpacked # 4

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Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (Council Regulation (EU) 7926/25

An In-Depth Analysis for Non-Experts

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Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument

1. Context and Purpose

Council Regulation (EU) 7926/25, adopted on 20 May 2025, establishes the [Security Action for Europe \(SAFE\)](#) as a legal and financial instrument to address the rapidly deteriorating European security landscape. It represents the EU's most significant step toward a structured and large-scale financial instrument dedicated to defence. SAFE is built upon earlier initiatives such as the **European Peace Facility**ⁱ, **EDIRPA**ⁱⁱ, and **ASAP**ⁱⁱⁱ. The regulation is a direct response to the long-term consequences of Russia's war of aggression against Ukraine, as well as broader destabilising trends affecting the EU's security environment. The war in Ukraine has exposed severe limitations in Europe's defence readiness, ranging from inadequate stockpiles and fragmented procurement strategies to industrial undercapacity and lack of coordination between Member States.

The adoption of the SAFE instrument is a fundamental shift in the EU's approach to defence. For decades, the Union's role in security and defence was primarily confined to coordination, peacekeeping, and soft-power instruments. However, the Versailles Declaration of March 2022^{iv}, the Strategic Compass for Security and Defence^v, and subsequent European Council conclusions established a new framework that recognised the need for strong, rapid, and autonomous defence capabilities. SAFE puts that framework into action by offering significant, long-term financial backing to Member States for buying and making defence equipment, while encouraging joint procurement, industrial scaling, and strategic autonomy.

Unlike previous initiatives that prioritised short-term needs (such as ASAP) or restricted co-financing (like EDIRPA), SAFE provides a structured, high-volume solution grounded in financial solidarity and shared strategic objectives. It establishes the EU as not just a coordinator, but a direct enabler of defence capacity. Crucially, the regulation also sets the stage for deeper industrial integration, harmonised defence planning, and a new burden-sharing model that complements NATO's deterrence posture while reducing internal dependencies and duplication within the Union.

2. Legal Basis and Strategic Justification

Council Regulation (EU) 7926/25 is adopted under Article 122(1) of the **TFEU**^{vi}. This enables the Council to take measures during exceptional crises that affect supply, economic stability, or security. The Council cites the deteriorating security environment in Europe, Russia's militarisation, and challenges to Member States' defence readiness as justification for this emergency basis. Using Article 122 TFEU enables rapid, flexible EU action, bypassing the multiannual financial framework limits and standard co-decision processes. It acknowledges that the protracted war in Ukraine and its aftermath represent an existential threat to EU peace, stability, and credibility. SAFE is positioned as an extraordinary measure due to the significant geopolitical challenges facing the Union.

3. Objectives and Financial Mechanism

The overarching objective of SAFE is to strengthen the European Defence Technological and Industrial Base (EDTIB) by enabling Member States to jointly invest in the acquisition, production, and stockpiling of key defence products. The regulation acknowledges that without targeted financial support and structural coordination, national efforts alone will remain fragmented, ineffective, and insufficient to meet the EU's growing security challenges. SAFE, therefore, seeks to create an integrated defence investment framework that combines national ownership with EU-level support and coordination.

SAFE is focused on five key strategic goals:

- a. **Boosting defence production quickly** to tackle urgent shortages, especially in critical areas like ammunition, artillery, drones, and missile defence systems.
- b. **Ensuring faster and more reliable delivery** of essential military equipment, especially to Member States on the frontlines, and to partners like Ukraine.
- c. **Decreasing reliance on suppliers outside the EU**, particularly for vital components, subsystems, and raw materials that keep defence supply chains running.
- d. **Promotion of interoperability and standardisation** by encouraging joint procurement and common requirements, helping Member States' armed forces work together more effectively.

- e. **Strengthening Europe's defence industry for the long term**, fostering innovation, adaptability, and greater strategic independence.

To achieve these objectives, SAFE does not offer grants. Instead, the Regulation establishes financial assistance in the form of loans of up to EUR 150 billion to be provided to eligible Member States. The loans are funded through the Union's diversified borrowing strategy and are designed to offer favourable terms. Maturity periods can extend up to 45 years, with a grace period of up to 10 years before repayment begins. This structure allows Member States to plan long-term defence investments without breaching national debt thresholds or sacrificing fiscal stability. However, the loans are conditional on the submission of a detailed **European Defence Industry Investment Plan (EDIIP)**^{viii}, which must specify the intended activities, procurement targets, implementation timeline, and strategic rationale. Loans are disbursed in tranches based on the achievement of clearly defined milestones, ensuring transparency, performance, and accountability.

To prevent the overconcentration of resources, the Regulation sets a distribution cap, limiting the allocation of total loan volume to no more than 60% for the three largest beneficiary Member States combined. This provision ensures equitable access and encourages participation from smaller countries, thereby reinforcing the initiative's cohesion and collective nature. Furthermore, Member States are encouraged to collaborate on joint procurement with other Member States or eligible partners, thereby enhancing efficiency, bargaining power, and strategic alignment.

4. Scope of Support: Products and Activities

SAFE provides financial support for the procurement, production, stockpiling, and scaling of a broad range of defence products. The regulation categorises eligible defence capabilities into two main areas, each reflecting different levels of urgency and strategic complexity.

Category I: Urgently Needed Battlefield Capabilities

These are high-priority products with a direct impact on the battlefield, especially for Ukraine and the defence of Europe's eastern flank. The list includes:

- Ammunition – Artillery shells (like 155mm), missiles, and small arms rounds.
- Heavy firepower – Artillery, mobile rocket launchers, and other ground-based systems.
- Tactical drones – Loitering munitions (kamikaze drones) and short-range surveillance UAVs.
- Personal protective gear – Protective equipment and mobility kits for troops.
- Cyber & Comms - Cyber defence platforms and secure communications equipment.
- Logistics & mobility – Transportable supply systems and infrastructure.

These items reflect lessons learned from recent conflicts, which have shown high consumption rates of ammunition, the need for persistent surveillance and the challenges of logistical support in active theatres of operations. That's why **Category I** products are prioritised for fast-track procurement, short lead times, and immediate delivery.

Category II: Strategic and Complex Defence Capabilities

This category includes technologically advanced and capital-intensive systems necessary for Europe's long-term defence strategy and operational sovereignty. It includes:

- Integrated air and missile defence systems, including counter-hypersonic technologies.
- Large military drones (Class II and III), including ISR and strike platforms.
- Maritime platforms such as corvettes, patrol vessels, and underwater systems.
- C4ISTAR Capabilities - Command, control, communication, computers, intelligence, surveillance, targeting, acquisition, and reconnaissance.
- Artificial intelligence (AI)-enhanced decision-support tools for battlefield management.
- Space-based assets for navigation, surveillance, and early warning.
- Electronic warfare systems and advanced sensor networks.

Investments under this category often require multi-year planning, industrial co-development, and cooperation between several Member States. SAFE promotes modular, scalable, and interoperable solutions that can be integrated into joint efforts.

Beyond products, SAFE also supports **industrial and infrastructure-related activities**, such as:

- Expansion or modernisation of manufacturing lines and facilities.
- Acquisition of raw materials and intermediate goods critical to production.
- Strategic stockpiling of components with long lead times.
- Training of skilled labour to address workforce bottlenecks in defence sectors.
- Development of testing, certification, and maintenance infrastructure.

Significantly, SAFE facilitates the reservation of production slots, enabling Member States to pre-finance industrial capacity even before finalising specific procurement quantities. This plan reduces delays and helps the industry feel confident to invest in growing operations.

The Regulation emphasises the need for all supported activities to be part of a common procurement plan involving at least one SAFE beneficiary and at least one other eligible country (EU, EEA EFTA, or Ukraine). This ensures that support is directed toward genuinely collaborative efforts rather than isolated national programmes.

5. Eligibility Criteria and Industrial Participation

SAFE imposes strict eligibility rules to ensure that financial support flows to entities that are strategically aligned with the EU's security interests and contribute to the resilience of the EDTIB.

Geographic and Legal Requirements

To qualify for SAFE financing, the procuring authorities must be:

- EU Member States;
- EEA or EFTA states participating in the Single Market (e.g., Norway, Iceland, Liechtenstein);
- Ukraine, which is granted full eligibility due to its strategic alignment, operational need, and candidate status.

Procurement projects must involve at least one SAFE loan recipient and one additional eligible partner (either another Member State, EEA country, or Ukraine), which reinforces the joint procurement principle, central to the instrument.

Contractors and subcontractors involved in supported projects must meet the following criteria:

- Be established and headquartered within the EU, EEA, EFTA or Ukraine.
- Be subject to adequate control by entities within these jurisdictions.
- Not be directly or indirectly controlled by entities from third countries unless strict mitigation measures are in place.

These measures can include screening of foreign direct investment, national security guarantees, binding contractual clauses, and regulatory supervision. With such measures, SAFE seeks to achieve a balance between openness and strategic protection, ensuring that vital defence capabilities are not undermined by foreign influence.

Industrial Composition and Third-Country Participation

While SAFE prioritises internal capacity, the Regulation allows for a limited share of third-country content: up to 35% of the contract value may originate from outside the EU, EEA, EFTA, or Ukraine, but only if it is technically or economically impossible to substitute such components within the project timeframe. In such cases, the participating Member State must provide a clear justification in its investment plan.

For **Category II systems** — especially those involving sensitive technologies like AI, electronic warfare, or missile defence — additional security assurances are required. These include:

- Clear IP (Intellectual Property) ownership and control by EU-based entities;
- Provisions ensuring unrestricted access to source code, design documentation, and technical specifications by participating Member States;

- The capacity for in-house maintenance, upgrades, and life-cycle management within the EU.

This framework reinforces strategic autonomy by ensuring that Europe retains long-term control over the technologies that underpin its sovereignty.

SME and Mid-Cap Participation

SAFE explicitly encourages Member States to include small and medium-sized enterprises (SMEs) and mid-cap firms in their investment plans. These actors are often critical innovators in areas like cybersecurity, microelectronics, advanced materials, and propulsion systems. Their inclusion supports:

- Supply chain diversification and resilience;
- Local industrial development in less industrialised Member States;
- A more inclusive defence ecosystem.

To this end, Member States are required to outline how they will engage SMEs and mid-caps in each project and may allocate a specific share of contracts to consortia involving these firms. The Regulation, therefore, employs industrial participation as a tool not only for security, but also for regional cohesion and economic development.

6. Procurement Process and VAT Exemption

One of the core innovations of SAFE lies in its flexible and advanced procurement framework, which departs from traditional EU defence acquisition procedures by introducing simplified legal pathways, while still ensuring transparency and compliance with strategic priorities.

Use of Negotiated Procedure Without Prior Publication

Taking into account the existing exceptional circumstances, as defined under **Article 122 TFEU^{viii}**, SAFE authorises Member States to use the negotiated procedure without prior publication, as provided for under **Directive 2009/81/EC^{ix}**. This procedure is typically reserved for urgent or confidential defence procurements and allows national authorities to negotiate directly with selected suppliers rather than issuing an open call for tenders.

This legal flexibility is critical for:

- Accelerating timelines, particularly for Category I items where lead times are crucial for operations;
- Preserving confidentiality in the acquisition of sensitive or classified systems;
- Enabling rapid expansion or amendment of existing procurement frameworks in line with new security demands.

However, Member States are still required to justify the use of this procedure in their European Defence Industry Investment Plans (EDIIPs), detailing the urgency, security rationale, and anticipated benefits of negotiated contracting.

Framework Contract Expansion and Partner Inclusion

SAFE also addresses one of the persistent barriers to joint procurement: the inflexibility of framework agreements. Under the new SAFE Regulation, Member States may extend existing framework contracts to include new participants (e.g., other EU, EFTA, EEA State or Ukraine), even if such inclusion was not foreseen in the original contract documentation. This provision enables the fast scaling of multinational orders without requiring the entire tendering process to be restarted.

Suppliers participating in these expanded contracts must consent to the inclusion of new parties, and the administrative terms of the agreement must be updated accordingly. This fosters a culture of collaborative procurement and avoids duplication of administrative effort across national systems.

Exemption from VAT

All procurements funded under SAFE are exempt from value-added tax (VAT) as per **Directive 2006/112/EC^x**. This exemption applies regardless of whether the procurement is carried out by central governments, defence ministries, or designated national authorities.

The VAT exemption achieves two primary goals:

- Maximising the financial impact of each loan disbursement by eliminating tax overhead;

- Simplifying the fiscal planning process for national budgets, especially when multiple Member States are pooling resources for joint acquisitions.

By removing this financial friction, the Regulation helps ensure that SAFE loans are directed entirely toward substantive capability development rather than administrative or tax burdens.

Transparency and Reporting Requirements

Even with these flexibilities, SAFE remains anchored in principles of accountability and oversight. Every EDIIP must include:

- A breakdown of the procurement method selected (e.g., negotiated vs. open tender);
- A rationale for the chosen approach;
- Milestones and expected timelines for contract execution.

Furthermore, Member States must document all procurement contracts signed under SAFE, including value, supplier identity, expected delivery dates, and key performance indicators (KPIs). This information must be submitted to the Commission and may be audited under EU financial regulation procedures.

This balance between legal simplification and rigorous monitoring ensures that the instrument can function at operational speed without compromising on financial and political integrity.

7. Governance and Implementation

To ensure the effective implementation, coordination, and monitoring of financed activities across the Union, SAFE introduces a clear and structured governance model. This model relies on a partnership between the European Commission and participating Member States, supported by relevant defence and financial institutions.

Submission of Investment Plans

The central implementation tool is the European Defence Industry Investment Plan (EDIIP), which each Member State must submit to the Commission to apply for a SAFE loan. The EDIIP must include:

- A detailed description of the defence products or infrastructure to be procured or developed;
- The industrial partners and subcontractors involved, including verification of eligibility;
- Timelines, milestones, and anticipated delivery schedules;
- Risk assessments and mitigation strategies;
- A justification for the strategic value of the proposed activities;
- A breakdown of cost estimates and financial planning.

The Commission evaluates the EDIIP with the assistance of the **European Defence Agency (EDA)** and, where relevant, the **EU Military Staff (EUMS)** and the **European External Action Service (EEAS)**. Their input ensures that proposed investments align with Union priorities, including capability shortfalls identified under the Coordinated Annual Review on Defence (CARD)^{xii} and the Capability Development Plan (CDP)^{xiii}.

Loan Agreements and Operational Arrangements

Upon approval of the EDIIP, the Commission and the requesting Member State conclude two key documents:

- a. A **Loan Agreement**, which defines the financial terms, repayment schedule, and conditions attached to the disbursement.
- b. An **Operational Arrangement**, which lays out the timeline, key deliverables, reporting obligations, and evaluation criteria for the project.

These documents formalise the commitments of both parties, ensuring legal enforceability and clarity. Pay-outs occur in tranches, tied to pre-agreed milestones such as signing contracts, delivering equipment, completing training, or starting manufacturing. Up to 15% of the total loan may be offered as pre-financing to enable prompt project initiation.

Monitoring and Performance Evaluation

Under the SAFE regulation, Progress of the projects are monitored on a semi-annual basis, with Member States required to submit progress reports supported by documentation such as:

- Copies of signed contracts and payment receipts;
- Delivery confirmations and technical acceptance certificates;
- Evidence of SME involvement or subcontracting levels;
- Compliance with security and eligibility criteria.

The Commission evaluates these reports and may conduct audits, request further clarification, or suspend payments if irregularities, delays, or failure to meet performance targets are identified. If needed, corrective actions can be taken, including renegotiating milestones or reallocating unused funds.

Annual Reporting and Democratic Oversight

The Commission is required to publish an **annual implementation report** on SAFE, submitted to the European Parliament and the Council. The report must provide:

- A summary of projects supported;
- Financial data, including loan volumes and repayment schedules;
- Strategic assessment of industrial and capability impacts;
- Observations on bottlenecks, delays, or lessons learned.

This ensures that SAFE operates within the framework of democratic accountability, budgetary transparency, and policy coherence.

8. Strategic Implications and External Dimensions

Beyond its financial and industrial provisions, SAFE carries profound strategic implications for the European Union's role as a security actor. It institutionalises a new mode of shared defence responsibility, reinforcing the EU's capacity to act as both a geopolitical player and a credible guarantor of its own security interests.

Anchoring Ukraine in the EU Defence Framework

One of the most politically significant aspects of SAFE is the full inclusion of Ukraine as an eligible participant. Ukraine can not only benefit from joint procurement but also bring its defence industrial capabilities to SAFE-funded projects. This reflects both the immediate operational needs of Ukraine, enabling its defence sector to run at high capacity during wartime, and the EU's long-term pledge to integrate it into European structures.

Integrating Ukraine into the SAFE framework demonstrates that EU support goes beyond humanitarian aid and short-term military assistance, establishing a strategic partnership focused on mutual capability development. This also enhances technical interoperability and standard-setting in accordance with EU norms, preparing Ukraine for future accession and strengthening Europe's eastern flank.

Complementarity with NATO

SAFE is designed to complement, not duplicate, NATO efforts. While NATO remains the primary collective defence entity for the majority of Member States, the EU's initiative addresses a gap in industrial, financial, and regulatory support that NATO does not cover. Through joint procurement and strategic coordination, SAFE bolsters capability targets agreed upon within NATO, such as air defence, logistics, and precision munitions.

At the same time, SAFE provides the EU with a mechanism to act autonomously when necessary, particularly in situations where NATO consensus cannot be reached or where EU-led missions are more politically viable. It supports the EU Strategic Compass^{xiii} goal of a "**more capable and autonomous Europe, able to act in concert with its partners.**"

Strategic Autonomy and Technological Sovereignty

SAFE strengthens the EU's long-standing ambition to achieve greater strategic autonomy, particularly in the realm of critical technologies. By promoting production within the Union, enforcing security of supply routes, and capping third-country content. At the same time, the Regulation reduces dependency on external suppliers for essential defence inputs. This includes not only weapons systems but also technologies such as:

- Cybersecurity platforms and secure communications networks;
- AI-driven decision-support tools;
- Sensor fusion, data analytics, and autonomous systems;
- Space surveillance and early-warning infrastructure.

Through targeted investments in these areas, SAFE contributes to Europe's technological sovereignty, ensuring that the Union retains control over the design, development, and deployment of its most sensitive military capabilities.

Opening the Door to Strategic Partnerships

Although the Regulation focuses primarily on the EU, EEA, EFTA, and Ukraine, it also allows for potential cooperation with trusted third countries, provided that strict reciprocity and security safeguards are in place. Countries such as Canada or Japan, already engaged in structured security dialogues with the EU, could participate in specific projects, especially in Research and Development, raw material supply, or specialised production niches.

Such flexibility positions SAFE as not only an internal capacity-building tool but also a platform for global strategic partnerships, reinforcing the EU's influence in international defence cooperation.

9. Industrial and Economic Impact

Beyond its immediate security goals, it is expected that SAFE will generate significant industrial and economic benefits across the European Union by offering predictable, long-term financing and fostering multinational cooperation. The Regulation encourages investment in infrastructure, workforce development, and supply chain resilience — essential components of a robust and competitive defence ecosystem.

Boosting Industrial Capacity and Efficiency

The defence sector in Europe has long suffered from underinvestment, fragmentation, and inconsistent demand. SAFE addresses these problems by:

- Aggregating demand across Member States;
- Encouraging advance orders and slot reservations;
- Providing certainty to manufacturers, which allows them to scale up production capacity without fear of overcapacity or future cuts.

This is especially vital for high-volume, high-demand items such as ammunition, where long lead times and complex certification requirements often result in bottlenecks. By synchronising procurement schedules and enabling industrial planning, SAFE helps lower unit costs, enhance economies of scale, and minimise delivery times.

Strengthening the Defence Supply Chain

SAFE's focus on end-to-end production support—covering raw material acquisition, intermediate goods, and final assembly—will boost the resilience of critical supply chains. This is vital in areas such as:

- Energetic materials (e.g., explosives and propellants);
- Electronics and semiconductors;
- High-performance alloys and composites;
- Cyber and digital infrastructure.

SAFE also supports stockpiling and infrastructure upgrades, enabling firms and governments to withstand temporary supply shocks and prepare for sustained output during periods of crisis. By funding not only procurement but also the essential industrial backbone, SAFE transforms the EU from being a reactive buyer into a strategic investor in its long-term defence capacity.

Empowering SMEs and Innovation

Small and medium-sized enterprises (SMEs) form the backbone of many defence supply chains, particularly in innovation-intensive areas such as artificial intelligence (AI), robotics, materials science, and microelectronics. SAFE mandates the inclusion of SMEs in investment plans and encourages national authorities to set aside procurement volumes or subcontracts specifically for these actors.

This inclusion is not only a matter of economic diversification but also of technological leadership. SMEs are often quicker to adapt, more agile in innovation cycles, and essential to maintaining Europe's edge in dual-use and frontier technologies.

Through SAFE, the EU also promotes the creation of industrial consortia, fostering cooperation between large system integrators, mid-caps, and SMEs. These arrangements help bridge the gap between research, development, and production, thereby accelerating the maturation of defence technologies.

Regional Development and Job Creation

Investments under the SAFE are expected to have a positive spillover effect on regional economies, especially in areas with existing industrial capabilities or high unemployment rates. New production lines, expanded facilities, and diversification of supply chains can create skilled jobs in areas such as engineering, manufacturing, logistics, and cybersecurity.

Moreover, the Regulation's flexibility allows Member States to align SAFE-supported projects with national or regional economic development strategies, reinforcing cohesion policy goals while addressing strategic vulnerabilities. In this way, SAFE becomes not only a pillar of security policy but also a driver of economic modernisation, helping to revitalise Europe's industrial base and reduce long-term strategic dependency.

10. Conclusions

Council Regulation (EU) 7926/25 establishing the **Security Action for Europe (SAFE)** marks a historic turning point in the evolution of the European Union's defence policy. It is the first EU instrument that brings together substantial financial resources, legal flexibility, industrial strategy, and geopolitical purpose into a single, long-term framework for defence preparedness.

At its core, SAFE represents a move away from fragmented, reactive responses to security crises, toward a more integrated, proactive, and resilient European defence ecosystem. By offering up to EUR 150 billion in long-term loans, structured around joint procurement and industrial capacity-building, the EU is demonstrating a willingness to **act** collectively in its own defence, not merely as a crisis donor or diplomatic broker, but as a capable and autonomous strategic actor.

The Regulation embodies key principles that will shape the Union's future role in global security:

- **Strategic autonomy**, through reduced reliance on external suppliers and the development of sovereign capabilities;
- **Solidarity**, by ensuring that all Member States—large and small—can access financing for common defence needs;
- **Efficiency and scale**, achieved by pooling demand, aligning procurement, and creating sustainable production networks;
- **Innovation and resilience**, promoted through the inclusion of SMEs, support for dual-use technologies, and flexible infrastructure investments.

SAFE establishes a precedent for EU-level defence instruments. Although presented as a response to exceptional circumstances under Article 122 TFEU, its logic and strategic ambition indicate it could serve as a template for future initiatives, such as dedicated defence bonds, industrial capacity reserves, and joint capability development programmes.

Its success, however, will depend on several critical factors:

- The political will of Member States to align their procurement calendars and capability priorities;
- The effectiveness of implementation, including the quality of submitted investment plans, the strength of industrial partnerships, and the rigour of oversight mechanisms;
- The ability of the European Commission and other institutions to manage a complex portfolio of high-value, high-risk defence investments while maintaining transparency and accountability;
- The willingness of national and EU-level stakeholders to treat defence investment not just as a cost, but as a strategic enabler of sovereignty, stability, and deterrence.

In a geopolitical environment marked by increasing instability, intensified great-power competition, and persistent hybrid threats, SAFE signals that the European Union is no longer content to be a passive bystander.

It is a practical and political affirmation that **Europe's security must be built in Europe, with European tools, industries, and political resolve.**

ⁱ **EPF - The European Peace Facility**, established on 22 March 2021, is an off-budget EU instrument designed to enhance the Union's capacity to prevent conflicts and support international peace and security through military and defence-related assistance. It has notably been used to supply military aid to Ukraine following Russia's 2022 invasion and to support Mozambique in stabilising its conflict-affected northern region.

ⁱⁱ **EDIRPA - The European Defence Industry Reinforcement through Common Procurement Act**, adopted on 9 October 2023, is an EU regulation aimed at strengthening the European defence industrial base by promoting joint procurement of defence products among Member States. It supports collaborative acquisition to address urgent defence needs and reduce fragmentation.

ⁱⁱⁱ **ASAP - The Act in Support of Ammunition Production**, adopted on 8 July 2023, is an EU regulation aimed at boosting the production capacity of ammunition and missiles within the Union. It responds to urgent needs created by Russia's war against Ukraine and supports the defence industry through targeted funding and accelerated procedures. ASAP is part of the EU's broader effort to enhance defence readiness and supply security.

^{iv} **The Versailles Declaration** - adopted by EU leaders on 11 March 2022 in response to Russia's aggression against Ukraine, outlines a joint commitment to strengthen the EU's defence capabilities, reduce energy dependencies, and build a more robust economic base. It marked a turning point in EU strategic thinking, calling for increased investment in security and resilience across key sectors.

^v **The Strategic Compass for Security and Defence** - adopted on 21 March 2022, is the EU's action plan to strengthen its security and defence policy by 2030. It outlines concrete steps to enhance the EU's ability to act, invest, and partner in the face of evolving threats. Key elements include the creation of a Rapid Deployment Capacity, stronger cyber defence, and closer cooperation with partners such as NATO and the UN.

^{vi} **TFEU - The Treaty on the Functioning of the European Union**, originally signed as part of the Treaty of Rome in 1957 and renamed by the Treaty of Lisbon in 2007, is one of the EU's two core treaties. The TFEU provides the legal basis for most EU legislation and defines the division of competences between the EU and its Member States.

^{vii} **EDIIP -The European Defence Industry Investment Plan**, proposed in March 2024 as part of the EU's European Defence Industrial Strategy, is a forthcoming programme aimed at strengthening the EU's defence technological and industrial base with a proposed budget of €1.5 billion for 2025–2027.

^{viii} **Article 122 TFEU** - provides the EU with a legal basis to adopt measures in response to emergencies or exceptional circumstances, including severe supply disruptions or economic crises. It allows for joint action, such as coordinated purchases or financial assistance. It has been used to support energy security and defence-related measures, including aid to Ukraine

^{ix} **Directive 2009/81/EC** - adopted on 13 July 2009, governs the procurement of defence and sensitive security contracts within the EU. It aims to open up national defence markets to fair competition while protecting essential security interests. The directive sets rules for the award of contracts involving arms, munitions, and sensitive equipment, promoting transparency, non-discrimination, and cross-border access within the internal market.

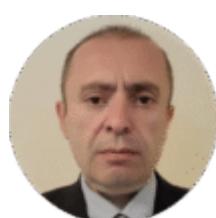
^x **Directive 2006/112/EC** - adopted on 28 November 2006, is the EU's main legal framework on value-added tax (VAT). Known as the VAT Directive, it harmonises the rules for VAT across Member States, covering taxable transactions, rates, exemptions, and administrative procedures. The directive ensures the proper functioning of the internal market while allowing limited national flexibility in applying VAT rules.

^{xi} **CARD -The Coordinated Annual Review on Defence**, is an EU-wide process, launched in 2017, to assess Member States' defence plans and capabilities on a yearly basis. Managed by the European Defence Agency (EDA), CARD identifies opportunities for collaborative projects, reduces duplication, and supports the coherence of European defence planning in line with EU and NATO priorities.

^{xii} **CDP - The Capability Development Plan**, is a strategic tool managed by the European Defence Agency (EDA) to identify and prioritise the EU's military capability needs. First launched in 2008 and regularly updated, the CDP guides Member States in aligning their defence planning, supports PESCO and CARD, and fosters coherent, collaborative development of future defence capabilities.

^{xiii} **The EU Strategic Compass** - adopted on 21 March 2022, is a comprehensive strategic document that defines the EU's security and defence ambitions through to 2030.

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George is a diplomat and expert in international politics, security and European integration. During his career in the Georgian public service (2004–2023), he held senior positions focused on political affairs, European and Euro-Atlantic integration and regional security. Beyond diplomacy, he has contributed extensively as an author and researcher, specialising in the rise of radical and populist movements in Eastern Europe. He currently serves as the executive director of the EU Awareness Centre, a Brussels-based NGO promoting democratic reforms, good governance, and EU values. He continues his work as an independent researcher on political and international issues.