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COVER NOTE

From:	European Economic and Social Committee
To:	Delegations
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan ; COM(2025)188 final [103/2025 (COD)] - Opinion from the European Economic and Social Committee



OPINION

European Economic and Social Committee

Defence-related investments in the EU budget

Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan (COM(2025) 188 final - 2025/0103 (COD))

ECO/679

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Legislative procedure	EU Law Tracker
Referrals	European Parliament, 16/6/2025 Council of the European Union, 5/6/2025
Legal basis	Articles 114, 164, 172, 173, Article 175 (3), 176, 177, 178, 182 183, 188, 192(1) and 304 of the Treaty on the Functioning of the European Union
European Commission documents	COM(2025) 188 final - 2025/0103 (COD) Summary of COM(2025) 188 final – 2025/0103 (COD)
Relevant Sustainable Development Goals (SDGs)	SDG 9 – Industry, Innovation and Infrastructure SDG 16 – Peace, Justice and Strong Institutions
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	5/9/2025
Adopted at plenary session	18/9/2025
Plenary session No	599
Outcome of vote (for/against/abstentions)	95/0/1

1. Conclusions and recommendations

- 1.1 The European Economic and Social Committee (EESC) emphasises that peace must remain a core EU priority and cautions against focusing solely on military threats while overlooking other serious risks to human life. It stresses the importance of diplomacy for conflict resolution and crisis prevention wherever possible.
- 1.2 As already expressed in an EESC opinion¹, the Committee supports a comprehensive, inclusive European defence strategy that supplements military readiness with civil preparedness. It endorses the European Commission's Joint white Paper for European Defence – Readiness 2030 and calls for a coordinated EU approach that treats defence, peace and security as shared public goods, underpinned by strong legal, institutional and financial frameworks with democratic oversight.
- 1.3 The EESC takes note of the prompt submission of the proposal regarding incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan ('the Proposal'²) and endorses its main objective of further promoting and facilitating defence investment by enabling more flexible, coordinated investment in the European Defence Technology Industrial Base (EDTIB) with a view to achieving defence readiness within five years.
- 1.4 However, after careful consideration, the EESC recommends greater ambition, to be achieved in part by means of the following:
 - 1.4.1 Including **satellite-based intelligence and communication** in the proposed changes to Article 4 of Regulation (EU) 2021/694 [Digital Europe Programme] set out in Article 1 of the Commission Proposal.
 - 1.4.2 Amending Article 3 of the Commission Proposal in order to cater for interoperability, all EU territorial defence and coverage needs, access and control by the Member States. The need for investments to be balanced across countries and regions should also be factored in.
 - 1.4.3 Amending Article 5 of the Commission Proposal, including approval by the national programme monitoring committees when the funds are transferred and putting a ceiling on the percentage of funds transferred.
 - 1.4.4 Amending Article 6 in order to specify **dual use purposes**. This is necessary in order to take into account the structure of STEP (Strategic Technologies for Europe Platform) financing.
 - 1.4.5 Amending Article 3 of the Commission Proposal, limiting the resources which can be transferred to a maximum of 50% and specifying the need for approval from the national programme monitoring committee.

¹ EESC opinion on the *Joint white paper for European Defence Readiness 2030* (not yet published in the Official Journal).

² [COM\(2025\) 188 final - 2025/0103 \(COD\)](#).

- 1.4.6 That enough flexibility be provided for existing contracts, adding a dual use approach and projects that could be implemented over two or more programming periods, taking into account the specific nature of dual use investments and the need for good quality absorption.
- 1.4.7 Adding a performance indicator in chapter 1.3.4 of the legislative financial and digital statement of the proposed regulation concerning the territoriality of the investments, taking into account the immediate security needs and proximity to Ukraine.
- 1.5 Establishing a common EU strategy for an offset approach, more transparency regarding expenses paid to companies outside the EU and a common EU register for defence and dual use investments.
- 1.6 Building complementarity with the European Social Fund: a skills strategy for the defence industry is needed based on a dual use approach, including anticipation of change, investment in reskilling and upskilling as conditionalities for the next programming period, while transition support mechanisms for workers are needed taking into account the volatility of demand in the defence sector and the characteristics of the market. Social conditionalities need to be attached to every investment in the defence industry, and projects over EUR 25 million should evaluate the social and economic impact.
- 1.7 Ensuring complementarity with Security Action For Europe (SAFE) is key and that options such as a kill switch or full control of the operational capacity, taking into account the suppliers and their role, are important, while cooperation between Member States should be primarily around product and project results. The EESC considers that a dedicated EU body should be established to coordinate purchasing and innovation, creating critical demand and consolidating the internal market to build a common defence system.

2. Introduction

- 2.1 The EU faces exceptional security challenges, resulting from geopolitical tension as well as close security threats: Russia's war of aggression against Ukraine. In its conclusions of 6 March 2025, the European Council underlined that '*Russia's war of aggression against Ukraine and its repercussions for European and global security in a changing environment constitute an existential challenge for the European Union*'.
- 2.2 To respond to the growing challenges, the EU has already been implementing common defence policy based on cooperation and coordination with NATO, while developing the EU's own capacity.
- 2.3 In its opinion *Defence funding in the EU*³, the EESC agreed that, as far as security is concerned, the EU should move into a common defence policy, in the framework of a common foreign and security policy, and build a strong European Defence Pillar, and the necessary legislative and financial measures to this end should be taken as a matter of urgency.

³ OJ C, C/2025/2013, 30.4.2025, ELI: <http://data.europa.eu/eli/C/2025/2013/oj>.

- 2.4 The White Paper for European Defence – Readiness 2030, presents solutions to close critical capability gaps and build a strong defence industrial base through massive investments in defence, procurement of defence systems and building up the readiness of the EU defence industry, while continuing to support Ukraine to defend itself against Russia’s aggression. The ReArm Europe Plan/Readiness 2030 allows spending of over EUR 800 billion.
- 2.5 The EESC welcomes the prompt submission of the Proposal regarding incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan⁴.
- 2.6 The Proposal is designed to incentivise defence-related investments in the EU budget and makes a number of changes to regulations concerning existing EU funds, including Strategic Technologies for Europe Platform (STEP), European Defence Fund (EDF), Act in Support of Ammunition Production (ASAP), Digital Europe Programme (DEP), Horizon Europe and Connecting Europe Facility (CEF).
- 2.7 The EESC welcomes EU partnerships with Ukraine and stresses that Ukraine’s leading position as regards competence and innovation in defence industries will all be strategically important for EU security in the decades to come.

3. **General comments**

- 3.1 The EESC welcomes the Proposal as a key mechanism for strengthening the EU’s defence industry and technological base in line with the ReArm Europe Plan.
- 3.2 The Proposal is expected to:
- increase investments in defence in line with the objectives of the ReArm Europe Plan,
 - enhance the European defence technological and industrial base (EDTIB),
 - improve military readiness, capabilities and mobility,
 - support SMEs and start-ups by opening up the European Innovation Council (EIC) Accelerator and EIC Scale Up to dual-use and defence technologies.
- 3.3 With the Proposal, Member States should benefit from greater flexibility in funding security and defence and the EU defence industry should benefit from new opportunities and achieve defence readiness within the next five years.

4. **Specific comments**

- 4.1 The EU is already working on Infrastructure for Resilience, Interconnectivity and Security by Satellite (IRIS), aiming to launch it in 2027, but many more than 290 satellites are required and further investment is needed in interconnectivity, especially to cover the white zones. Further investment is also needed in building capacities in the Member States to use satellites with IRIS to build common defence operations that rely on real-time communication and intelligence capability to detect, monitor and respond to threats, both external and internal, or in

⁴ [COM\(2025\) 188 final - 2025/0103 \(COD\)](#).

interoperability, catering for the dual use approach. A common real-time communication and intelligence capability to which all Member States have access is critical for common EU defence.

- 4.2 The EESC highlights the fragmented defence market and stresses the need for coherence, efficiency and complementarity among Member States in developing disruptive defence technologies. Defence spending should consider fiscal disparities, as some Member States face budget deficits and may struggle to access EDF funding directly. Nonetheless, under EU values and the TFEU, they should benefit from EDF-financed equipment. Fund distribution should also reflect differing defence needs and the challenges faced by countries near conflict zones and in the neighbourhood of the aggressor state.
- 4.3 The EESC regrets the lack of an impact assessment, noting that reallocating funds to military use has direct economic and social consequences. Without limits, such reallocation could undermine key goals under Article 3 of the TFEU. Cohesion policy, as a long-term development tool, is not easily aligned with defence spending. Transfers to defence should be allowed only if they clearly support regional development and do not hinder local progress. A 50% cap is proposed to ensure a balanced distribution and prevent dominance by military spending, based on current EU absorption and contracting rates. Civil society must be involved in decisions on such transfers through programme monitoring committees, as recommended by the European Code of Conduct on Partnership.
- 4.4 If new funds are allocated under the Commission proposals, the dual use principle should be applied across the board to avoid losing sight of the initial objectives of the instrument. The problems of sensitive military information should be taken into account in programmes such as STEP when projects are being evaluated, as the procedures for dual-use projects need to be adapted when sensitive or confidential information is being handled. The management systems are not necessarily prepared for handling confidential information at project level and this must be remedied.
- 4.5 The regulation should take into account existing contracts: where possible, a dual-use approach could also be included here. It is important to amend the existing contracts or ensure clear synergy between different future projects in order to ensure good quality absorption and greater efficiency. Also, because of the specific nature of defence products and the time it takes to progress from research to final products, along with the fact that the EU is lagging behind the US and China in advances in technology, the legislation should provide for financing of projects over two or multiple programming periods. The EESC also proposes including a list of strategic projects at EU level dedicated to critical defence needs which can be implemented within at least one programming period.
- 4.6 Fair, balanced access to funds is crucially important as there is a clear difference between the capacities of the Member States and the opportunities provided by the Commission in the defence sector, from which all Member States should be able to benefit. The relationship between development and military and dual use funds allocation needs to incorporate principles such as: 1) territoriality, to offset the imbalance between regions' and countries' needs; 2) complementarity between investments and operational capacities; 3) the competition principle, to ensure fair access to funds among countries, taking into account the distribution of security and

development needs, while also applying a partnership principle, as ensuring eligibility and legislative coherence will not necessarily lead to an approach that provides for both security needs and states' development.

- 4.7 Ensuring interoperability and an integrated approach in EU defence in the context of the geopolitical tensions involves catering for the possibility of buying military types of equipment or components used in the final products from third countries or companies. Establishing a common approach on offset options requires clear future involvement from the Commission, primarily in order to ensure complementarity and more efficiency in implementing different offset options, but also in order to deliver more support to the EU defence industry while taking into account demand and supply in the defence market.
- 4.8 Strengthening the defence industry's competitiveness and reducing dependencies requires a comprehensive skills strategy, with support for industry and dual-use applications. While STEP has made some progress, it falls short. In the next programming period, building skills in defence should be an ex ante condition to support innovation, production and maintenance. Instrument overlaps such as training under both ASAP and STEP are addressed. Defence investments must not undermine the EU's social model. Proposals, especially those over EUR 25 million, should be checked for a positive impact on cohesion, social and economic aspects. The EESC reiterates that funding for social objectives must be safeguarded from depletion by reallocation to defence or security initiatives and should instead be increased.
- 4.9 A clear framework for complementarity between SAFE and the current proposal is needed. In addition, to achieve more complementarity between the EDF, STEP and HORIZON multi-fund management systems are needed. Countries which have a single-fund approach will find it difficult to harness the opportunities provided by this regulation efficiently. More complementarity and the possibility of combining funding sources with the European Bank for Reconstruction and Development (EBRD) and the EIB should be provided for with a view to developing more synergies and building better integrated defence markets. Since defence is a national responsibility, a dedicated EU structure is needed to monitor, among other things, the dependence relationship with third countries and companies, especially when it comes to the kill switch option and full control over use of the types of equipment and EU defence capabilities.

5. PROPOSED AMENDMENTS TO THE LEGISLATIVE PROPOSAL OF THE EUROPEAN COMMISSION

Amendment 1

linked to recommendation 1.1

Text proposed by the European Commission	EESC amendment
in Article 4 (1) the following point is added: '(d) deploy and operate AI Factories and new generation AI Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, including	in Article 4 (1) the following point is added: '(d) deploy and operate AI Factories and new generation AI Gigafactories specialised in developing, training, and running the most complex, very large, AI models and applications, <i>satellite-based intelligence and</i>

hardware and software necessary for such deployment.	communication , including hardware and software necessary for such deployment.
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Reason
To include satellite-based intelligence and communication in the proposed changes to Article 4 of Regulation (EU) 2021/694 [Digital Europe Programme] set out in Article 1 of the Commission Proposal.

Amendment 2

linked to recommendation 1.2

Text proposed by the European Commission	EESC amendment
Article 6 – Support for disruptive technologies for defence The work programmes shall lay down the most appropriate forms of funding, selection and award criteria and procedures, and implementation for disruptive technologies for defence.	Article 6 – Support for disruptive technologies for defence The work programmes shall lay down the most appropriate forms of funding, selection and award criteria and procedures, and implementation for disruptive technologies for defence, <i>taking into account interoperability, all EU territorial defence and coverage needs and the need for control by Member States and fair access to funds.</i>

Reason
To amend Article 3 of the Commission proposal in order to cater for interoperability, all EU territorial defence and coverage needs, access and control by Member States. The need for investments to be balanced across countries and regions should also be factored in.

Amendment 3

linked to recommendation 1.3

Text proposed by the European Commission	EESC amendment
<i>Article 5</i> – Regulation (EU) 2023/1525 [ASAP] is amended as follows: 3b. <i>Resources</i> allocated to Member States under shared management may, at the request of the Member States concerned, be transferred to the Instrument subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060. The Commission shall implement those resources directly in accordance with Article 62(1), first subparagraph, point (a), of the Financial Regulation or indirectly in accordance with point (c) of that	<i>Article 5</i> – Regulation (EU) 2023/1525 [ASAP] is amended as follows: 3b. <i>A maximum of 50% of the resources</i> allocated to Member States under shared management may, at the request of the Member States concerned, be transferred to the Instrument subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060 <i>with approval from the monitoring committees in accordance with Article 38.</i> The Commission shall implement

subparagraph. Such resources shall be used for the benefit of the Member State concerned.	those resources directly in accordance with Article 62(1), first subparagraph, point (a), of the Financial Regulation or indirectly in accordance with point (c) of that subparagraph. Such resources shall be used for the benefit of the Member State concerned.
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Reason
To amend Article 5 of the Commission Proposal in order to include approval by the national programme monitoring committees when funds are transferred and to put a ceiling on the percentage of funds transferred.

Amendment 4

linked to recommendation 1.4

Text proposed by the European Commission	EESC amendment
In Article 2(1), point (a) of Regulation (EU) 2024/795, [Strategic Technologies for Europe Platform (STEP)] the following point is added: ‘(iv) defence technologies;’	In Article 2(1), point (a) of Regulation (EU) 2024/795, [Strategic Technologies for Europe Platform (STEP)] the following point is added: ‘(iv) defence technologies <i>with emphasis on dual use purposes.</i>

Reason
To amend Article 6 to specify dual use purposes . This is necessary in order to take into account the structure of STEP financing.

Amendment 5

linked to recommendation 1.5

Text proposed by the European Commission	EESC amendment
‘Article 8a, Cumulative funding and transfers of resources 2. Resources allocated to Member States under shared management may, at the request of the Member State concerned, be transferred to the Programme subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060 for 2021-2027. The Commission shall implement those resources directly in accordance with point (a) of the first subparagraph of Article 62(1) of the Financial Regulation or indirectly in accordance with point (c) of that subparagraph. Such resources	‘Article 8a, Cumulative funding and transfers of resources 2. <i>A maximum of 50% of the resources</i> allocated to Member States under shared management may, at the request of the Member State concerned, be transferred to the Programme subject to the conditions set out in the relevant provisions of Regulation (EU) 2021/1060 for 2021-2027. The Commission shall implement those resources directly in accordance with point (a) of the first subparagraph of Article 62(1) of the Financial Regulation or indirectly in accordance with

shall be used for the benefit of the Member State concerned.	point (c) of that subparagraph. Such resources shall be used for the benefit of the Member State concerned <i>and the approval of the monitoring committees in accordance with Article 38 of Regulation (EU) 2021/1060 for 2021-2027 shall be needed.</i>
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Reason
To amend Article 3 of the Commission Proposal, limiting the resources which can be transferred to a maximum of 50% and specifying the need for approval from the national programme monitoring committees.

Brussels, 18 September 2025.

The president of the European Economic and Social Committee
 Oliver RÖPKE
