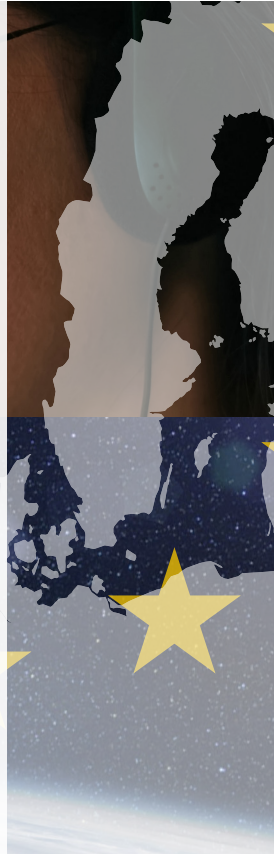




**POSITION ON A  
EUROPEAN READINESS,  
PREPAREDNESS AND  
DEFENCE STRATEGY**





## WHO ARE WE?

BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance.

A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.

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# FOREWORD

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Europe's security environment has fundamentally changed. War has returned to our continent, economic interdependencies are increasingly weaponised, and critical infrastructure and supply chains are under growing pressure. In this context, security, resilience and competitiveness are closely intertwined.

A strong and secure Europe depends on a competitive, innovative and resilient economic base. At the same time, Europe's long-term prosperity requires the capacity to protect its interests and ensure stability in an increasingly contested world. This calls for a different way of thinking about security and defence: not as isolated policy domains but as supporting vectors of Europe's economic and industrial strategy. As underlined in recent high-level reports, Europe must strengthen its economic foundations, deepen its Single Market and move towards a more proactive and comprehensive approach to preparedness and resilience.

BusinessEurope is therefore strengthening its engagement in this field. European companies are not only drivers of growth and innovation - they are indispensable partners in preparedness, crisis response and the scaling of industrial capacity. At the same time, strengthening Europe's defence technological and industrial base is not only a matter of security - it is an opportunity to reinforce our economic foundation.

When aligned with the right policies, investments in security and defence can act as a powerful driver of innovation, accelerate the development of critical technologies and support high-skilled jobs across different sectors in Europe. This is particularly relevant for SMEs, start-ups and scale-ups, whose capacity to innovate and adapt is essential to Europe's technological edge. Leveraged effectively, defence and dual-use investment can strengthen Europe's competitiveness while deepening cooperation with international partners and allies.

Europe must therefore use this moment to address long-standing structural weaknesses. Fragmentation in the market, regulatory complexity and barriers to scaling continue to limit the effectiveness of increased investment - especially for SMEs and mid-caps seeking to grow and integrate into cross-border value chains. A more integrated European framework - supporting industrial cooperation, innovation and efficient procurement - will be key to turning ambition into capability.

BusinessEurope stands ready to contribute to this effort-working with European institutions, Member States and partners to help build a stronger, more resilient and more competitive Europe.

Finally, we would like to thank those that supported the work, in particular BusinessEurope Vice-Presidents Ingrid Thyssen (VNO-NCW) and Klaus Holse (DI) and the Chair of the Defence and Security Task Force Danny McCoy (Ibec).



**Fredrik Persson**  
President



**Markus J. Beyrer**  
Director General

# KEY MESSAGES<sup>1</sup>

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01

**BusinessEurope is stepping up its engagement in security and defence as a new strategic priority.** The war in Ukraine, rising geopolitical fragmentation and the weaponisation of economic interdependencies have fundamentally reshaped Europe's operating environment. Safeguarding Europe's security requires strengthening Europe's competitiveness, industrial base, innovation capacity and its economic resilience – **making security and defence policies an integral part of Europe's long-term competitiveness and growth strategy.**

02

**Europe must move towards a proactive, whole-of-society preparedness model underpinned by strong public-private cooperation.** Recent crises have demonstrated the value of coordinated EU action, but also exposed structural gaps in preparedness. The EU must ensure the continuous functioning of critical infrastructure, supply chains and industrial systems under all circumstances. This requires a shift away from reactive crisis responses and towards a structured and permanent partnership between the European institutions, national authorities and the business community in preparedness planning and crisis response.

03

**Scaling Europe's defence industrial base is both an economic opportunity and a security imperative.** While defence remains primarily a national competence, increased investment should be used strategically to strengthen Europe's industrial and technological base. SMEs play a pivotal role in the security and defence ecosystem, notably by strengthening resilient and integrated supply chains. Through stronger EU coordination and instruments such as the European Competitiveness Fund (ECF), defence spending can act as an economic engine – driving innovation, accelerating industrial scaling and reinforcing the EU's long-term productivity and global competitiveness.

04

**A more integrated Defence Single Market and coordinated EU framework are critical for structural defence build-up.** National responsibilities must be complemented by effective EU-level coordination to ensure an operational Defence Single Market, integrated supply chains and reduced regulatory fragmentation. Stronger alignment on procurement, standards, export and military mobility is key to scaling production and ensuring rapid deployment.

05

**The EU must strengthen international cooperation while safeguarding its strategic interests.** A stronger European defence technological and industrial base should reinforce NATO and enable more balanced burden sharing among members. Cooperation with like-minded partners is crucial, while ensuring clear conditions regarding defence cooperation that protect Europe's strategic interests, critical infrastructure and competitiveness.

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<sup>1</sup> MEDEF does not endorse this position paper

# 01

## INTRODUCTION: CHANGING SECURITY LANDSCAPE

In recent years, the geopolitical security landscape has shifted, exposing the European Union's limited capacity to safeguard its own security and economic resilience. Russia's continued war of aggression against Ukraine, the proliferation of hybrid threats and asymmetrical warfare - where international trade is being weaponized - combined with the increased targeting of critical infrastructure and economic assets within the European Union, have fundamentally changed the conditions under which European societies and businesses operate.

Security risks are no longer confined to the military domain and are strategic in nature increasingly affecting our economic security, prosperity and competitiveness. As a result, Member States, the European Union and NATO must harness a swift and coordinated response by significantly increasing our joint resilience, security and defence efforts to safeguard our democratic values, competitiveness and way of living.

In response, European Member States have increased their defence spending totalling to approximately €343 billion<sup>2</sup> – positioning the members of the European Union among the world's largest defence spenders – second to only the United States. As well, NATO has significantly raised its level of ambition; Allies have agreed to increase defence related expenditure targets to 3.5% of GDP for core defence and 1.5% for broader security and resilience measures by 2035. Together, NATO Member States have increased their defence spending by 41% between 2021-2025<sup>3</sup>, underlining the scale and urgency of the efforts that are required.

At the EU level, the European Commission is taking on a stronger coordinating role in defence and economic security arena. Through coordinating initiatives, aimed at supporting the Member States, the European Defence Industrial Strategy (EDIS), and the EU Readiness 2030 – supported by an €800 billion investment effort - the EU aims to reduce industrial fragmentation, strengthen cross-border cooperation and move towards a more integrated European defence internal market. Additionally, the 2028 – 2034 Multiannual Financial Framework (MFF) proposal, with a significant increase in the volume devoted to security and defence through the European Competitiveness Fund, recognises the need and urgency to ramp up security and resilience capabilities. Last but not least, through the revision of rules on EU Structural Funds, Member States can also deploy them to support defence and security.

However, despite significant increases in aggregated spending, the European Defence Technological and Industrial Base (EDTIB) remains highly fragmented and, particularly along supply chains, insufficiently prepared for rapid scaling. As such, higher defence budgets alone will not automatically translate into a stronger and more integrated EDTIB.

What is required is a comprehensive approach to increasing the European industrial and technological capacity. This is also supported by Draghi<sup>4</sup> - and supported by BusinessEurope – security and defence have become central pillars of European competitiveness. This is also reflected in the proposal to allocate increasing resources to security and defence within the European Competitiveness Fund (ECF), recognising the strategic role of the European defence technological and industrial base by strengthening Europe's technological capacity, industrial resilience and long-term productivity.

<sup>2</sup> 2024 data, European Defence Agency.

<sup>3</sup> Florian Dorn, Niklas Potrafke, and Marcel Schlepfer, "European Defence Spending in 2024 and Beyond: How to provide Security in an Economically Challenging Environment".

<sup>4</sup> The future of European Competitiveness, A competitiveness strategy for Europe, European Commission, September 2024.



In short, this means ensuring that Europe's manufacturing ecosystem can scale production, integrate supply chains, secure access to critical inputs and absorb increased demand in a coordinated and efficient manner.

This underscores a fundamental reality: Europe's economic security and competitiveness are intrinsically linked. Measures aimed to bolster strategic autonomy must simultaneously drive and advance industrial and technological development to improve the productivity of the entire EU. It is crucial to close the productivity gap between Europe and other advanced economies through targeted investment in high-value sectors. As such, the increased defence spending should act as an economic engine, fostering innovation and high-skilled job creation that strengthens the European Union's global market position.

Ultimately, Europe's ability to guarantee its security objectives rests on the strength of its economic foundation. Security and defence should therefore not be viewed solely as strategic imperatives, but as core components of Europe's broader competitiveness and growth agenda.

Therefore, BusinessEurope supports the European Commission's proposals on strengthening the European Union's resilience, defence and security initiatives to safeguard the EU's geopolitical security objectives and welcomes the opportunity to further enhance public-private coordination to support these objectives. To ensure success, this must go alongside a strong commitment to bolstering European competitiveness.

## 02

# THE NEED FOR PREPAREDNESS AND READINESS

To increase European resilience, the European Union has stepped up coordination of its response to major crises. During the COVID-19 pandemic, the rapid joint procurement and distribution of vaccines demonstrated that the EU can deliver results when challenges exceed the capacity of individual Member States. Similarly, collective action in support of Ukraine has shown the value of coordinated economic (e.g. funding and sanctions) measures and active military (ammunition, tanks, non-lethal aid etc.) mobilisation in response to Russia's aggression.

However, these coordinated actions largely reflect reactive crisis management rather than proactive preparedness as underlined by Niinistö<sup>5</sup>. The EU and its allies must ensure the continuous operability of the EU's critical societal, military, economic and institutional systems under all circumstances – including prolonged crisis, hybrid attacks or an armed conflict.

Across the EU, several Member States such as Finland and Sweden, as well as NATO Members, preparedness is increasingly defined as a whole-of-society-approach: the capacity of societies, economies and industrial systems to continue functioning while supporting defence effectiveness, military operations and protecting society. Readiness, in this context, refers to the ability to rapidly deploy and sustain military capabilities while maintain the functioning of society to the greatest extent possible. And where military effectiveness is structurally dependent on a strong civilian and digital infrastructure, supply chains that guarantee access to critical components, a robust industrial base, transport networks, and an available skilled workforce.

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<sup>5</sup> Safer together: Strengthening Europe's Civilian and Military preparedness and readiness, Sauli Niinistö, November 30, 2024.

While preparedness and readiness remain first and foremost the responsibility of Member States, the deeply integrated nature of the European economy means that national measures inevitably have cross-border implications. Effective preparedness and readiness therefore require coordination at an EU level and a strong economic and regulatory framework that enables Member States to meet their objectives.

Preparedness strategies must increasingly focus on structurally reinforcing and expanding the EDTIB, generating measurable economic returns. Defence-related R&D accelerates innovation cycles, strengthens high-value industrial ecosystems and reinforces Europe's position in global technology markets. Investment in defence capabilities should thus serve both security and long-term economic growth.

In the context of preparedness and readiness, strengthening the EDTIB is therefore not only a matter of defence planning, but of safeguarding Europe's broader economic and technological base. Strengthening the EDTIB is therefore not only a defence planning issue, but central to safeguarding Europe's broader economic and technological base.

Preparedness and readiness strategies should be guided by several key principles:

- **The Single Market must remain operational – under all circumstances:** The Single Market is one of Europe's strongest resilience assets, underpinned by the EU's strong network of bilateral trade agreements. Its uninterrupted functioning must be treated as a non-negotiable of European preparedness. The European Commission has taken important steps in this direction through the 'Internal Market and Resilience Act' and the 'Preparedness Union Strategy', which aim to prevent fragmentation and integrate crisis readiness across EU policies. However, the current security landscape requires that these instruments be fully operationalised, coordinated and stress tested.
- **Military mobility:** The EU Action Plan of Military Mobility<sup>6</sup> recognised that the rapid deployment of forces across Europe depends not only on military planning, but on resilient civilian infrastructure, harmonised transport rules and streamlined cross-border procedures. Investments in dual-use infrastructure under TEN-T and efforts to reduce regulatory burdens are central to these objectives. Against this backdrop, BusinessEurope considers military mobility a horizontal preparedness priority linking defence policy with transport regulation and infrastructure investments. Its success requires regulatory harmonisation where possible, and coordinated investments linked to TEN-T.
- **Strengthening critical infrastructure:** strengthening of Europe's critical infrastructure – such as energy, water, transport, digital infrastructure and food supply – is essential for Europe's economic and societal stability. Disruptions of any kind can have cascading cross-border effects. Therefore, establishing the right conditions to develop a dual-use European security industry is essential to safeguarding critical infrastructures and their operational networks. It is of great importance to stimulate effective implementation of existing frameworks such as the EU's Critical Entities Resilience Directive (CER), enhanced cross-border cooperation and information sharing, and a more integrated approach to further advance the strengthening of Europe's critical infrastructure in order to safeguard our long-term socio-economic security.
- **A permanent and structured public-private crisis framework:** While several EU and NATO initiatives and instruments recognize the importance of the private sector cooperation in crisis response and preparedness, such as more sector specific cooperation mechanisms<sup>7</sup> and consultation structures, a permanent and integrated public-private preparedness framework at an EU level is not yet established. Given the far-reaching consequences of crises – structured

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<sup>6</sup> Joint Communication on Military Mobility, European Commission and European Parliament, November, 2025.

<sup>7</sup> NIS2 Cybersecurity cooperation groups, Energy crisis platform, CER-directive amongst others.



cooperation with the European business community and its allies should evolve from ad hoc consultation towards early, institutionalized and continuous engagement in preparedness planning, scenario development and stress testing. Such framework must be organized under proper inclusion of the EU Member States.

## 03

# A STRONG EUROPEAN DEFENCE INDUSTRIAL AND TECHNOLOGICAL BASIS

Preparedness and readiness ultimately depend on the availability of credible military and dual-use capabilities – capabilities that are urgently needed. Current geopolitical realities expose structural bottlenecks in scaling up production capacities, supply chain, access to finance (especially for SMEs), procurement, regulatory fragmentation and workforce availability.

The ability of EU Members States and the European Union to deter, sustain operations and, if necessary, prevail in conflict is fundamentally shaped by the strength, scalability, and their competitiveness of its defence technological and industrial base – in which SMEs and critical dual-use industries play a vital role. Scaling up Europe’s defence industry is therefore not merely a defence policy objective, but an economic and industrial imperative.

To further advance the European defence industrial and technological base – a new and more agile, crisis-oriented policy defence approach is needed. Since this has the potential to greatly affect the European business community at large – both offering opportunities to strengthening our competitiveness and productivity as challenges – it is important to structure current and future defence and (military) security objectives along four fundamental lines:

- **Guiding principles for EU security and defence policies:** As the geopolitical security landscape continues to evolve, EU security and defence policies must be anchored in clear guiding principles that ensure coherence, proportionality and effectiveness across the board. While security and defence remain primarily national competences, EU-level instruments increasingly shape industrial cooperation, funding priorities and regulatory conditions, making European coordination a necessary component – but not a substitute – for national responsibilities.
- In this context, the optimal use of the MFF, including resources available under the ECF-European Competitiveness Fund for security and defence, is essential. Establishing a robust regulatory and operational framework will enable the European industry to absorb the funds effectively, foster the creation of cross-border consortia and support scaling-up start- and scale-ups, SME’s and mid-caps. This while strengthening the EDTIB and enhancing our competitiveness in global markets.
- **A Balanced Transatlantic Burden Sharing:** NATO remains the cornerstone of collective defence and the primary framework for Transatlantic security, it defines certain - but not exclusively - capability requirements, operational standards and strategic priorities for the Alliance. Responsibility for defence spending, military and civil force generation and implementation, however, ultimately rests with the NATO member states.

A stronger European defence technological and industrial base should therefore reinforce NATO. BusinessEurope considers strengthening the European pillar within NATO both necessary and

urgent and underlines the value of the Transatlantic partnership. The objective should be a more balanced and equitable transatlantic cooperation – one that enhances Europe’s capacity to credibly contribute to a collective defence, while benefiting both sides of the Atlantic within the NATO framework.

Within this context, the European Union, more specifically the European Commission, could play an important complementary role. By facilitating cooperation, and cross-border integration, mobilising funding instruments and improving regulatory coherence, the EU can help ensure that Member States are better equipped to meet their national needs as well as NATO’s capability targets. Close alignment between EU initiatives and NATO capability planning is therefore essential. Structural coordination, transparency and early involvement of relevant stakeholders will help avoid unnecessary duplication, strengthen interoperability and maximise the collective impact of European and Transatlantic efforts.

- **International cooperation and third-country participation:** International cooperation with countries in the EU’s neighbourhood that are as well NATO members can strengthen resilience, supply chain security and advance R&D and technological development.

Participation in EU designed and funded defence programs should take into account the sensitivity of the sector and be subject to clear, transparent and sector-specific conditions. In line with principles within SAFE, these conditions should include robust European value-added requirements, safeguard on location and control of participating companies, protection of European design authority and intellectual property rights, and guarantees for security of supply and freedom from restrictive third-country export conditions. Access should be structured through formal partnerships or bilateral agreements with clear reciprocity and fair competition provisions.

A pragmatic but conditional approach when EU funding is involved enables Europe to remain open and internationally competitive while safeguarding the integrity and strategic objectives of the European defence technological and industrial base.

- **Cooperation with Ukraine:** Ukraine plays a vital role in Europe’s security architecture. Its resilience against Russian aggression, as well as its rapid adaptation of technologies and operational concepts, offers valuable lessons for Europe’s own preparedness and readiness.

Participation in EU defence instruments and funding, requires compliance with EU regulatory frameworks. Until these conditions are met, structured cooperation with Ukraine should take place through European support mechanisms - directly supporting the military and funding needs of Ukraine, multinational consortia and bilateral industrial partnerships. At the same time, closer industrial and technological cooperation should be encouraged; especially in areas related to innovation, battlefield adaptation and resilience.

Ukraine should therefore be regarded as a strategic defence partner within Europe’s broader preparedness framework, with cooperation calibrated to ensure regulatory certainty and alignment with the country’s stage in the EU integration process.



# 04

## POLICY PRIORITIES – AREAS FOR ACTION

Despite a wide range of initiatives currently underway at both European and NATO level, the European Member States continue to face significant material and immaterial shortages that affect not only their defence capabilities, but also their industrial capacity, supply chains, workforce availability and (the protection and safeguarding of) critical infrastructure. Against this backdrop, a strong European defence industry has become a key priority before 2030 as set out in the Defence Readiness Strategy.

The following policy priorities identify where EU-level action can add the greatest value in strengthening Europe's ability to prevent, withstand, and proactively respond to crises.

- **Strengthening the European Defence Market - Standardisation, Interoperability and Procurement:** the fragmentation of Europe's defence market remains a key obstacle – especially for SMEs – for scale, efficiency and readiness. Diverging technical standards, limited interoperability and nationally fragmented procurement practices prevent the defence industry and dual-use sectors from achieving economies of scale, slowing down delivery times and increasing costs. Deeper market integration and closer cooperation between economic operators and among different governments is essential to reduce duplication, enhance interoperability and strengthen Europe's industrial scaling capacity.

Stronger alignment of standards and specifications, coherent with both NATO and EU requirements, combined with more coordinated and outcome-oriented procurement at EU level, can significantly reduce costs and strengthen Europe's technological and industrial base.

A coordinated approach to defence procurement – including aggregation of demand where appropriate – is a key lever to harmonise requirements, improve interoperability and secure long-term industrial planning. Procurement frameworks should provide longer-term visibility of demand (Member State, EU and NATO level), facilitate industrial scaling with partners, allow flexibility and rapid ramp-up capacity, and move beyond lowest-price criteria towards lifecycle value and technological edge.

A more integrated internal defence market is also critical to achieving the European Commission's objective, set out in EDIS, that at least 60% of defence equipment procurement should take place within the EU by 2035. Ensuring the correct regulatory environment is in place to boost European production capacities to achieve this target should be a priority. Achieving this benchmark will depend on successful industrial integration, coordinated procurement and improved competitiveness of the European defence technological and industrial base.

- **Providing access to finance for the defence industrial base:** while significant funding initiatives have been launched at both the national, European and NATO-level – through ECF, ASAP, EDIRPA (procurement), EDIP, and the NATO Innovation Fund – public resources alone will not be sufficient to meet the needs in Europe. Mobilising private capital is within this context essential to deliver scale, innovation and adaptability required – particularly for SMEs.

In this regard, the development of a European defence fund-of-funds structure, leveraging EU and EIB backing to crowd in institutional capital and de-risk investments in specialized defence and dual-use funds, could play a catalytic role in scaling up available financing capacity across Member States.

Despite growing interest amongst institutional investors, structural barriers continue to limit private participation in the defence sector. Fragmented European defence market, small ticket

sizes, limited long-term demand and regulatory complexity disproportionately affect defence and dual-use companies – and again SMEs, which often lack the balance sheet strength, governance structures or compliance capacity required to access traditional financing making them heavily dependent on OEMs.

In addition, concerns about reputational risks and inconsistent interpretation of ESG frameworks have contributed to further restricted access to finance. The absence of a fully functioning Capital Markets Union further restricts cross-border financing and limits the development of scalable European defence-related investment vehicles.

A European approach to blended finance – combining public guarantees, co-investment mechanisms and risk-sharing instruments – could significantly improve access to capital, particularly for SMEs and mid-caps seeking to scale production or invest heavily in R&D by aggregating demand at the European level, increasing ticket sizes and improving risk diversification. Such instruments would make defence-related investments more accessible to institutional investors. Clear, long-term procurement commitments and multiannual budget stability are equally critical to provide predictability and enable OEMs, mid-cap, SMEs and innovative start- and scale-up to expand capacity with scale and confidence.

Strengthening access to finance must therefore be treated as a core pillar of Europe's defence industrial strategy. A more integrated capital market, greater regulatory clarity and structured public-private cooperation, supported by a European defence fund-of-funds and blended finance architecture, will be decisive in unlocking private investment that directly contributes to Europe's security and defence objectives.

- **Export controls and security of supply for Defence and Dual-Use:** Europe's ability to scale-up the defence efforts is directly linked to secure supply chains and predictable export control frameworks. Particularly in the fields of defence equipment, ammunition, critical components and dual-use technologies. Vulnerabilities in access to advanced electronics, quantum technologies, critical raw materials and data infrastructure can directly affect Europe's ability to ramp up production and deliver on NATO capability targets.

Export controls are an essential instrument to protect security interests and prevent the diversion of sensitive defence and dual-use technologies. However, in a highly integrated European defence ecosystem, fragmented national export control regimes, divergent licensing practices and intra-EU restrictions risk undermining cooperation, cross-border supply chains and joint production efforts. While export controls remain a national competence, closer coordination among member states at EU level is indispensable to ensure legal certainty, interoperability of licensing systems, consistency in the application of appropriate limitations and a stronger internal market for defence-related products.

Closer alignment with key allies will be essential to safeguard both Europe's security interests and the competitiveness of its defence technological and industrial base.

- **Accelerating R&D and dual-use technologies:** the pace of technological change in the security and defence domain is accelerating rapidly, driven by battlefield innovation in Ukraine. Capabilities such as drones, AI-enabled systems, cyber technologies, autonomous platforms, advanced batteries and space-based infrastructure are redefining operational effectiveness. If Europe meets its NATO capability targets and the EU's Readiness objectives, innovation must move faster from experiments to deployment. Shorter development cycles accelerated testing and certification procedures, and faster integration into operation programs are essential.

A key bottleneck remains the absence of a consistent launching customer role for governments. In defence markets, predictable and programmatic public demand is essential to move from prototype to scale. While the European Defence Industrial Strategy and the broader Defence Readiness agenda aim to strengthen the European defence base, innovation instruments must operate at sufficient scale and speed, with clear links to procurement. A more programmatic



approach (e.g. the upcoming Defence IPCEI) – aligned with leading international models (DARPA) – is needed to ensure that experimentation, demonstration and industrial ramp-up directly support capability development.

Also, fragmented infrastructure, lengthy certification procedures and complex permitting processes delay deployment and weakened Europe's readiness. Greater integration of testing capacity across Member States, stronger links between research institutes and operational users, and streamlined regulatory processes are necessary to ensure that technological breakthroughs translate into deployable capabilities<sup>8</sup>. This is particularly important in areas such as drone production, counter UAS-systems, space technologies advanced materials, where global competition is growing.

BusinessEurope supports stronger coordination between EU, national and NATO R&I initiatives – including closer alignment between EDIS, the Defence Readiness Framework and instruments such as the NATO Innovation Fund – with a clear focus on dual-use technologies and their spill-over effects into the wider economy.

Innovation policy should be aligned with procurement and scaling pathways. As the defence sector is characterized as highly capital- and labour intensive, future programs should be designed to prevent unintended disincentives to further advance industrial scaling efforts by ensuring that start- and scale-ups, SMEs, and mid-caps can grow and contribute effectively to production and technological needs.

Also, the European Competitiveness Fund (ECF) can play a key role in supporting defence and dual-use innovation across the board. Given the strategic importance of these sectors for Europe's defence and security objectives, it is important that the ECF provides clear and well-coordinated supportive instruments, ensuring complementary and coherence with existing initiatives and avoids fragmentation. Dedicated and predictable funding windows supporting the transition from R&D to industrialization would help sustain production capacity, accelerate technology uptake and preserve Europe's technological leadership.

- **Workforce readiness, skills and labour market preparedness:** a resilient security and defence ecosystem requires a skilled, available and mobile workforce. Persistent labour shortages and skills gaps already constrain Europe's ability to scale, industrial output and sustain technological competitiveness. Defence and dual-use sectors rely heavily on specialized engineers, technicians, digital experts, cybersecurity professionals and advanced manufacturing talent – profiles that are already scarce across the European labour market.

As production capacity expands and innovation cycles are planned to accelerate, workforce constraints risk becoming a structural bottleneck. Without skilled labour, investments in infrastructure, innovation and procurement cannot translate into operational readiness. Workforce policy must therefore be recognized as a central enabler of the defence basis – ensuring the human capital need for timely scaling and sustained readiness.

BusinessEurope highlights the need to strengthen workforce readiness through targeted upskilling and reskilling initiatives, job-to-job transitions from declining sectors into defence-related and dual-use activities. Closer alignment between military training systems and civilian qualifications can facilitate mobility and improve recognition of technical competences. Public-private partnerships in STEM will be essential to ensure a sustainable talent pipeline.

At EU level, barriers to cross-border labour mobility, administrative burdens and insufficient digitalization of qualification recognition procedures undermine Europe's ability to deploy talent where it is most needed. Simplifying procedures, improving mutual recognition of skills and enhancing labour mobility within the Single Market would directly support resilience and defence

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<sup>8</sup> Wennink: De route naar toekomstige welvaart – een sterk Nederland in een relevant Europa. December, 3, 2025.

readiness by enabling faster deployment of scarce technical talent to critical production and support functions.

Also, special attention should be paid to managing the interaction between civilians combining reservist obligations. As Member States continue to expand their reserve forces and whole-of-society defence models, transparent and predictable frameworks are required to balance national defence needs with business continuity and operational planning. Ensuring clear timelines and planning certainty for employers is essential. Structured dialogue between governments and employers is essential, at both a national and an EU level, will help to ensure that increased defence commitments strengthen readiness without unintentionally undermining economic resilience.

## 05 TO CONCLUDE

The challenges we face are inherently horizontal, affecting the European business community across sectors and spanning multiple policy domains. Strengthening preparedness, resilience and defence capabilities is therefore not exclusively a security undertaking – but a broader economic imperative.

BusinessEurope will continue to actively engage on these issues at both EU and NATO level. We stand ready to act as a strategic partner across Europe and the Alliance, contributing a business-driven perspective to the development and implementation of security and defence policy frameworks. By supporting coherent, proportionate and forward-looking policies, we aim to help safeguard Europe's economic competitiveness, strength and long-term resilience.



# BUSINESSEUROPE



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