Connact
Defence & Security

THE ITALIAN SYSTEM AND THE PRIORITIES OF THE EUROPEAN UNION

Brussels, 4 February 2026

Connact
Annual Meeting
IL SISTEMA ITALIA E LE PRIORITÀ DELL'UNIONE EUROPEA

ACTIONS

CONTEXT AND ROLE OF THE EU

The worsening geopolitical environment pushes the EU to **accelerate defence integration** and adopt a posture oriented towards **"readiness"**, with the assumption of a high-intensity conflict by 2030.

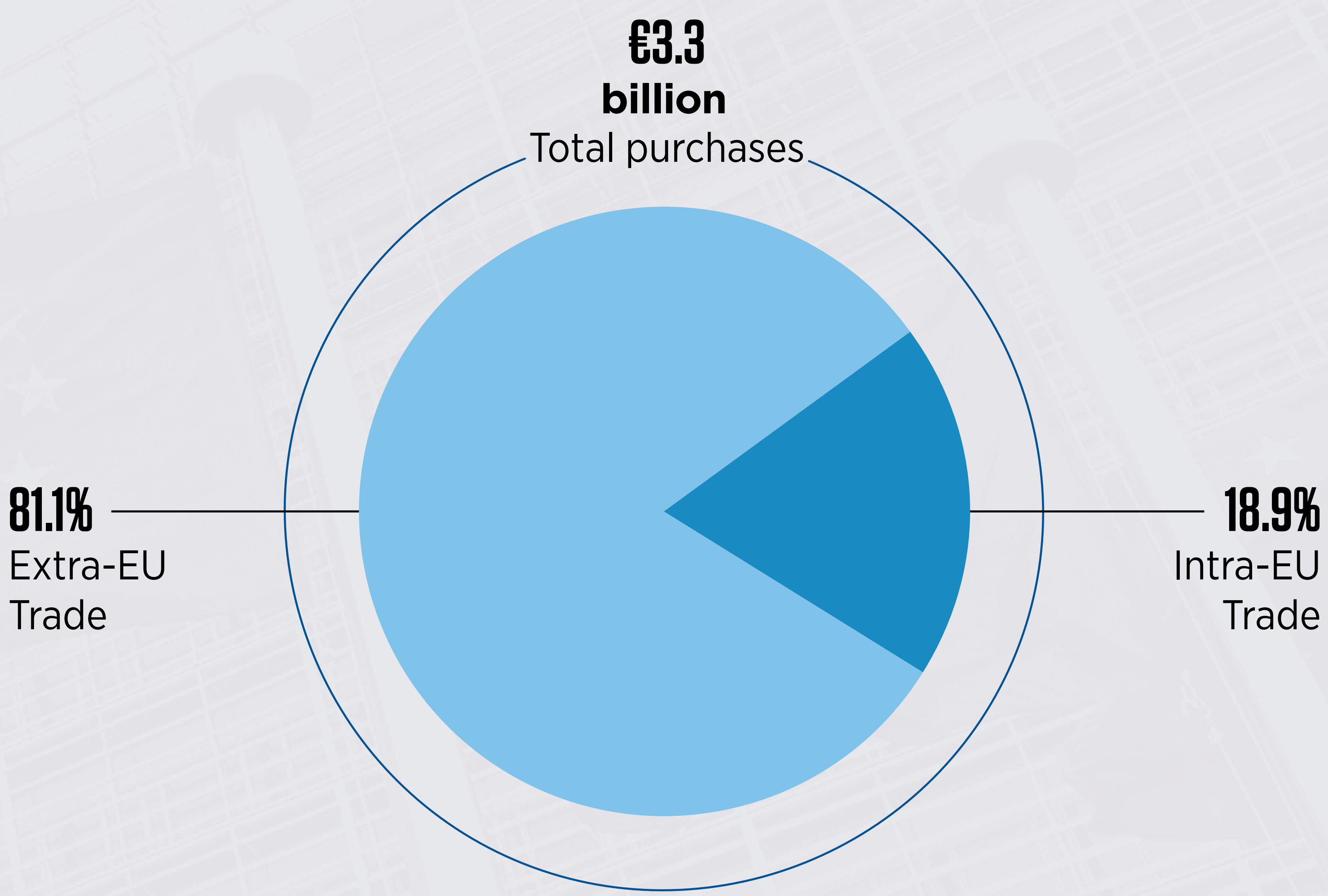
EU retains an operational limited role: for most member states, NATO remains the main framework and alliance of reference.

EU action historically focuses on the **industrial dimension** of defence:

- strengthening of production capacity
- promotion of technological innovation
- encouragement of joint procurement for economies of scale
- reduction of the chronic fragmentation of defence markets and dependence on non-EU suppliers.

Supplies

Where the purchase of armaments and military vehicles takes place, 2024

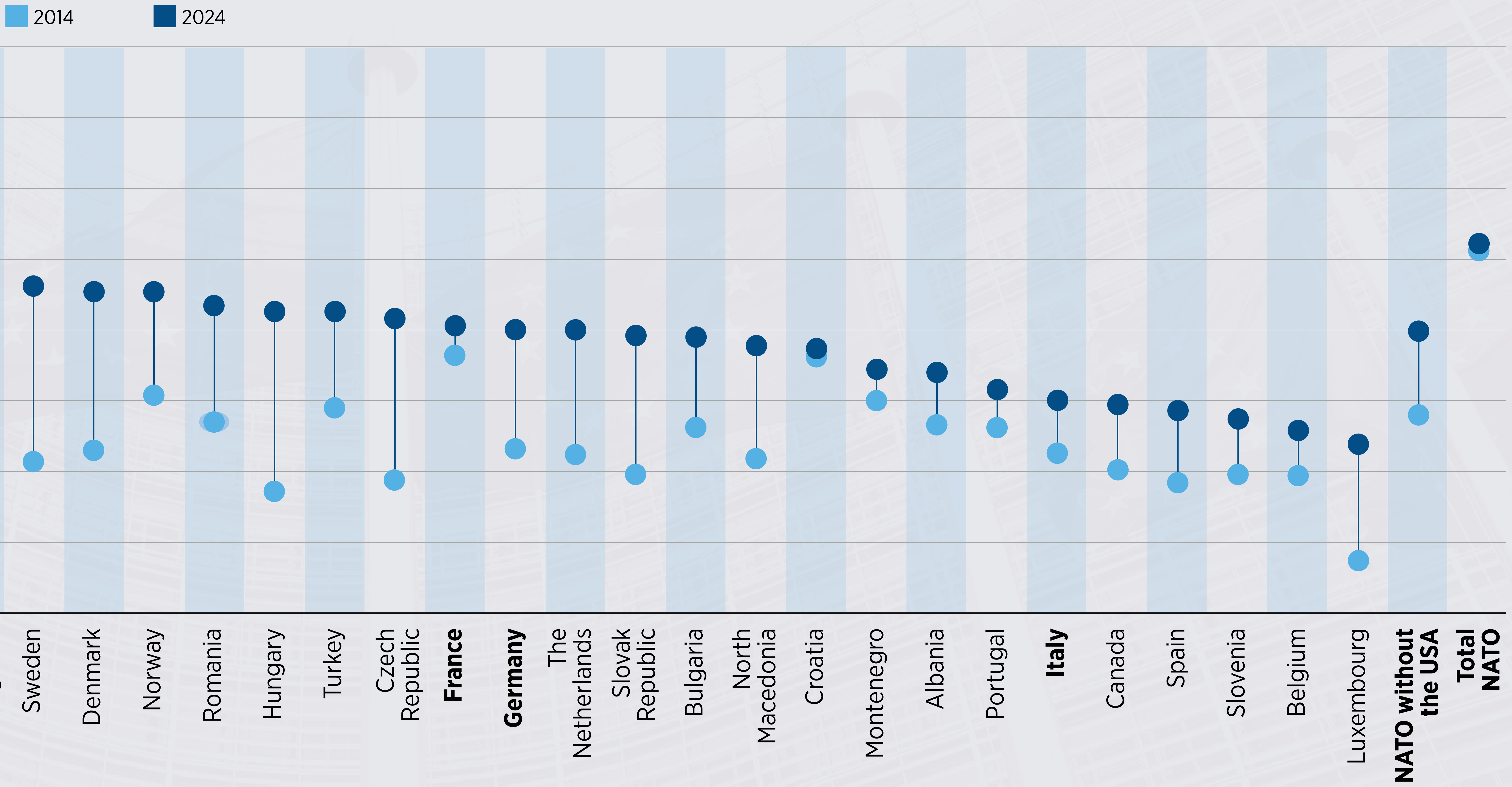


DEFENCE SPENDING

2025 VS. 2014 COMPARISON

Defence spending

National GDP share in NATO countries, in % of GDP



Source: Nato

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THE BASES

READINESS 2030

These initiatives represent a coordinated attempt to frame the **military, industrial, and financial dimension**. The 2030 plan combines new financial resources to support **joint procurement** with:

- greater relaunch flexibility;
- expanded role for the European Investment Bank;
- aim to mobilise private capital through the Savings and Investment Union.

WHITE PAPER

The White Paper articulates a renewed conceptual approach to defence and identifies **investment priorities**. Identifies priority capacity areas:

- air and missile defence
- attack capacity
- enablers and emerging technologies

The EU has set ambitious **political-industrial goals** aiming to jointly achieve:

- 40% of Defence Procurement
- ensuring that by 2030, 50% of orders are Made in Europe

FROM R&D TO SCALE-UP

DG DEFIS AND NEW INSTRUMENTS

The creation of a **defence portfolio in the Commission** (DG DEFIS) signals a willingness to go beyond R&D alone:

- large-scale industrial upgrading
- supply chain resilience
- removing bottlenecks that hinder joint procurement.

Instruments such as **SAFE** and **EDIS/EDIP** aim to address the short-term urgency of the matter in the area of:

- supplies to bridge the capability gap against the Russian threat;
- fragmentation of demand;
- incomplete supply chains;
- Dependencies from non-EU countries.

COMMON OBJECTIVE:

- More preparedness of Member States in the event of a conflict with Russia, relying on reduced US support;
- greater global competitiveness of European companies. Direct implications for Italy's positioning.

THE PILLARS

Fiscal flexibility (nec)

Nature and institutional framework		Operational mechanism		Strategic objectives	
Temporary **Tax waiver** from the Stability and Growth Pact	Instrument at the national level, under **EU governance**	**+1.5 deficit increase** over 2021 for four years	Activation on **voluntary basis**	Achievement of the NATO target of **3.5% of GDP for defence** by 2035	**Increasing investment** saving public debt sustainability

Joint financing (safe)

Nature and institutional framework		Operational mechanism		Strategic objectives	
EU financial instrument based on common debt	**Supranational management,** included in the Union budget	Up to **€150 billion in loans** to Member States, via EU Bonds	Conditional access to joint **procurement programmes**	**Emergency** and large-scale investments	Greater **integration of the European defence market**

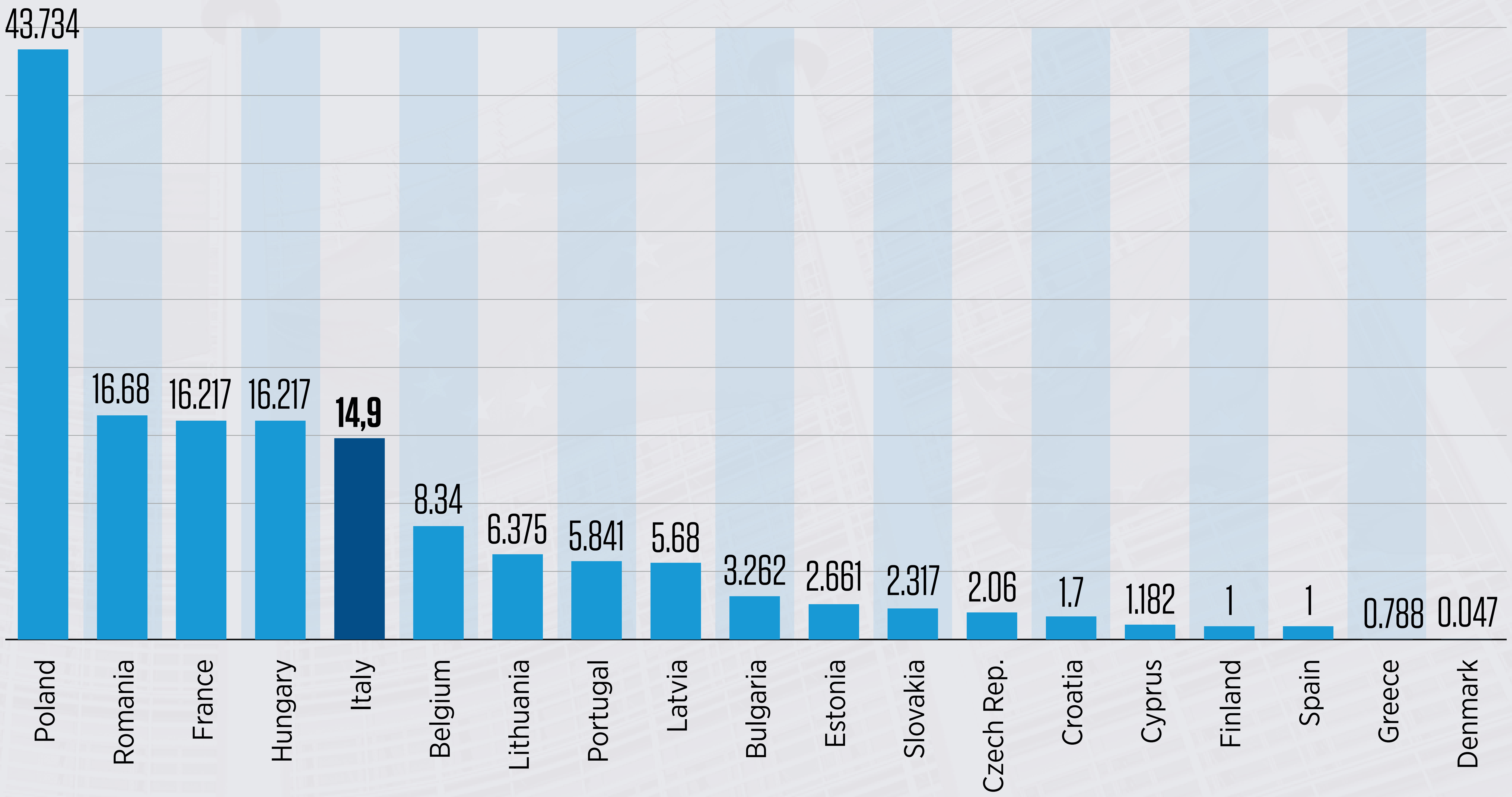
SAFE

DISPUTES AND THE ITALY CASE

- SAFE aims to reinforce, not replace, national spending: in the medium term, European defence requires **financial resources, planning and administrative capabilities**.
- In several EU countries, **reliance on SAFE is controversial**: it puts pressure on public finances and, politically, rearmament is not uniformly supported by the electorate.
- The Italian government will use this instrument, which provides for a 10-year grace period, VAT exemption, repayment up to 45 years, and favourable financial conditions. For Italy: **availability of €14.9 billion**.

Safe: who gets what?

Preliminary allocation of resources following expressions of interest, in € billion



THE DEFENCE TECHNOLOGICAL AND INDUSTRIAL BASE

THE INDUSTRIAL PILLAR

Structural Weaknesses:
- persistent fragmentation of national markets
- limited economies of scale
- long-term investment, especially in defence research and development when compared to that of other major global powers

The **fragmentation**, reinforced by separate budgets, incompatible systems, and complex procurement rules, results in:
- increased costs
- decreasing productivity
- increasing dependence on non-EU suppliers

Tackling such **criticalities** requires:
- demand aggregation through joint procurement
- greater level of standardisation
- regulatory simplification
- creation of a genuine European market for defence systems and equipment

The Strategy aims to **strengthen the resilience** and responsiveness of European industry:
- reducing the fragmentation of national markets
- strengthening security of supply
- encouraging governments to invest "more, better, together, and in a European way."

THE CRITICAL ISSUES OF EDIP

THE FINANCIAL DIMENSION

- The criticality today is not (only) legal or administrative, but **financial**: around 500 million/year on many projects and companies is of little relevance to defence ministries and large players in leading countries (including Italy).

- Even 1-2 billion/year from 2028 would remain marginal, especially compared to the administrative burden and human resources required to **access and manage the funds**.

- For each acquisition, EDIP covers a maximum of 35% of the costs of **manufacturing and industrial scale-up**; the rest is borne by the Member States.

- Future relevance depends on the budget in the MFF 2028-2035: only **large annual allocations** would make it impactful.

2028–2034 OUTLOOK

MFF, INDUSTRY, AND NATO COMPLEMENTARITY

- The forthcoming MFF promises a "defence & space" investment of approximately €131 billion (2028–2034), presented as a **leap in scale** compared to the previous budget cycle.
- Weaknesses persist:
  - market fragmentation
  - complex governance
  - limited integration between European industrial companies
- For Italy: significant opportunities but also challenges. Access to EU instruments requires **robust co-financing**, consistent planning and quick decisions; with EDIP, the risks of "bottlenecks" increase.
- Operational Priorities: **integrate EDIP into national planning**, adapt the regulatory framework to shrink timeframes, strengthen dedicated structures and personnel (including in Brussels).
- The EU must balance **strengthening domestic production** via joint procurement and effectiveness/timing/sustainability of supply chains (also beyond EU borders).
- European reinforcement is complementary to NATO, which **has raised the benchmark** for allied contributions from 2% to 3.5% of GDP and remains the mainstay on the operational side.