

The President

Brussels, 4 March 2025

Dear Colleagues,

A new era is upon us. Europe faces a clear and present danger on a scale that none of us have seen in our adult lifetime.

Some of our fundamental assumptions are being undermined to their very core. The pace of change is disconcerting and increasingly alarming. The future of a free and sovereign Ukraine – of a safe and prosperous Europe – is on the line. And this should frame the nature of our thinking, the boldness of our action and the urgency with which we will implement our decisions in the coming days and weeks.

The meetings and discussions that we had in the last weeks reinvigorated our common purpose and an understanding that we must think differently and respond accordingly to the situation.

With one clear conclusion: Europe needs to be in charge of its own deterrence and defence.

This is why, ahead of the European Council meeting later this week, I would like to present an immediate European response plan – REARM Europe. The measures proposed are centred around the need to urgently and significantly step up our spending on Europe's security and defence, including through a new dedicated defence instrument.

To frame these proposals, it is vital to recall that as much as the world is changing, our principles have not. We seek stability, security, prosperity and freedom from coercion. And we want the closest possible transatlantic relations, which also build on the deep and solid foundations between our peoples and our parliaments.

There is also a lot of work that we can build on.

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When Ukraine was first attacked, the European Union and its Member States mobilised major contributions to the defence of Ukraine – from finance for the Ukrainian economy to military support. We have supported Ukraine with around EUR 140 billion, including about EUR 50 billion in military support, and trained more than 73,000 Ukrainian troops. And on top of this, we imposed unprecedented sanctions. It is important to state these facts. This helped to ensure that Russia's aggression was met with a united response. It has encountered immense losses. It is destroying the long-term foundations of its economy.

In the last few years, the European Union and NATO have worked together as never before – steady, calm-headed and constructive institutional cooperation to achieve higher goals. The better these efforts are synchronised, the better for us all.

We must also never forget the role played by non-European states who recognise what is at stake and not only share our values but show their willingness to defend them. The United States has led the way, together with Australia, Canada, Japan, South Korea, New Zealand and many more. It is a reminder to us that democracy has no distance.

We in Europe are very appreciative of the support of the United States and the role it has played in European security for decades. As the President of the Commission, strong relations with the United States are one of my major goals, both bilaterally and through the G7.

But the context in which we operate is changing drastically and dramatically. The foundations on which the whole postwar European political and economic order were built are being shaken to their core. And when the European order is shaken, history tells us that the whole international system can be destabilised.

We have two potential paths before us. The first is to muddle through this current period in a managerial way – to make piecemeal or incremental responses to the situation on the ground in Ukraine or elsewhere.

The second is to meet the moment. To mobilise Europe's immense resources. To summon our collective spirit to defend democracy.

I believe the second option is our only choice. It is, after all, our very purpose.

To make this happen, we need to unleash our industrial and productive power and direct it to the goal of security. Because it is security on which our prosperity and our liberty depend. But for that, we need to restore deterrence against those who seek to do us harm.

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So what needs to be done?

The REARM Europe plan is built on five pillars

1. A new financial EU instrument to support Member States in boosting their defence capabilities

A new EU instrument will be established under Article 122 of the TFEU to provide Member States with loans backed by the EU budget. With up to EUR 150 billion, this instrument would strongly support EU efforts to achieve a rapid and significant increase in investments in Europe's defence capabilities - now and over this decade.

Such funding could be used for priority capabilities domains for which action is necessary at European level, in alignment with NATO:

- *air and missile defence;*
- *artillery systems;*
- *missiles and ammunition;*
- *drones and anti-drone systems;*
- *strategic enablers and critical infrastructure protection, including in relation to space;*
- *military mobility;*
- *cyber, artificial intelligence and electronic warfare.*

Further increasing the impact of this new instrument would be achieved by buying together, which would ensure interoperability and predictability, reduce costs, and create the scale needed to strengthen our European defence industrial base.

2. Unleashing the use of public funding in defence

The EU's fiscal governance framework was designed in a flexible way to reconcile the need for financial stability with the possibility to act decisively in case of a crisis.

The Commission will propose to activate in a coordinated manner the national escape clause of the Stability and Growth Pact. This will support EU efforts to achieve a rapid and significant increase in defence spending in order to answer the unprecedented security and defence situation.

Loans provided under the new EU instrument would benefit from the national escape clause under the Stability and Growth Pact.

3. Incentivising defence-related investments in the EU budget

In the short term, the EU can do more to support the urgent need to increase European defence investments with the EU budget.

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The mid-term review of the Cohesion policy programmes is an opportunity to support you to direct more funds towards defence-related investments.

Among the options to provide additional possibilities and incentives for you to increase funding to the defence sector in your programmes is:

- *eliminating existing restrictions for support to large enterprises in the defence sector,*
- *increasing financial incentives such as pre-financing and co-financing,*
- *relaxing concentration rules for funds invested on defence,*
- *facilitating the process for voluntary transfers to other EU funds with a defence objective.*

Similarly, the Strategic Technologies for Europe Platform (STEP) could be further leveraged by enlarging its scope to all technologies relevant for the defence sector.

Supporting the development of a strong and resilient European defence industry will also support European competitiveness and promote regional development and economic growth.

4. Contribution by the European Investment Bank

The situation requires that we consider all possible sources of funding. The European Investment Bank has a clear and decisive role to play in that regard. The European Investment Bank Group's Security and Defence Action Plan is an important first step and we must ensure its swift implementation. The European Investment Bank will provide details on upcoming changes to further widen the scope of their funding while safeguarding its financing capacity.

5. Mobilising private capital

Boosting our public investment is indispensable. But it will not be sufficient in and of itself. We need to ensure that our companies, our industries, have the best possible access to capital, to finance, so as to bring their solutions to industrial scale and secure optimal funding throughout their production chains, from R&D to delivery.

We have discussed the issue many times: we need to ensure that the billions of savings from Europeans are invested in markets inside the EU. For this, completing the Capital Markets Union is absolutely paramount. It could, alone, attract an additional hundreds of billions of investment per year in the European economy, boosting its competitiveness.

Now is the time to act. We will put forward a Communication on a Savings and Investments Union. I count on your indefectible support for swift action.