Europe Panel at the Munich Security Conference
February 13, 2025

Munich Declaration 2025

Part 1: European Defence Union

Stronger coordination of **military powers**, including **high-tech and space** capabilities, is essential for Europe's **autonomy**. Defence spending should increase to **3-4%** of GDP, considering global threats. Scaling an advanced research projects agency on the model of **DARPA** (and building on existing initiatives such as JEDI) is needed to identify critical technologies to master and ensure Europe's advance in **AI, new materials, drones, biotechnologies, cyber and space technologies**. Instead of merely regulating AI risks, the EU must ensure we develop them to avoid strategic surprise and keep democratic leadership on critical technologies. Control over digital and energy infrastructures is crucial for security. **Drones are an opportunity to radically redefine** the air, ground and naval battlefields and achieve speed and scale at lower cost.

European defence budgets and **procurement should be strongly coordinated** and partly centralized to increase interoperability and complementarity, which reduces cost, while remaining agile. Short- and **medium-term military imports**, mainly from the US, can help bridge gaps **until European industry meets demand,** but always with a vision to develop our own capabilities on all critical fronts. Enhanced coordination and expansion of European Defence Units **— Battle Groups, PESCO, EDF, EU Naval Force, Frontex, NATO-EU cooperation** — are vital, but keeping a single objective in sight: achieving the mission – fast intervention capabilities, deterrence, high-intensity conflict preparation. Agility and impact assessment should be the name of the game.

Part 2: Europe's Competitiveness and Growth

A **strong economy** is essential for Europe's **sovereignty**, to strengthen our societies and have the means to invest in our collective defense. **Low growth** rates due to poor demographics can be mitigated by qualified **immigration and comprehensive pro-growth measures**, including deregulation and AI-driven efficiency. Implementing many of the recommendations from **Draghi and Letta reports**, completing the Single Market, and creating a **banking and capital markets union** should be priorities. This will create the **scale needed** for profitability, attracting domestic and foreign savings and allowing **big technological bets** essential to **become a leader** and setting the agenda, not having others set it for us.

Securitization should be facilitated through regulatory adjustments. **AI and cloud infrastructure,** new manufacturing technologies, energy efficiency require significant funding. **Non-traditional suppliers like the automotive sector should support defence needs** as their expertise in scaling and mass production is vital. The energy transition must be economically viable, with cross-European investments in **storage and infrastructure**. **Fair trade agreements**, especially with the Global South, and better-aligned trade, industrial, and competition policies will expand market access. **More European integration** is **needed**.

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Part 3: Financing

Europe requires significant **private and public investment** to boost growth and competitiveness. Defence spending must **rise to 3-4% of GDP**, with **1-2% dedicated to defence infrastructure**. **Germany and other nations** must increase public investment despite budget constraints, having in sight that these investments could be conducive **to create the technologies and industries of the future** since most domains become **dual use** such as manufacturing, materials, lifesciences and of course computing and digital. **Greater efficiency in military spending through European coordination** and some centralisation is necessary.

Private capital must finance most of the additional investment. Strong incentives are needed to retain European capital within the continent. **A supportive tax system, scale created by a banking** and **capital market union, public-private partnerships**, and regulatory adjustments will encourage long-term investments. Establishing a **European infrastructure bond market** linked to **revenue-generating activities** will minimize reliance on public financing.

EU institutions should focus on **building a shared vision** of the **critical priorities**, reducing red tape to boost agility and speed, and fostering **strategic public procurement**. **The EIB and EIF** are increasing defence financing, but larger sums are needed. **EU borrowing and ESM-type mechanisms** should be considered. **Short-term increases in fiscal deficits and public debt** may be unavoidable, but **growth-driving investments will reduce the impact over time**. Simple but tough and continuous impact assessment to ensure efficiency of spent budgets, is critical to ensure acceptance of additional budgets.

Europe Panel Committee, Munich February 13, 2025

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