



**Hermes Institute of
International Affairs,
Security & Geoeconomy**

BRIEFING NOTE No “3/2025”

Europe’s Rearmament Initiative: A PESTLE Analysis of the Readiness 2030 Strategy

By

Mariana Symeonidi

Research Associate of “HERMES” I.I.A.S.GE.

Athens, May 2025

“HERMES” I.I.A.S.GE

“HERMES” Institute of International Affairs, Security & Geoeconomy (“HERMES” I.I.A.S.GE) is an independent, non – governmental, non – profit organization, consisting of scholars dedicated in the research and analysis of international affairs in regional and global level. The Institute aims at providing objective, scientific, and reliable research analysis through a variety of studies contributing effectively and constructively in the public dialogue and the evolution of scientific knowledge.

Copyright © 2025

“HERMES” Institute for Foreign Affairs, Security & Geoeconomy

All rights reserved

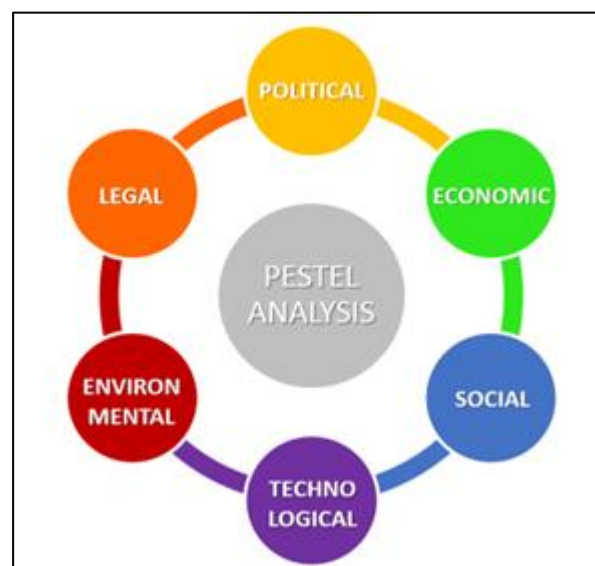
“HERMES” Institute of International Affairs, Security & Geoeconomy offers a forum for researchers to express their views freely, thoroughly and well-documented. The views expressed in this briefing note are those of the author and do not necessarily represent those of the “HERMES” Institute. Briefing Notes aim to contribute constructively in public debate in a wide range of international politics, defense, security and geoeconomy topics.

Introduction

Europe is entering its most critical period of rearmament since the Cold War. With rising threats and growing uncertainty regarding sustained American support, the plan to bolster the European defense industry aspires to transform the European Union (EU) into an autonomous geopolitical actor. The initiative “*Readiness 2030*” was announced by European Commission (EC) President Ursula von der Leyen, with the ambition to mobilize up to €800 billion in defense investments over a four-year period to strengthen the EU’s military capabilities. This move reflects on the one hand, the demands voiced by U.S. President Donald Trump regarding European strategic autonomy, and, on the other, the growing realization that Europe has entered a “*rearmament era*,” driven by the perception of an unprecedented security threat from the Russian Federation. Against this backdrop, the plan seeks to reinforce the Union’s defense posture through an unprecedented increase in military spending and capabilities.

The PESTLE Analysis Framework

The PESTLE analysis (Political, Economic, Social, Technological, Legal, and Environmental factors) provides a comprehensive model for assessing the external factors that may impact an organization or plan, enabling better strategic planning.



Picture 1 (source: <https://www.business-to-you.com/scanning-the-environment-pestel-analysis/>)

While traditionally used for business and corporate environments, its application to an international policy initiative offers a distinct perspective. Assessing the political, economic, social, technological, legal, and environmental dimensions of this plan, both challenges and opportunities are uncovered.

Historical Background

European defense cooperation has historically been framed within the context of the Common Foreign and Security Policy (CFSP) and has, by nature, been limited. From its inception, the EU was primarily confined to economic and trade decision-making. Although discussions on defense cooperation date back to the 1950s, the field of CFSP has traditionally been at the heart of national interests, and efforts toward its full integration have consistently encountered obstacles.

Accordingly, with the establishment of the unified institutional framework under the Maastricht Treaty, member states committed to aligning their national foreign policies with EU positions, provided that national governments would retain control over the decision-making process. However, growing doubts regarding U.S. support, particularly during the Trump administration, accelerated EU-level discussions and initiatives aiming at building an autonomous European defense capacity.

At an informal summit in Versailles in 2022, the European Council declared its determination to “*assume greater responsibility for its security*” and to increase investments in defense and innovative military technologies. Following this commitment, EU leaders endorsed a substantial rise in defense spending and introduced incentives for joint arms procurement. The European Commission and the European Defense Agency (EDA) were tasked with identifying major capability gaps across European defense. Subsequent actions included:

- The activation of the European Peace Facility (EPF) to finance military assistance to Ukraine for the first time.
- The proposal of a temporary joint procurement scheme for the replenishment of military stocks (EDIRPA), aiming at incentivizing cooperation in defense procurement between Member States to jointly coordinate and acquire the most

urgent and critical defense product needs.

- The strengthening of existing tools such as the European Defense Fund (EDF), established in 2021 to co-finance research and development in the defense sector.

In 2023, EC President von der Leyen announced the drafting of the first European Defense Industrial Strategy (EDIS). By the end of 2024, a new position for a European Commissioner for Defense was created, and together with the High Representative, work began on drafting a White Paper on European Defense. All these developments laid the foundation for “*Readiness 2030*.” The initiative was generally welcomed within the EU, although not without reservations. The European Parliament approved the plan with 419 votes in favor, 204 against, and 46 abstentions.

What follows is an analysis of the key factors that will influence the initiative’s effectiveness through the lens of the PESTLE methodology.

Political Factors

The “*Readiness 2030*” plan is grounded in the EU’s strategic objective of achieving greater autonomy in defense, strengthening the armed forces and reducing dependence on external allies, notably the United States. This initiative aims to strengthen the EU’s credibility as a security actor amid doubts about American security commitments.

However, the political stability of member states constitutes a decisive factor in the plan’s eventual implementation. France and Germany, possessing significantly greater resources than other EU members, represent the “*European keys*” for stabilizing the Union’s defense framework and enabling such collective decisions. Internal political challenges within these two countries generate an environment of uncertainty regarding the potential outcome. Should France and Germany fail to maintain their leadership roles, the plan could be seriously undermined.

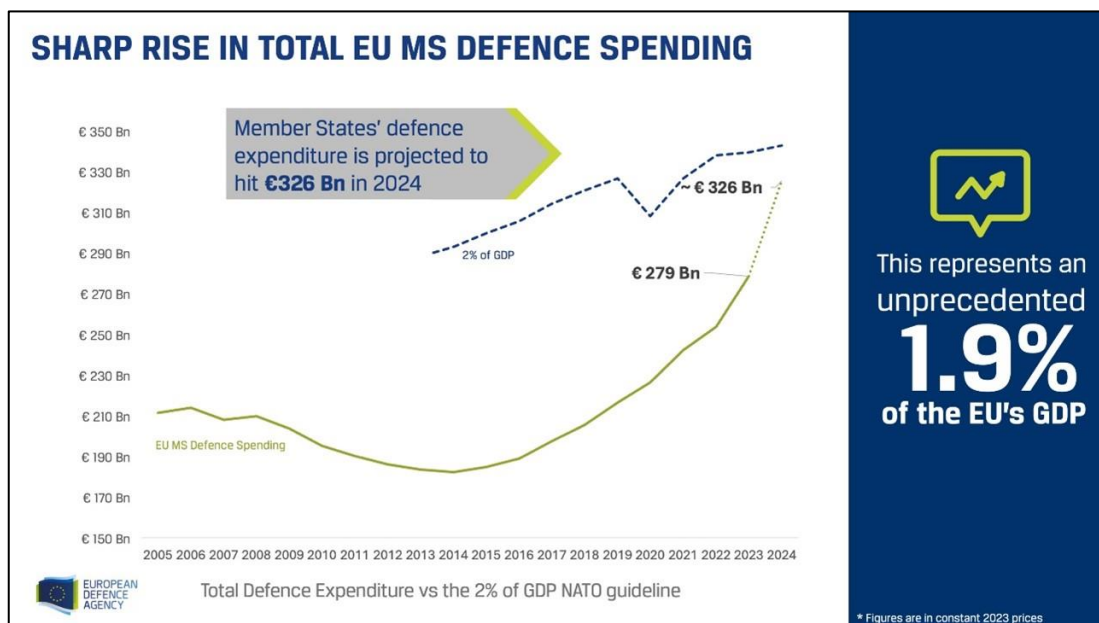
Furthermore, some member states, such as Hungary and Slovakia, have expressed reservations, while political forces within the European Parliament are opposed to the increase in defense spending. Although the Parliament’s broad support for the initiative suggests a significant level of consensus, the 204 votes against the resolution reveal

substantial opposition.

The geopolitical implications of the plan are manifold. Firstly, the initiative is expected to enhance Europe's deterrence capabilities, particularly vis-à-vis Russia. Moscow has already interpreted the EU's announcements as a sign that the Union is "*rapidly transforming into a military alliance*," accusing it of escalating confrontation rather than pursuing peaceful solutions. Secondly, the plan is reshaping transatlantic relations. President Trump had previously criticized the "*free security*" Europe enjoyed under NATO auspices, and this rearmament initiative signals a European intention to share more of the burden. Ultimately, the success of the political dimension will hinge on the EU's capacity to act with a unified voice in defense matters, an unprecedented development, and to convince its citizens and international actors that it can fulfil its intended role as a guarantor of security.

Economic Factors

Investing €800 billion over four years means adding an extra €200 billion each year, nearly doubling Europe's defense budget. To contextualize: in 2024, EU countries collectively spent around €326 billion on defense, corresponding to roughly 1.9% of GDP.



Picture 2 (source: <https://eda.europa.eu/news-and-events/news/2024/11/19/2024-defense-review-paves-way-for-joint-military-projects>)

The initiative aims to raise defense spending to approximately or above 3% of GDP across the Union, a threshold approximating the level necessary for Europe to defend itself independently. Indeed, estimates suggest that to deter Russian aggression without U.S. support, Europe would require an additional €250 billion annually and 300,000 more troops. The origin of the required funding represents a critical economic challenge.

The plan envisages a combination of national and European-level financing, with the bulk derived from increased national defense budgets. The EC suggested giving states fiscal flexibility by activating the national escape clause of the Stability and Growth Pact. This would permit additional defense expenditure to be excluded from deficit calculations. In simple terms, highly indebted countries would not be “*penalized*” for boosting their military investments.

In parallel, the EU intends to directly support defense investment through a newly proposed loan mechanism of €150 billion for member states. The EC is now in favor of redirecting EU structural funds, such as the Cohesion Fund, towards defense projects. This marks a major change from their prior emphasis on economic growth and regional unity. The European Investment Bank (EIB) has also announced its intention to lift restrictions on financing defense-related projects, expanding the scope of eligible initiatives. The economic impact of such colossal financing is multifaceted. On the one hand, it could serve as a fiscal stimulus at the European level.

Historically, a significant proportion of European defense spending has flowed outside the Union; approximately 78% of the €75 billion spent by member states between June 2022 and June 2023 was directed toward non-EU suppliers, with 63% going to U.S. companies. Strengthening Europe’s internal defense market could therefore retain resources within the Union and stimulate industrial development. On the other hand, such massive rearmament financing also poses sustainability challenges for European economies. First, it will markedly increase public spending and likely expand public debt. Although the Stability Pact will be relaxed for defense purposes, financial outflows must still be covered.

The critical question arises: By whom? Heavily indebted countries may be forced to borrow even more, provided that they wish to raise defense spending to 2–2.5% of GDP. Even with favorable deficit treatment, their debt burdens would rise, posing medium-term

risks, particularly in a high-interest-rate environment. In this context, the mobilization of private capital is vital. Should the European defense market become more attractive through guarantees and a stable policy framework, private investors and financial institutions could help shoulder the burden, easing the pressure on public budgets.

Can Europe overcome the current hesitations, given that many private actors traditionally avoid defense sector investments in the European regulatory environment? Moreover, economists warn that the Commission's current proposals are short-term oriented and possibly insufficient for the depth of the challenge. While the immediate focus on fiscal space is understandable, an unanswered question remains regarding the long-term sustainability of defense financing. What will happen after the four-year plan expires? If the perceived threat persists, how will defense spending levels be maintained? What permanent solutions will be established?

In sum, the economic dimension of “*Readiness 2030*” offers opportunities for industrial revitalization and strategic autonomy, but it also introduces significant fiscal, monetary, and political risks requiring careful, long-term management.

Social Factors

Traditionally, many European societies prioritized social spending over military expenditures. However, the dramatic transformation of the security environment following 2022 has substantially influenced public opinion. Recent surveys indicate that most Europeans now recognize the necessity of strengthening defense capabilities.

According to a recent Eurobarometer survey:

- 79% of citizens expressed support for increased defense cooperation at the EU level,
- While 65% agreed that more should be spent on defense.

Nonetheless, social resistance and reservations persist. In Germany, for instance, there is a vigorous public debate over whether the country should engage in a new rearmament phase or instead assume the role of a peace broker. In France, trade unions and opposition parties have voiced concerns that increasing defense spending beyond 3% of GDP could

jeopardize the welfare state. This contradiction is also reflected within the European Parliament, where nearly one-third of Members of Parliament (204 votes against) opposed the “*Readiness 2030*” initiative, clearly representing a significant segment of European societies.

Another critical social factor concerns the perception of security among citizens. The war in Ukraine shattered the previously “*taken for granted*” sense of peace in Europe and reintroduced fears of military conflict on the continent.

This development has had a dual effect:

- On the one hand, it strengthened support for robust defense postures as a deterrent.
- On the other hand, it heightened general insecurity and anxiety, prompting concerns over escalating militarization.

Thus, a key challenge for governments will be convincing their populations that increased military expenditures genuinely enhance security rather than exposing societies to new risks. Overall, although a majority supports bolstering Europe’s deterrent capabilities, such support is not unconditional. Demands for transparency, accountability, and a balanced prioritization between defense needs and social welfare accompany it.

In conclusion, social consensus may ultimately prove to be the most decisive factor: In the long term, without broad and sustained societal support, no government can uphold elevated defense expenditures.

Technological Factors

Technological modernization constitutes a central pillar of the “*Readiness 2030*” initiative. Specific technological sectors have been defined as priorities for the future of European defense. The President of the EC specifically highlighted domains such as:

- Air and missile defense systems,
- Long-range artillery systems,
- Precision-guided missiles and munitions,

- Unmanned Aerial Vehicles (UAVs) and anti-UAV systems,
- Cyber defense technologies, and
- Military mobility solutions.

The extensive Russian missile strikes have underscored the imperative need for robust air defense capabilities, as the asymmetric nature of modern conflicts, particularly the proliferation of drones, has demonstrated the critical strategic value of both UAVs and counter-UAV systems. The “*Readiness 2030*” plan aims to enable European states to collaborate in such technologies, rather than continuing the fragmented national approaches that have characterized the sector thus far.

Nevertheless, a significant challenge persists: the fragmentation of the European defense equipment market. Across Europe, multiple distinct weapon systems coexist for the same operational needs, for example, more than ten different main battle tank models, as well as numerous variants of armored vehicles and fighter aircrafts. This contrasts with the United States, where fewer standardized systems get produced at larger scales. Such fragmentation results in limited economies of scale, higher maintenance and operational costs, and reduced interoperability among European armed forces.

Moreover, many military technologies under development have dual-use potential with possible civilian applications, including satellite networks, quantum communications, and advanced materials technologies. Although the “*Galileo*” satellite navigation system is a civilian project, it provides an illustrative example, as it offers services for military use, thus demonstrating the interconnection between civilian and military innovation.

European defense projects, such as the Eurofighter fighter jet and the NH90 helicopter, have historically encountered delays, cost overruns, and disagreements among participating states, indicating the challenges of multinational collaboration in this sector. Consequently, the successful implementation of “*Readiness 2030*” will require robust coordination, strengthened industrial cooperation, and strong political commitment to overcome national rivalries within the European defense industry.

In this respect, the initiative constitutes both an opportunity and a test: an opportunity to comprehensively modernize European military capabilities, and a test of the EU’s ability

to achieve deep cooperation in high-technology defense sectors, moving beyond the fragmented practices of the past.

Legal Factors

The “*Readiness 2030*” initiative necessitates significant legal and institutional adaptations within the EU framework. Since defense has traditionally fallen under national jurisdiction, many proposals involved tread into new legal and political territory for the Union, requiring changes to existing rules, procedures, and potentially even the founding treaties.

A primary legal adjustment involves a modification of the EU’s fiscal framework. By activating the “*national escape clause*” of the Stability and Growth Pact, countries can exclude national defense spending from their deficit calculations, deviating from the standard budget rules. A second critical dimension concerns the formal involvement of the EU in defense financing. Historically, the EU Treaties (Article 41 TEU) explicitly prohibit the financing of expenditures arising from operations with military or defense implications from the Union’s common budget. This limitation explains why mechanisms such as the European Peace Facility operate off-budget. Nevertheless, the proposal to establish a €150 billion loan mechanism effectively introduces the EU as a defense financier, albeit formally structured to circumvent direct budgetary impact. Although loans technically do not burden the common budget, their guarantee by the Member States requires a dedicated legal act, likely based on Article 122 TFEU, which has previously been employed for emergency economic measures.

This process will require unanimity in the Council, touching upon sensitive sovereignty concerns. Further legal reforms concern procurement and industrial cooperation rules. To facilitate joint acquisitions, the Commission has proposed a specific regulatory framework, the Act in Support of Ammunition Production (ASAP), enabling the EU to coordinate and co-finance collective defense contracts. These legal instruments must be formally adopted by the Council and the European Parliament.

Other areas requiring legal clarity include the security and distribution conditions of jointly procured equipment, as well as intellectual property rights in collaborative defense projects, ensuring equitable sharing of technological know-how among

participating states. In terms of international law, the EU will also need to develop a coherent policy concerning arms export controls, as national practices currently diverge substantially.

At the institutional level, the evolution of “*Readiness 2030*” may lead to the strengthening of existing bodies, such as the European Defense Agency (EDA), and potentially to the establishment of permanent EU-level structures dedicated to defense policy coordination. In the longer term, should the Union move towards a fully-fledged “*European Defense Union*,” treaty revisions could become necessary, particularly to abolish unanimity requirements in certain defense areas or to explicitly include common defense as a shared competence. For now, the flexibility of the current treaties is being tested through mechanisms such as Permanent Structured Cooperation (PESCO) and Article 44 TEU, which allow subgroups of Member States to advance defense initiatives together.

In sum, the legal factors surrounding “*Readiness 2030*” compose a complex web of evolving fiscal, constitutional, industrial, and international dimensions. Political will appears strong enough at present to relax certain traditional legal constraints in favor of facilitating defense integration. Nevertheless, a deeper question persists: can the EU successfully transition from a regulatory economic union to an agile security actor without undermining its legal coherence? Maintaining democratic legitimacy during this rapid transformation remains a critical imperative.

Environmental Factors

The armed forces and the defense industry leave a significant ecological footprint, as they are major consumers of fossil fuels. A study commissioned by the European Parliament estimated that the carbon footprint of the EU’s military sector amounted to approximately 24.8 million tons of CO₂ emissions in 2019; equivalent to the annual emissions of around 14 million cars.

Traditionally, the military sector has been largely exempt from environmental obligations: many countries do not include military emissions in their national climate targets, and there are no internationally binding frameworks specifically aimed at reducing the “*military carbon footprint*.” However, NATO itself has, for the first time, set emission

reduction targets, committing to cut its political and military emissions by at least 45% by 2030 and to achieve carbon neutrality by 2050. Similarly, the EDA has published reports examining the impact of climate change on defense capabilities and methods for promoting “greener” military operations.

If the EU wishes to remain consistent with its self-imposed climate commitments, it will need to integrate environmental considerations into the implementation of “*Readiness 2030*.” Already, Members of the European Parliament have pointed out that the current levels of fuel consumption by armed forces are incompatible with the target of reducing emissions by 55% by 2030.

At the same time, the climate crisis and the energy transition present an opportunity for modernization within the defense sector. Several European countries are pioneering efforts in this regard:

- The Netherlands and Sweden are developing “*energy self-sufficient camps*,”
- Germany is testing biofuel blends for military aviation,
- France is planning “*green*” military camps with low energy consumption.

Naturally, the environmental impact of military activity cannot be entirely eliminated. Nevertheless, the EU has committed to achieving climate neutrality by 2050, a target that applies across all sectors, including defense.

Thus, a fundamental question arises: Will the arms race triggered by “*Readiness 2030*” undermine the ambitious climate goals to which the EU has attached such strategic importance? Balancing security needs with environmental responsibility will constitute one of the most delicate challenges for the initiative’s long-term legitimacy and success.

Conclusion

The “*Readiness 2030*” initiative represents a pivotal turning point in the EU’s approach to security and defense. At a time characterized by “*dangerous times*,” Europe seeks to respond collectively to the emerging security challenges, moving beyond outdated doctrines of strategic inertia. The prospects for the European defense industry are significant, since the obstacles identified through the PESTLE analysis are effectively

addressed. A successful implementation of “*Readiness 2030*” would lead to a Europe capable of safeguarding its territory while contributing more substantially to allied commitments. It would also enable the European defense sector to reduce dependence on external suppliers and enhance the EU’s credibility as a geopolitical actor, thereby mitigating its previous diplomatic shortcomings. Nevertheless, the challenges should not be underestimated. The realization of such an ambitious program requires immense political investment. “*Readiness 2030*” is primarily a political challenge, not just an economic or military one. If Europe fails to preserve its unity throughout this process, will it ever be able to emerge as a strategically autonomous force, or will it remain a mere economic giant with its hands tied in military affairs?



Mariana Symeonidi, holds an MSc in European Politics and Governance from Neapolis University Paphos and a BA in English Language and Literature from the National and Kapodistrian University of Athens. Her research focuses on EU foreign policy, strategic alliances, and energy security, with her postgraduate thesis examining the impact of Turkish foreign policy on the Greece – Cyprus - Israel electricity interconnector project. She currently contributes to Geopolitico.gr as a Research Writer, analyzing geopolitical developments in Europe and the Eastern Mediterranean. She also serves as a Researcher at the NUP Human Rights Observatory, where she supports legal research on European and Cypriot human rights cases. She has completed a research internship at the European Institute for International Relations and participated in several international webinars and trainings, including “*The NEXT Young Global Leaders Camp*” in Riga. Mariana’s research interests also include conflict dynamics and democratic legitimacy. She is fluent in Greek and English and is expanding her technical skillset through GIS training.