



The industrial and procurement foundation - Building the Arsenal That Collective Defence Requires

Curated by Robin Ashby

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This paper — the fourth and final in the Unleashing the Paper Tiger series — addresses the industrial and procurement foundation without which the institutional architecture of Paper II and the capabilities of Paper III cannot be built or sustained. It draws directly on the Eurodefense Working Group 18-30's 2023 analysis of European defence procurement from UK perspectives, extending that work into the broader architecture that Article 42.7 requires. Papers I, II, and III established the strategic case, the institutional architecture, and the capability layers respectively.

Â I. The Arsenal Problem

Europe's defence procurement is a compound of inefficiency, nationalism, and missed opportunity. The share of cooperative European defence purchases has fallen from approximately 20 percent in 2004 to around 11 percent today — a damning statistic for a period during which European defence cooperation was supposedly intensifying. The core pathology is a double trap: urgency drives member states toward buying American off the shelf; nationalism drives them toward duplicating what neighbours already have. Both weaken the European defence industrial base. More money without coordination produces fragmentation, not capability.

The Ukraine war has demonstrated what the consequences of this fragmentation look like in operational terms: incompatible artillery ammunition, divergent maintenance schedules, training

conducted on multiple different platforms, and stockpile shortfalls across every category of high-intensity warfighting expendable. Fixing European procurement is not a technocratic exercise in institutional efficiency. It is a strategic necessity.

The bilateral procurement agreements described in Paper II demonstrate that cooperation can move faster and more efficiently than multilateral institutional processes when the political will exists. The Lunna House Norway Type 26 procurement, and the BV206 Arctic vehicle acquisition completed in under nine months, are the models that multilateral procurement frameworks should study and replicate at scale.

Â II. The Instruments That Exist

A. EDA: The Coordinator

The European Defence Agency, intergovernmental but integrated into the Common Security and Defence Policy, is the natural consolidator of national and collective approaches. Its institutional memory, built since 2003, makes it the appropriate vehicle for capability development coordination. The EDA should establish a comprehensive catalogue of existing and in-preparation European military capability alternatives to non-EU solutions, making European options the systematic default. Duplication by member states of existing European programmes must be actively reduced: member states should consult each other systematically when preparing new acquisition programmes, using the EDA catalogue as the first reference.

B. OCCAR: The Programme Manager

The Organisation for Joint Armament Cooperation manages approximately EUR 100 billion of cooperative programmes and has proven capability to run complex multinational acquisitions — Boxer, FREMM, A400M, NH90, Meteor, and others. Crucially, the United Kingdom remains an OCCAR member post-Brexit. This is the right instrument for joint programme management. New European procurement initiatives should be routed through OCCAR rather than creating additional institutional layers. A new Europe-wide procurement model should build on OCCAR's established architecture, using competition where possible and restricted single-source contracting where needed.

C. PESCO: The Coalition Builder

Permanent Structured Cooperation brings together coalitions of the willing across 26 EU member states on capability development projects. The UK's invitation to join the Military Mobility project alongside the United States, Canada and Norway establishes a precedent for geometry that transcends EU membership — one that should be actively extended. Norway's

participation in the E-CUAS counter-drone programme alongside EU member states demonstrates that the same geometry applies to NORDEFECO members.

D. EDF: The Funding Lever

The European Defence Fund, with EUR 8 billion over 2021-27 for joint research and development, is the instrument most directly available for reform. Its conditions for funding — particularly regarding intellectual property — are where the most important policy levers sit. A substantially increased EDF in the next Multiannual Financial Framework, conditioned on IP-sharing within European programme partnerships, is the single most effective change available within existing institutional structures. EUDIS — allocating EUR 1.5 billion for 2025-27 to lower entry barriers for SMEs — reflects the recognition, reinforced by Ukrainian battlefield experience, that the most operationally relevant innovation often comes from small firms rather than prime contractors.

Â III. The Juste Retour Problem and How to Manage It

The deepest structural constraint on European procurement cooperation is the principle of juste retour — the requirement that national parliaments which vote defence budgets see adequate industrial return to their own economies. This distorts procurement toward national preference rather than best capability and is the primary driver of the fragmentation that produces incompatible equipment, duplicated research, and inflated unit costs.

OCCAR's approach — globalising juste retour across a portfolio of programmes rather than calculating it within each individual programme — represents the most practical mitigation available under current conditions. Over a portfolio of programmes, industrial return balances across nations without requiring it to balance within each individual contract. This is how you break the within-programme workshare politics that has slowed every major European cooperative programme from Typhoon to Eurodrone.

Going further probably requires a federal-style EU defence budget voted by the European Parliament. European Defence Bonds, providing multi-annual predictable funding for common projects and strategic enablers, represent the most promising near-term financing innovation. The exclusion of weapons and ammunition from European Investment Bank financing should be lifted as an immediate practical step.

Â IV. The IP Principle: Inside the Tent, Firmly Outside

The intellectual property question is the foundation on which everything else rests. Technology developed with European public funding, or contributed as industrial dowry to a joint programme, belongs within the European partnership and is managed by it. Access is available to treaty partners and trusted allies on terms agreed collectively. It is unavailable to strategic competitors — not as a political declaration but as a structural consequence of how the programme is owned and governed.

This principle has a proven corporate expression in MBDA — created from the merger of British Aerospace's missile systems division, Matra of France, and Alenia Marconi Systems of Italy, each contributing existing programmes and intellectual property as dowry to the new structure. MBDA now manages Meteor, Brimstone, Aster, CAMM, and other programmes across its parent nations. The ownership architecture is the IP protection mechanism: intellectual property held within the joint structure; export decisions requiring consensus among BAE Systems, Airbus, and Leonardo; access available to trusted partners on agreed terms; structural competitors — China foremost among them — excluded not by regulation but by ownership.

Airbus represents the parallel case at airframe level — the same dowry principle, the same IP architecture, the same trajectory from painful political compromise to European industrial champion. Both cases demonstrate that the model is proven at scale in the most technologically complex industrial domains that exist.

Â **V. The Lessons Not Learned: From Jaguar Onward**

SEPECAT — the Anglo-French consortium that produced the Jaguar strike aircraft in the 1960s — demonstrated that bilateral European defence industrial collaboration at programme level could work. The lessons were not systematically carried forward. Each subsequent multinational programme — Tornado, Typhoon, Meteor — has had to re-learn collaborative governance rather than inheriting an established framework. The 'not invented here' syndrome, combined with national workshare politics, reasserts itself at each generation.

The STAIRS C programme exemplifies the collaborative R&D model that deserves systematic scaling: joint research and development funded collaboratively, with resulting intellectual property available to all contributing nations. Shared investment, shared IP, shared capability — this is precisely the model the EDF should be institutionalising as a funding condition. If you want EDF money, you share the IP within the programme partnership.

The institutional fix is an explicit collaborative programme governance framework: standardised rules for IP ownership, workshare, export decisions, and in-service support for any programme receiving EDF or OCCAR support. Build the framework once; every subsequent programme inherits it. That is how you capture the Jaguar lesson rather than repeatedly rediscovering it at the cost of decades and billions.

Â **VI. Export Policy: The Trilateral Agreement Model**

Intra-European industrial interdependence in defence requires compatible export control mechanisms. Cooperative programmes are undermined when partner nations have divergent export decisions on shared technology. The Trilateral Agreement between France, Germany, and Spain — extended to the United Kingdom, and being extended to the Netherlands and Sweden by mid-2026 and to Italy before year end — provides the model: respect for national sovereignty on export control, mutual recognition of export clearances, de minimis thresholds, and consultation mechanisms in cases of disagreement. This framework should be actively promoted as the EU-wide reference for governmental and industrial cooperation programmes, and adopted as a condition for programmes co-funded by EU instruments including EDF.

Â **VII. Fighters: The Uncomfortable Picture**

Europe has two competing next-generation fighter programmes. FCAS — the Future Combat Air System led by France, Germany, and Spain under Dassault and Airbus — has been troubled by arguments over workshare and design leadership. GCAP — the Global Combat Air Programme uniting the United Kingdom, Italy, and Japan — is generally assessed as better managed and further advanced in its development trajectory. The irony that the UK, outside the EU, leads the more functional programme while Italy participates in both, is politically awkward but operationally significant.

Eurofighter Typhoon, flown by the UK, Germany, Spain, and Italy, remains the gold standard proof of concept: genuinely multinational design and production from the outset, distributed workshare, a common platform enabling interoperability across four air forces. The Trinity House Agreement's commitment to enhance interoperability between future combat air systems is a first step toward FCAS-GCAP convergence — a conversation that must develop before the programmes diverge further and the costs become prohibitive. Italy's position simultaneously in the EU, Eurofighter, and GCAP makes it the natural architect of any convergence framework.

Â **VIII. The UK-EU Industrial Relationship**

The United Kingdom operates the continent's most capable independent defence industrial

base — BAE Systems, Rolls-Royce, Leonardo UK, MBDA UK, Babcock, QinetiQ — and leads GCAP. It remains in NATO and OCCAR. Any attempt to build European collective defence capability that deliberately excludes UK industrial participation is strategically self-defeating.

The instruments for association have expanded considerably in 2024-25. OCCAR membership provides the programme management route. The PESCO Military Mobility invitation establishes the precedent for geometry that transcends EU membership. GCAP's structure, with Italy as the EU partner, provides the fighter programme bridge. The Trilateral Agreement extension to the UK provides the export control framework. Lancaster House 2.0 deepens Franco-British defence cooperation. Trinity House creates the UK-Germany bilateral structure. And the UK's pursuit of association with the SAFE fund — reported in early 2026 — indicates political will on both sides. The UK-EU Security and Defence Partnership, agreed at the May 2025 UK-EU Summit, provides the overarching framework.

The Eurodefense network itself models this relationship: UK participation in the network's analytical and policy work, including the Working Group 18-30 procurement analysis that underpins this series, demonstrates that the institutional geometry for UK-European defence cooperation exists and works. The task is to formalise and scale it.

IX. Innovation: Breaking the Procurement Cycle

The Ukraine war has demonstrated with brutal clarity that the most operationally relevant defence innovation is frequently coming from small firms and individual entrepreneurs rather than prime contractors. Ukrainian garage inventors have become factory owners in months. The weapon systems that have defined the battlefield — first-person-view drones, electronic warfare jammers, cheap naval drones — were not produced by the prime contractors who dominate European procurement.

EUDIS addresses the SME entry problem at funding level. Competitive challenge mechanisms — as used in the EDF 2026 Work Programme for drone swarms — address the specification problem: rather than defining the solution in advance, the competition defines the requirement and lets industry find the solution. DARPA-type mechanisms, building on existing EU instruments and EDA structures, should be explored systematically for capability areas where rapid iteration matters more than specification compliance. The NATO Summit Defence Industry Forum in Ankara announced the NATO Front Door for Industry and the Strategy for Industry-NATO Cooperation (SYNC) — both designed to lower barriers for SMEs and non-traditional suppliers to engage with Alliance requirements. These mechanisms should be mirrored in EU procurement frameworks.

The Drone Alliance with Ukraine, established under the February 2026 Action Plan, is the most promising single innovation in European defence procurement practice in recent years: direct engagement with the most operationally experienced drone operators in the world, accelerating development and fast-tracking mass production in a way that no requirements document written in Brussels could replicate. Ukraine's Enhanced Partnership status with JEF adds a further channel for operational knowledge transfer — Ukrainian expertise in hybrid defence, drone warfare, and long-range strikes flowing directly into European collective defence planning.

Â **X. Conclusion: The Foundation Must Be Built**

The industrial and procurement foundation that Article 42.7 requires is not a distant aspiration. The instruments exist: EDA, OCCAR, EDF, PESCO, the Trilateral Agreement. The models exist: MBDA's IP architecture, Airbus's dowry principle, STAIRS C's shared R&D model, the Meteor programme's trust-based management, OCCAR's globalised *juste retour*. The precedents exist: Eurofighter demonstrating multinational production, GCAP demonstrating functional collaborative governance, JEY-CUAS to E-CUAS demonstrating programme continuity, the Norway Type 26 and BV206 procurements demonstrating bilateral speed and efficiency.

What is missing is the systematic application of these models across European defence procurement as a whole — through EDF funding conditions that mandate IP-sharing, through OCCAR routing that avoids duplication, through the Trilateral Agreement becoming the EU-wide export control standard, through a collaborative programme governance framework that every programme receiving European public money must adopt, and through innovation mechanisms that bring SME agility into the European defence industrial base.

Enlightened self-interest must prevail over fragmented national or industrial self-interest. Progress depends on political will, mutual trust between member states, institutions and industry, and scrupulous implementation of existing commitments. The foundation exists. The architecture is described in Paper II. The capabilities are described in Paper III. The strategic case is made in Paper I. What remains is the will to build.

The tiger has claws. It has bones. It has muscle. What it needs is the will to move.

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About the Author

Robin Ashby is Director General and Commissioning Editor of the UK Defence Forum / Defence Viewpoints, and Secretary General of Eurodefense-UK. He is Rapporteur of the Eurodefense Arctic ICE Observatory, Chair of the Eurodefense Russia Observatory, and founder of the High North Observatory. He has written extensively on European defence, Arctic security, and collective defence architecture.

www.defenceviewpoints.co.uk Â |Â <https://robinashbyukdf.substack.com> Â |Â <https://dr.academia.edu/RobinAshby>

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Editorial note: This series was substantially drafted before the NATO Ankara Summit of 7-8 July 2026 and associated recent developments in European defence architecture. A commentary paper addressing those developments — including the JFC command transfer, the Coalition of the Willing anti-ballistic missile coalition, the Defence Industry Forum announcements, and the evolution of EU sanctions enforcement — will follow shortly after publication in Defence Viewpoints.