About the Article

Main Question: How do European countries advance defence-industrial integration amid limited EU consensus? Argument: In response to US dependence and fragmented EU structures, states pursue minilateral cooperation through bilateral/trilateral frameworks. Conclusion: Europe balances agility and durability in defence industrial policy by combining soft-law diplomacy for early alignment with hard-law instruments for long-term strategic and industrial integration.

About the Author

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1. Introduction

European defence has traditionally been understood as falling within national borders and legislation, reflecting long-standing contradictions between its political and economic dimensions. While political interests have favoured the retention of national control and governance—consistently vetoing any transfer of power to supranational institutions—the defence industry's supply chain is highly transnational and largely dependent on third countries, both within and beyond Europe, for technology and raw materials. The United States, for historical reasons and its comparative advantages, continues to play a dominant role. Notably, SIPRI reports that between 2020 and 2024, conventional arms imports from the US accounted for 64% of Europe's total, the highest share in two decades. Beyond this dependence on the US and its security architecture, the EU lacks both the political mandate and authority to pursue a common industrial defence strategy. Top-down supranational initiatives such as the European Defence Industrial Strategy (EDIS) aim to build shared ground through joint procurement, yet limited funding and political support have constrained their impact. This vacuum has opened space for alternative forms of diplomacy, where complementary bottom-up mechanisms gain traction. Such dynamics emerge through variable geometries (Bertoncini, 2017) within the EU and NATO—flexible, often minilateral (Brummer 2014; Heiduk 2024) coalitions that use political momentum to deliver tangible results. This paper examines industrial defence as a case in which bilateral and trilateral agreements shape the expansion of Europe's defence-industrial base. It asks: Why and how do such agreements influence industrial integration, and how does their legal bindingness affect speed and effectiveness? Two case studies—the Trinity House Agreement (UK–Germany, 2024), and the Italy–Germany Action Plan (2023)—illustrate how differing legal and governance frameworks affect outcomes.

2. Assessing the EU's Industrial Defence Landscape

As reported by ISPI, in 2022 the EU defence industry recorded turnover growth of 10% compared to the previous year, with employment growth around 4%. Nonetheless, the top names in the list in 2023 are entirely US or Chinese companies; more specifically, the United States occupies the first five spots: Lockheed Martin Corp. ($60,810 in revenues), RTX ($40,660), Northrop Grumman Corp. ($35,570), Boeing ($31,100), and General Dynamics Corp. ($30,200). The only exception on European soil is the UK-based BAE Systems ($25B of turnover), right before Russian and Chinese companies that complete the top-10 list. Where is the EU at this point? Well, moving further down to 12th is Airbus, the most well-known example of trans-European cooperation, followed by Leonardo (Italy, 13th in revenues), Thales (France, 16th in revenues), Rheinmetall (Germany, 26th in revenues), and MBDA (trans-European, 30th in revenues) (SIPRI). While this table shows a secondary and subordinated position of EU industries vis-à-vis US/China dominance, a further assessment of the European industrial landscape adds important remarks that must be considered. As noted by the Centre for Security, Diplomacy and Strategy (CSDS), the segmentation of Europe's arms industry closely follows the countries that in 2000 signed the Letter of Intent (LoI): Restructuring the European Defence Industry—France, Germany, Italy, Spain, Sweden, and the UK. This LoI, an interinstitutional agreement, established committees in six areas of expertise. Even though the European Commission has sought to take over coordination and harmonisation through the establishment of the European Defence Agency (EDA) in 2004, the six LoI signatories still account for the overwhelming majority (around 90%) of arms production. The supply chain itself extends beyond the HQ countries into regional areas across the EU, forming a widely interconnected "spaghetti bowl" of industrial production (Béraud-Sudreau, Scarazzato, 2023)

Rank	Company	Country/Region	Arms Revenues (USD Million)	Share of total Revenues (%)
1	Lockhead Martin Corp.	United States	60,810	90
2	RTX (Raytheon Tech.)	United States	40,660	59
3	Northon Grumman Corp.	United States	35,570	91
4	Boeing	United States	31,100	40
5	General Dynamics Corp.	United States	20,200	71
6	BAE Systems	United Kingdom	29,810	98
7	Rostec	Russia	21,730	65
8	AVIC	China	20,850	25
9	NORINCO	China	20,560	27
10	CETEC	China	16,050	29
12	Airbus	Trans-European	12,890	18
13	Leonardo	Italy	12,390	75
16	Thales Group	France	10,350	52
26	Rheinmetall AG	Germany	5,480	77
30	MBDA	Trans-European	4,760	99

Figure 1: Table 1– Top Global Defence Companies by Arms Revenues, 2023 (USD millions) Source: SIPRI Top 100 Arms-Producing and Military Services Companies, 2023 (Fact Sheet, Dec 2024).

In this regard, CSDS notes the pan-European footprint of companies: Thales is the most integrated into the EU production chain, with 10 subsidiaries and production sites in Austria, Belgium, the Netherlands, Portugal, Poland, Romania, Denmark, Finland, Latvia, and Norway. Other companies are more geographically concentrated; nevertheless, Airbus has three extra-territorial subsidiaries, Rheinmetall also has three, Leonardo has two, and BAE Systems has one.

Company	Number of Subsidaries/ Production Sites in Other European Countries	Countries of Presence
Thales Group	10	Austria, Belgium, Netherlands, Portugal, Poland, Romania, Denmark, Finland, Latvia, Norway
Airbus	3	France, Germany, Spain (core operations), plus cross-border subsidiaries
Rheinmetall AG	3	Germany (HQ), Netherlands, Hungary, Italy
Leonardo S.p.A	2	United Kingdom, Poland
BAE Systems	1	Sweden

Figure 2: Table 2 – Pan-European Presence of Major Defence Companies (Number of Subsidiaries / Production Sites in Other European Countries) Source: CSDS (VUB), Beyond Fragmentation? Mapping the European Arms Industry (In-Depth n° 2023/07, Aug 2023, Table 2.1).

Zooming out from companies to their main procurers—the nation-states—the Kiel Institute has analysed public procurement over a four-year period (2020–2024) in Germany, the United Kingdom, and France. For Germany, out of the majority of procurement (n.315 orders, n.237 publicly available), more than half the orders—n.191 (80%)—come from leading German developers; a further n.15 procurements (6%) see the leading participation of other European countries (Norway and the UK included), while n.31 procurements (13%) are assigned to US and Israeli developers. Data regarding France can only be partially read: out of n.71 procurements reported, only n.26 are available in the Kiel reports. French companies as main developers account for n.17 procurements (65%); n.7 orders list German companies as main developers (26%); n.1 lists the UK as main developer and n.1 the US. As for the United Kingdom, out of n.159 procurements reported (n.142 available in the Kiel report), n.114 procurements list leading UK companies as developers, n.14 procurements list other EU member-state companies as main developers, and n.14 list extra-EU main developers.

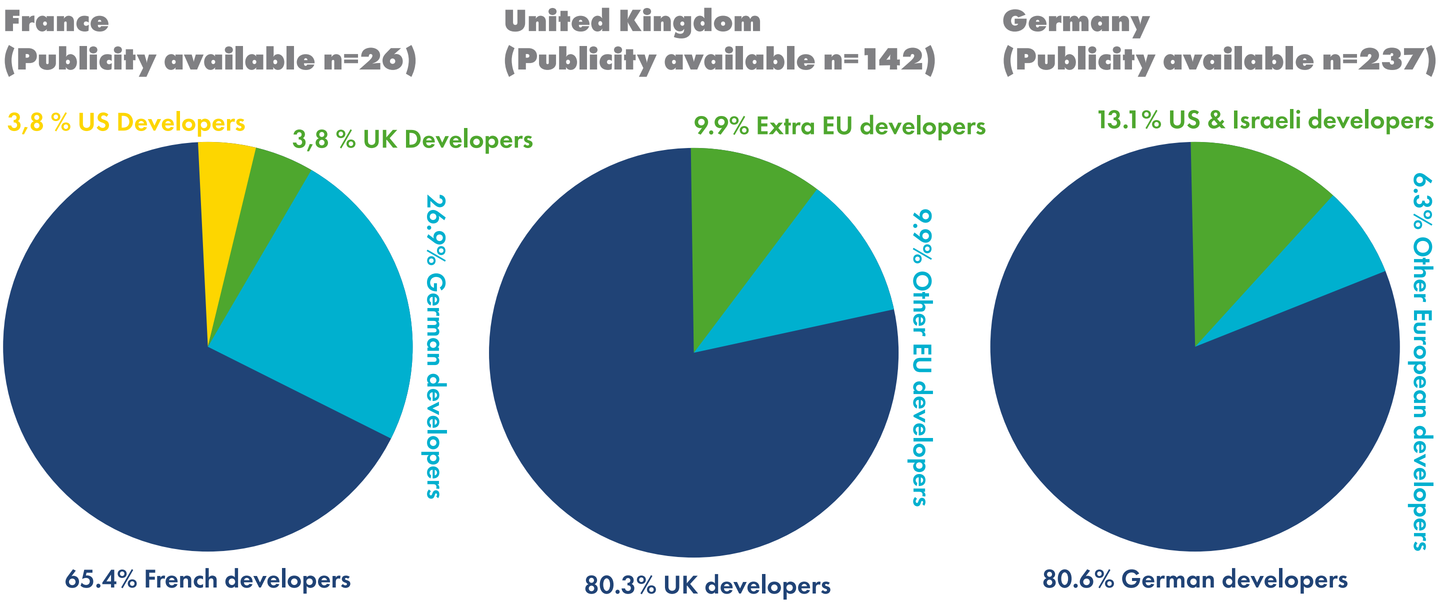

Figure 3: Source: Author's draft based on Kiel Institute (IfW Kiel) Military Procurement Tracker, 2024.

What can therefore be assessed by grouping these data is that the EU mostly relies on its European-based companies. These firms are relatively small in scale, yet they benefit from a well-developed pan-European framework. This leaves room for future growth, driven by rising demand for supplies and a renewed political momentum for pan-European integration.

2. Hybrid cooperation in the vacuum

The rising levels of conflict and geopolitical tension have pushed European countries into a rapid rearmament process that conceals a wide range of structural challenges—further compounded by the growing volume of military aid to Ukraine in its ongoing war with Russia. The European Union's domestic weapons production capacity is insufficient to meet this surge in demand: suppliers lack the ability to expand their order books quickly, and deliveries are often delayed by several years, while national governments seek to procure more equipment immediately. In the short term, this imbalance has led to a sharp increase in imports; beyond that, however, both market and political actors are engaging in new initiatives and reforms aimed at strengthening the defence industrial base within EU borders. A new wave of minilateralism has emerged to fill the gap, as European countries increasingly seek to establish bilateral agreements that strengthen long-term commitments and industrial capacity. The inherently intergovernmental nature of this trend recalls the use of variable geometries and forms of enhanced cooperation, designed to foster joint initiatives and secure a share of present and future defence procurements and market opportunities. In line with definitions proposed by Brummen (2014) and Heiduk (2024), minilateralism refers to small, flexible, and issue-focused coalitions that operate as soft-law instruments capable of evolving toward institutionalisation. Such arrangements have been widely promoted by European governments, resulting in initiatives that are at times complementary, at times overlapping, and often situated between the institutional architectures of the EU and NATO.The EU Institute for Security Studies (EUISS) has mapped nearly 200 defence partnerships, ranging from comprehensive international treaties to lighter arrangements such as Memoranda of Understanding (MoUs) and Statements of Intent (SoIs). This intricate network of regional partnerships is driven by a wide variety of factors, reflecting differences in purpose, structure, and strategic intent. Some partnerships are shaped by geographical proximity—for instance, the NB8 framework involving the Baltic and Nordic states—while others emerge from shared technological or industrial interests. Moreover, while certain partnerships remain traditional, top-down agreements, an increasing number of defence collaborations today are bottom-up and demand-driven, reflecting new patterns of industrial and operational interdependence. Alongside these regional formats, bilateral agreements continue to represent the most common form of European defence cooperation, though they vary considerably in both scope and level of commitment.

The Italy–Germany Action Plan

The Action Plan for Reinforcing Bilateral Cooperation and in the EU Framework was signed in Berlin in 2023 by Giorgia Meloni and Olaf Scholz. The main focuses of cooperation are broadly integrated, involving topics such as the economy (industrial policy, internal market, digital innovation, scientific cooperation), climate policy (energy, climate diplomacy, infrastructures), defence and security (EU defence cooperation and the defence industry), the advancement of the EU agenda, and cultural dialogue. The signature of this political framework includes neither a ratification clause nor an enforcement mechanism. Regarding the defence industry paragraph, the parties are committed to continuing their cooperation within already established frameworks. The Action Plan cites programmes in which Italy and Germany are already core partners (such as the Submarine U212A/NFS and the VULCANO ammunition programme), as well as structured EU programmes in which both countries play a significant role (including EURODRONE, METEOR, and the NH-90 programme). It also mentions NATO-based programmes such as the AGS – NATO Alliance Ground Surveillance, which relies on a US-based platform, and the Hypersonic Defence Interceptor Study/System (HDIS) programme, a nationally contributed project (with 14 participating countries) integrated within an EU framework. Despite referencing a wide range of cooperation programmes, no specific joint governance mechanism is established, as discussions are generally delegated to "existing mechanisms and to the framework of the Strategic Dialogue on Defence." The Parties also commit to exploring the potential for further cooperation and implementation programmes extending across all domains. The scope of bilateral commitments, however, remains broad in both areas and instruments. Wherever the Italy–Germany partnership is considered "core," there may exist patterns of co-design and common standards. An example is the joint venture (50%/50%) between Italy's Leonardo and Germany's Rheinmetall for the development of the Armoured Infantry Combat System (AICS), known as Leonardo Rheinmetall Military Vehicles (LRMV). The company is headquartered in Rome, with an operational base in La Spezia, and began operating in Q1 2025. Other programmes mentioned do not feature Italy and Germany as core partners — for instance, the Main Ground Combat System (MGCS), where France and Germany form the main bilateral partnership. Nevertheless, Italy has been exploring potential future participation in the programme and has participated as a formal observer since 2022. A further dimension of cooperation mentioned in the Action Plan concerns projects within the EU and NATO frameworks, such as the Next Generation Rotorcraft Capability (NGRC) and the Ground Based Air Defence (GBAD) programmes.

> **Minilateralism:**
> **Flexible, small-scale coalitions of states using bilateral/trilateral agreements or soft law to advance defence-industrial integration within Europe**

The Kensington "Friendship and Bilateral Cooperation" Treaty and the "Trinity House Agreements" UK-DE The UK–Germany bilateral cooperation framework, concluded by Prime Minister Keir Starmer and Chancellor Friedrich Merz, consists of a three-part structure: (1) the Trinity House Defence Agreement (23 October 2024), which sets the defence-cooperation governance; (2) the Kensington Treaty (17 July 2025), a hard-law state treaty; and (3) the Article-22 Implementation Plan, which operationalises delivery on a biennial cycle. The Kensington Treaty's central clause is the mutual-assistance commitment in Article 3(3), under which the Parties "shall assist one another, including by military means, in case of an armed attack." This is a strong legal obligation in the current European security context. The treaty's legal robustness is that of hard law: it enters into force upon exchange of instruments of ratification, as stipulated in Article 30. Concerning the defence industry, the treaty sets out broad, programmatic aims, while specific measures are found in the Trinity House Defence Agreement (which provides the implementation architecture), its Implementation Plan, and UK Ministry of Defence documents that operationalise the projects. The Deep Precision Strike programme is the first example: the UK and Germany lead a joint effort to deliver a new deep-precision strike capability within a decade as a conventional deterrent in Europe. This bilateral effort is coordinated with the multinational European Long-Range Strike Approach (ELSA), within which the UK and Germany co-lead the "2,000 km+" cluster. Nonetheless, no further details have yet been provided on implementation steps, governance arrangements, or budget commitments. The UK and Germany also commit to collaborate on the development of advanced uncrewed aerial systems (UAS) and maritime drones; they have agreed to the joint procurement of new Sting Ray torpedoes for their aircraft; and they will continue their close BOXER cooperation, including the RCH 155 artillery, extending cooperation to common off-board systems for Future Ground Combat Systems. Notably, BOXER is produced under ARTEC GmbH (a joint venture between Rheinmetall and KNDS Deutschland) as prime contractor via OCCAR, while UK manufacture is carried out by RBSL and KNDS UK. Perhaps following the political agreements and commitments, Rheinmetall unveiled its UK Gun Hall project: an artillery gun-barrel factory in Telford (UK) using British steel supplied by Sheffield Forgemasters. Production is scheduled to begin in 2027. Rheinmetall also plans to establish a UK-based Advanced Land Autonomy Centre of Excellence, focused on the integration, testing, and deployment of autonomous systems. This signals a further commitment to innovation in the country. The parties also commit to strengthening defence-industrial and export cooperation by expanding the UK–Germany Defence Industry Forum, exploring joint procurements where requirements align, and pursuing joint export campaigns for jointly produced equipment—leveraging the UK's accession to the Germany–France–Spain arms-export control treaty.

4. Soft law vs. Hard law, evaluating effectiveness

These two frameworks of bilateral cooperation illustrate the range of instruments employed by European diplomacy to establish closer strategic ties with partners. While clear patterns can be observed, the comparison between hard and soft law frameworks reveals distinct outcomes. The Italy–Germany Action Plan establishes a joint agenda-setting mechanism but lacks any ratification or enforcement clauses, reflecting a politically driven rather than legally binding approach. In contrast, the UK–Germany agreements provide clear legal robustness through the hard-law Kensington Treaty (17 July 2025), which includes a mutual-assistance clause (Art. 3) and an entry-into-force provision via ratification (Art. 30). The Trinity House Agreement (23 October 2024), in turn, serves as the sectoral defence accord anchoring implementation across multiple domains. Regarding governance density, the Italy–Germany Action Plan establishes several dialogue formats (e.g., 2+2 foreign and defence meetings, a macroeconomic forum), but it does not introduce a dedicated joint governance architecture for defence-industrial programmes. Follow-up between the two countries is channelled through "existing mechanisms" and the Strategic Dialogue on Defence—a comparatively light process when contrasted with the formal committee structures typical of treaty-based cooperation. By contrast, the Kensington Treaty outlines seventeen concrete projects (a detailed delivery list) and links them to a biennial Implementation Plan composed of recurring outputs and review cycles, designed to ensure a high degree of projectisation. The Trinity House Agreement further reinforces this framework by adding a defence

> **"European defence-industrial integration relies on a continuum from soft-law political coordination to hard-law treaties, balancing flexibility, enforceability, and long-term capability development"**

governance architecture and issuing joint communiqués to mark key milestones (e.g., the Deep Precision Strike programme). Collectively, this hard-law model seeks to institutionalise a dense, time-bound, and results-oriented governance structure. Finally, the Italy–Germany Action Plan, as a soft-law instrument, references several ongoing multinational programmes but does not itself introduce new co-funding schemes or production lines. The most concrete industrial step between the two countries during this period lies outside the framework of the Action Plan: the Leonardo–Rheinmetall 50:50 joint venture for the Armoured Infantry Combat System (AICS)/Main Battle Tank (MBT), headquartered in Rome with operations in La Spezia, which became operational in Q1 2025. This represents a tangible move toward industrial integration, yet it remains grounded in corporate instruments and national decisions rather than Action Plan governance. In contrast, the UK–Germany hard-law framework explicitly embeds industrial commitments within its legal architecture. The inclusion of multiple joint projects marks a clear shift from declaratory coordination to the materialisation of bilateral defence industrialism. Here, industrial cooperation functions as a core instrument of strategic alignment, linking political commitments to structured mechanisms of co-production and capability development. This industrial dimension enhances the treaty's operational credibility: by institutionalising procurement and production processes, it converts bilateral intent into enforceable interdependence.

5. Conclusion

The comparative analysis of bilateral cooperation frameworks in Europe highlights a tension between legal rigidity and adaptive flexibility as competing logics for advancing defence-industrial integration. The Italy–Germany Action Plan exemplifies a soft-law or mixed approach—anchored in political dialogue, open-ended coordination, and alignment with EU and NATO architectures. Its flexibility allows rapid policy convergence, integration of pre-existing programmes, and the creation of industrial partnerships such as Leonardo–Rheinmetall, without the institutional or political costs of formal ratification. Yet this same openness limits its enforcement capacity and long-term predictability, leaving implementation dependent on the political will of the parties and the inertia of existing mechanisms. Conversely, the Kensington Treaty and Trinity House Agreement between the UK and Germany embody a hard-law model that operationalises strategic intent through legally binding commitments, ratified enforcement clauses, and structured governance. Their dense institutional architecture—anchored in periodic implementation plans, sectoral councils, and specific deliverables—creates procedural certainty and accountability. By institutionalising co-production and co-procurement, the agreements link political convergence with material industrial interdependence, thereby transforming bilateral cooperation into a driver of capability consolidation. The two models therefore reflect complementary modes of effectiveness. Soft-law frameworks such as the IT–DE Action Plan are most effective in early-stage alignment, allowing experimentation and multi-level coordination within the broader EU ecosystem. Hard-law treaties such as Kensington–Trinity, by contrast, are suited to the consolidation phase, where political trust and strategic priorities have matured into enforceable industrial commitments. In a fragmented European landscape, both logics serve distinct but mutually reinforcing purposes: the former sustains agility and inclusiveness; the latter provides durability and credibility. The challenge for European defence industrial policy is thus not to privilege one over the other, but to engineer an adaptive continuum—where soft-law diplomacy incubates cooperation, and hard-law instruments secure its long-term institutionalisation and industrial delivery.

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