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## Arming Fortress Europe? Spaces and Instruments of Economic Patriotism in EU Armament Policy

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### Abstract

How does the EU adapt its policies in response to current global changes? Extant scholarship has shed light on the EU's geopolitical turn by analysing it as either a shift away from neoliberalism or a reshuffling of EU–US relations. This article makes the case for studying how these two dynamics interact. To do so, I draw on the economic patriotism framework, which focuses on the links between types and spaces of economic interventionism. Economic patriotism instruments can take various forms depending on their type (liberal/protectionist instruments) and space of reference (national/EU/transatlantic/international). From this perspective, the EU has responded to global changes by shifting from liberal to protectionist instruments of economic patriotism. However, the design of these policy instruments reflects compromises between the preferences of policymakers who adopt liberal/protectionist and Europeanist/Atlanticist positions. As policy instruments can create room for compromise because they allow various positions to converge, EU protectionist economic instruments cater to Atlanticist and liberal preferences too. This article illustrates this argument by means of EU armament policy. Using official documents and interviews, I analyse changes in EU economic patriotism by looking at the two major policy instruments: the 2009 Defence Procurement Directive and the 2021 European Defence Fund. Whereas the 2009 Directive reflected liberal economic patriotism anchored in the transatlantic space, the European Defence Fund illustrates tensions between types and spaces of economic interventionism in the EU's geopolitical turn: Some clauses protect the EU from foreign interference, but its political-economic space of reference remains strongly transatlantic.

### Keywords

armament; Common Security and Defence Policy; economic nationalism; economic patriotism; European geopolitics; Fortress Europe

### Issue

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### 1. Introduction: Fortress Europe in Arms

Rising geopolitical tensions have called into question the neoliberal regulation of markets worldwide. In this context, the EU has undergone what has been characterised as a geopolitical (McNamara, 2023; Meunier & Nicolaidis, 2019) or geoeconomic turn (Babić et al., 2022). One strand of literature examines this turn as a change in types of economic interventionism. The rise of (open) strategic autonomy discourse, industrial policy and trade defence instruments illustrates a possible shift away from neoliberalism (T. Jacobs et al., 2023; Schmitz & Seidl, 2022).

This geopolitical turn has also revived scholarly interest in looking at the EU from the perspective of political-economic spaces and boundaries (Schimmelfennig, 2021). Lavery and Schmid (2021), for example, affirm that global changes have led the EU to reconsider its relationship with the US and observe that it has progressively sought autonomy by de-aligning. Lavery (2023) explains the evolution of EU economic policies over time and the current move towards a “selective” Fortress Europe by the power shifts between the proponents of two competing conceptions of the EU as a political-economic space, namely “Fortress” vs. “Atlantic” Europe.

This article draws on and contributes to these debates in two ways. First, extant scholarships barely address the links between the types and political-economic spaces of reference to economic interventionism. The literature on economic interventionism does not investigate *what* bounded political-economic space, i.e., whose domestic industry, is being promoted. That the EU is becoming such a reference space cannot, however, be taken for granted. Europeans disagree about how to define an “EU industry” and whether it should enjoy preferential treatment. Similarly, discussions on re- or friendshoring show that protective measures may apply to various political-economic spaces of reference. Conversely, the “Fortress Europe” literature implies a shift to protectionism but does not elaborate on its territorial anchor. Linking economic interventionism *types* and *spaces* is relevant given that they influence one another: While current global changes may push for protectionism, there is no necessary consensus on what political-economic space to protect in the first place.

Second, both strands of scholarship seek to analyse whether current shifts amount to a profound change in EU policies. They acknowledge that EU policy responses to global challenges have been mixed. Regarding the type of economic interventionism, current developments are not linear from neoliberal openness to protectionism. Scholarship observes that neoliberal and protectionist vocabularies are entangled, but draw differing conclusions. While for some the rise of the concept of “open strategic autonomy” testifies to an unsettling of the EU’s neoliberal consensus (Schmitz & Seidl, 2022), for others it is more akin to a neoliberal adaptation to new challenges (T. Jacobs et al., 2023). How this discursive ambiguity translates into policy instruments is unclear. Regarding spaces of economic interventionism, Lavery (2023) points to tangible but partial change, with EU fortification being selective. However, why certain policy instruments participate in Fortress Europe and others do not should be analysed. To understand current changes in EU policies, we need to be able to better conceptualise and explain ambiguity at the level of policy instruments as they are neither strictly liberal nor protectionist and do not squarely fall into either “Fortress Europe” or “Atlantic Europe” conceptions.

To contribute to this debate, I ask to what extent does the EU’s geopolitical turn entail not only a change in the type of economic interventionism but also a (re)production of the EU as a bounded political-economic space of reference? To address this question, I build on the economic nationalism and patriotism literature (Clift & Woll, 2012; Helleiner & Pickel, 2005). Focusing on the political strategies that shape markets in favour of a political-economic space of reference and its insiders, economic patriotism constitutes a useful framework to analyse how global changes have led the EU to develop new economic interventionist policy instruments designed specifically to promote EU insiders. From this perspective, European policymakers

develop economic patriotism instruments when they perceive the risks associated with global interdependence. However, this does not mean that policymakers agree on how to do this. Economic patriotism instruments can take many forms as they lie on a liberal/protectionist continuum and vary in their policy targets (insider-/outsider-oriented). Moreover, policymakers can disagree on whether the EU constitutes the major space of reference to tackle these challenges. Rather than a functional fit, the economic patriotism framework points to the role of politics in explaining the design of economic patriotism policy instruments. Rather than one or the other, their design reflects policymakers’ positions regarding both the types (liberal/protectionist) and the spaces (Europeanist/Atlanticist) of desired economic interventionism. Consensus-driven EU policymaking and the constellation of policymakers’ positions constitute the boundaries within which compromises over the design of economic patriotism instruments can be crafted.

This article focuses on EU armament policy. Three factors justify paying attention to this policy. First, it constitutes an unlikely case of EU economic patriotism. Governments retain *de jure* competence over defence procurement while *de facto* overwhelmingly buying US defence equipment (European Defence Agency, 2023; Uttley, 2018). States’ armament policies are therefore embedded in national and transatlantic economic-political spaces, making the EU an unlikely candidate. Second, the war in Ukraine and the prospect of military escalation have given salience to the role of the EU in armament production. Last, while it is linked to military needs, armament policy is also shaped by economic security concerns, as defence firms depend on global supply chains (e.g., for semiconductors) and rely on exports. Armament policy therefore represents a fertile site to observe how, already before the publication of its 2023 Economic Security Strategy, the EU created instruments to secure its industrial and technological capacities. Looking into how these logics play out in armament policy contributes to the growing research agenda on the security-economics nexus at the intersection between international, regional, and domestic policies.

By applying an economic patriotism lens, I argue that geopolitical tensions have led to changes in the type of EU economic patriotism: The EU has turned from liberal- to protectionist-inspired instruments in armament policy, but this turn has been largely constrained by the dissensus among member states over the role of the EU as a political-economic space of reference. In other words, more than before, the EU has become a space of reference in armament policy, but it is still contested and entangled in national and transatlantic ones. The 2009 Defence Procurement Directive represented liberal supranational economic patriotism, with which market-making was supposed to ensure the survival of European defence industries in the transatlantic space. By contrast, the 2021 European Defence

Fund (EDF) represents economic patriotism through subsidies to promote European capabilities. This shift towards a seemingly protectionist instrument reflects, however, enduring conflicts between Europeanist and Atlanticist factions over the role of the EU in defence policy and preferences regarding the types of economic interventionism. The intersection between these dimensions explains what protectionism forms and space are acceptable. Because many states hold a NATO-centred concept of European security, the EDF does not discriminate in favour of strictly defined EU insiders. It creates a broader definition of insiders, as its eligibility criteria are a mix of territorial and functional ones. However, the EDF includes provisions prohibiting foreign constraints on EU-funded actions, thereby providing the EU with more autonomy from its American partner than before.

To explore how current international tensions have shaped economic patriotism in EU armament policy, I look at the two main EU instruments to date: the 2009 Defence Procurement Directive and the 2021 EDF. Based on official documents (regulations, debates, speeches), media outlets, and 12 interviews with public (officials from the EU Commission, Parliament, and four member states) and private (firms, business associations) actors (see Supplementary File for details on the interviews conducted), I analyse whether economic patriotism is discernible, through what kind of economic policy instruments and in what political-economic reference space.

This article mainly contributes to three strands of literature. First, it speaks to scholarship on the impact of global changes on EU policies by showing the lasting influence of the opposition between Europeanist and Atlanticist coalitions in economic policies as in security policies (Hofmann, 2013; Lavery, 2023). This opposition may be more helpful to understand how the EU positions itself regarding the current US–China rivalry than a focus only on the competition between economic paradigms. Second, it complements existing scholarship on EU Common Security and Defence Policy by showing the influence of states' economic preferences in addition to strategic ones. It also nuances our understanding of the EDF as an instrument of EU strategic autonomy, as the fund is open to non-EU actors. Last, because it speaks to the impact of security threats on the development of the EU as a political-economic space, the article also contributes to the debates pertaining to EU state-building (Genschel & Schimmelfennig, 2022; Kelemen & McNamara, 2022). This contribution demonstrates that while the EU has new competencies in armament matters, military capacity-building remains national. This underlines how the EU is entangled in national and transatlantic spaces, thereby invalidating core expectations of bellicist state-building approaches (Tilly, 1992) applied to the EU.

This article is organised as follows. The following section presents the conceptual framework. The third section presents the 2009 Defence Procurement Directive and the fourth analyses the EDF. I conclude by sum-

marising the article's key findings, before discussing how its argument applies to current EU initiatives since the Russian invasion of Ukraine and presenting further avenues for research.

## **2. Between Liberal Openness and Fortress Europe: Linking Types and Spaces of EU Economic Patriotism**

Recent scholarship has started to explore the EU's geopolitical turn (McNamara, 2023; Meunier & Nicolaidis, 2019) as a response to the "new global disorder" (Lavery & Schmid, 2021). This article contributes to this debate based on the economic patriotism literature, which makes two main contributions. First, it helps to jointly conceptualise changes in economic interventionism types and spaces, thereby showing how a shift to protectionism can clash with competing political-economic spaces. Second, by conceptualising a variety of policy instruments beyond neoliberal/protectionist and Europeanist/Atlanticist dichotomies, it sheds light on the mechanisms that produce ambiguity at the level of policy instruments.

### *2.1. The EU's Geopolitical Turn as a Shift in Economic Interventionism Types and Political-Economic Spaces*

The EU's geopolitical turn represents a change in the type of EU economic interventionism away from neoliberalism towards what has been characterised as stronger market activism (McNamara, 2023), neomercantilism (Schmitz & Seidl, 2022), or sometimes protectionism (J. Jacobs, 2019). A second perspective to capture this turn has been the one focusing on spaces and boundaries (Schimmelfennig, 2021). Global changes impact how European policymakers consider the EU as a space and its place in the world. According to Lavery and Schmid (2021), the EU has questioned its strategy of "autonomy through alignment" with the US, seeking more autonomous solutions from its American partner than before. It is no surprise that the concept of "Fortress Europe" has been revived in this context, as it combines assumptions regarding a shift in the type of economic interventionism, i.e., towards protectionism, and one in the reference space, i.e., the emergence of the EU as a political-economic reference space. Fortress Europe is reminiscent of catchphrases much in fashion in Brussels, such as strategic or European autonomy. For Lavery (2023), the EU has not turned into a fortress but has begun a process of "selective fortification" in some policies. He explains the history of the EU's relationship with the US in general, and this outcome in particular, with the struggles between the proponents of the Atlantic Europe and the Fortress Europe conceptions.

These two perspectives need to be brought together. First, focusing on either types or spaces of economic interventionism prevents us from looking at the intrinsic links between the two dimensions. The literature on economic interventionism barely touches upon the

persistent dissensus regarding the definition of EU insiders, which itself points to the enduring competition between transatlantic and EU-centred spaces. The literature on Fortress Europe does not elaborate sufficiently on the shift in economic interventionism towards protectionism. Choices in favour of one type of economic interventionism, i.e., liberal/protectionist, cannot be considered in isolation from policymakers' preferences regarding the place of the EU vis-à-vis its American partner (Fortress Europe vs. Atlantic Europe). To analyse what the EU's geopolitical turn means in terms of EU policies, we therefore need to account for the links and tensions between choices on types and spaces of economic interventionism.

A second dimension to elaborate on is the characterisation of change beyond discourses, i.e., in policy instruments. Extant scholarship agrees that EU responses to current global changes are not consistent with either neoliberal openness or protectionist Fortress Europe. The ambiguity of change has been pointed out at the discursive level, as illustrated by the "open strategic autonomy" motto (T. Jacobs et al., 2023; Schmitz & Seidl, 2022). At the level of instruments, Lavery (2023) points to the selectivity of fortification-cum-protectionism, albeit without detailing the logics behind such selective fortification and how it translates into policy instruments. Understanding the EU's geopolitical turn requires better conceptualising the ambiguity of policy change, by which I mean focusing on policy instruments that neither fall neatly into neoliberal or protectionist categories nor resonate with either Fortress Europe or Atlantic Europe. This is where the economic patriotism framework comes in.

## 2.2. The Geopolitical Turn Through the Lens of Economic Patriotism

Clift and Woll's (2012) economic patriotism framework is embedded in the larger economic nationalism literature. This research agenda focuses on the influence of the national on the economic (Helleiner & Pickel, 2005, p. 2). Rather than an exclusive focus on *nationalism*, Clift and Woll (2012) use the concept of economic *patriotism* to point to a dynamic re-articulation of economic *patriotic* strategies from local to international political-economic spaces. Global and regional economic integration processes have complicated the identification of purely national economic spaces. This is especially so for the EU, where high levels of integration contribute to a re-articulation of sovereignty (Jabko & Luhman, 2019). Consequently, the political-economic space of reference policymakers defend is not necessarily the national state: They can defend local or regional interests. I will refer to economic *patriotism* and to its *patrie* as a political-economic space. This does not refer to a sociological reality but to a territorial imaginary and a cultural-political understanding of a community. Geographical territoriality is not enough as insiders can also be defined based

on nationality or cultural identity. Policymakers do not necessarily see eye to eye on the definition and boundaries of the *patrie* whose members deserve protection. This variance is notable in the European context, where some political factions advocate for national economic patriotism, while others advocate for the EU as the adequate level to regulate trade in the interests of EU firms. This article focuses on top-down economic patriotism, namely the political strategies and institutional tools (policy instruments) policymakers deploy to promote the interests of their political-economic space.

### 2.2.1. The Roots and Aims of Economic Patriotism

Economic patriotism finds its roots in the way policymakers perceive and manage the tensions between their territorially embedded political mandate (e.g., delivering acceptable levels of economic growth or security) and the effects of global interdependence (as discussed by Crouch, 2008, as cited in Clift & Woll, 2012). Global interdependence can help achieve political goals but can also impede them. Currently, policymakers increasingly see interdependence as a cause of vulnerability because dependence on foreign actors is considered less reliable (Farrell & Newman, 2019).

Perceiving risks associated with interdependence leads policymakers to try to defend and/or promote the "autonomy, unity or identity" (Clift & Woll, 2012, p. 313) of their space. Overall, in a context where interdependence is depicted as a source of vulnerability, economic patriotism is a political project by which patriotic political actors aim to make their political-economic space less dependent on the outside in order to regain more control (Clift & Woll, 2012). Fetzer (2021) identifies three ways in which the political economy scholarship has operationalised economic nationalism and patriotism: developing homegrown capacities (developmentalism), economic discrimination in favour of insiders (economic partiality), and attempts at economic self-rule understood as partial autonomy from the outside. These strategies mostly overlap. They do not necessarily aim for autarky but instead for less dependence on foreign actors for critical capacities and more insulation of decision-making from foreign interference. The aim is as much for *autonomy to* act as for *autonomy from* the outside. In doing this, economic patriotism strategies constitute more than a simple response to the risks associated with interdependence. Economic patriotism represents a political project seeking to (re)produce political and economic integration within a territorially bounded space (Pickel, 2003).

### 2.2.2. Explaining the Variety of Economic Patriotic Instruments

Economic patriotism policy instruments can take many forms. First, they can be both protectionist and liberal (Helleiner & Pickel, 2005). Policymakers can promote

territorially-defined interests through liberal measures such as market liberalisation or through protectionist tariffs. Moreover, the liberalism/protectionism binary is more a continuum than a dichotomy, as economies are never either open or closed, but instead exhibit policy instruments that are more or less liberal/protectionist (Clift & Woll, 2012). Second, Clift and Woll (2012) also differentiate economic patriotism instruments according to their policy targets. Some instruments favour insiders, while others regulate the behaviour of foreign actors. This distinction overlaps with economic patriotism forms of economic partiality and self-rule (Fetzer, 2021): Insider-targeting instruments discriminate in favour of homegrown capacities; outsider-targeting instruments try to insulate the political-economic space from foreign influence. Both insider- and outsider-targeting instruments can take more or less liberal/protectionist forms. For instance, political authorities may want to secure the security of the supply of critical minerals through some economic partiality, although not on economic patriotic criteria: A foreign firm can temporarily relocate or respond to functional security criteria to be allocated public funds. Consequently, while they can lean towards one end of the liberal-protectionist spectrum, policy instruments most of the time combine various forms of economic patriotism and various targets.

Clift and Woll (2012) put politics and policymakers' strategies centre-stage to explain the design of economic patriotism policy instruments. Far from being functionally determined, their design results from the creativity of policymakers in juggling tensions between international and local imperatives, and from the need for compromise in varying political settings. Compromises can be achieved through the design of policy instruments. First, policy instruments can offer room for compromise because their design combines more or less liberal and protectionist features, articulated around various insider- or outsider-targeting measures. Second, just as for discourses (Jabko, 2006), policymakers can understand the meanings and aims of policy instruments differently. Instruments can nurture and reflect "creative ambiguity" (Jegen & Mérand, 2014), allowing policymakers with different preferences to support them. The need for compromise is linked to the type of policies and policy settings. Because of consensus-oriented EU policy-making (Kleine, 2014) in general and the influence of national governments over security issues in particular, the EU is likely to adopt economic patriotic instruments that reflect a compromise between the varying positions of states.

States' preferences regarding both the type and space of economic interventionism inform the political conflict in negotiations on EU economic patriotism instruments. First, in terms of the type of economic interventionism, the range of economic patriotism instruments has been historically limited. In a context of dominance of neoliberal ideas, Clift and Woll (2012) expected economic patriotism strategies to take more liberal forms.

Legal and political constraints limited the use of protectionist instruments available to patriotic policymakers. Economic discrimination has been at odds with the liberal DNA of European integration (Rosamond, 2012), making any instrument targeting EU insiders unlikely. Extant scholarship has explained the evolution of EU economic interventionism by the dominance of neoliberals over neomercantilists and socially-oriented coalitions (van Apeldoorn, 2002; Warlouzet, 2018). Second, economic patriotism instruments are shaped by preferences regarding political-economic spaces. In the case of the EU, economic patriotism instruments are influenced by conflicts over the definition of the EU as a political-economic space of reference. Member states hold varying territorial imaginaries and cultural understandings of the place of the EU in relation to other competing political-economic spaces such as the state (whether the EU should be more integrated) but also international spaces. Be it regarding trade or defence, member states are divided between Atlanticist and Europeanist coalitions (Bátora, 2009; Hofmann, 2013), a dichotomy elsewhere called Atlantic vs. Fortress Europe (Lavery, 2023). For the former, the space of reference is transatlantic, with a strong emphasis on the role of the US, while the latter promotes a vision of an EU more insulated from its American partner. Debates on the type of economic interventionism to adopt are not only influenced by this division between Europeanist and Atlanticist factions but are intrinsically embedded in it. EU patriotic actors seeking to develop measures enhancing the EU as a distinct political-economic community are likely to meet resistance from Atlanticists and actors opposing more EU integration per se. A main contribution of the economic patriotism framework is to underline that these space-related and economic preferences need to be assessed simultaneously. How they combine is not a given. Policymakers are rarely unambiguously liberal or protectionist and Atlanticist or Europeanist. Their preferences can slightly shift. How preferences combine or clash opens certain possibilities for change.

The economic patriotism analytical framework offers plausible arguments for how EU policies have evolved in response to new international challenges (Lavery & Schmid, 2021). It points to the intrinsic link—and tension—between the types and spaces of economic interventionism that the EU's geopolitical turn (re)produces. It helps explore whether the shift away from neoliberalism is accompanied by changes in the political-economic space of reference. In the current context where interdependence is, more than before, portrayed as a source of vulnerability, European policymakers across the board are likely to problematise the need for Europe to be more protected from outsiders. How they plan to do this will vary according to their preferences regarding the appropriate type of economic interventionism (liberal/protectionist) and their preferences regarding the EU as a proper political-economic space. Europeanist and protectionist-inspired policymakers in

the EU—especially supranational economic patriotic actors who would benefit from them—are likely to promote new protectionist, supranational economic patriotism instruments, aimed at increasing EU autonomy from the outside and most importantly reducing its dependence on the US. However, an alignment of protectionism with Europeanist preferences is not given. Some may promote protectionism in favour of the transatlantic political-economic space. Moreover, liberal-minded policymakers are unlikely to accept any radical shift away from liberal policy instruments, particularly not at the EU level, which was supposed to be the guarantor of market discipline within and beyond its boundaries. They may, however, accept liberal forms of economic patriotism, which rely on market mechanisms to achieve the survival and prosperity of the political-economic community. Similarly, liberal-minded actors may prefer instruments that regulate foreign actors' behaviour, which are less direct and politically sensitive than insider-targeting economic discrimination. Depending on the policy at stake, liberals can potentially agree on Europeanist- and Atlanticist-leaning solutions.

### **3. Liberal Economic Patriotism as Regional Market Integration: The EU 2009 Defence Procurement Directive**

The Directive 2009/81/EC of 13 July 2009 (2009; from now on referred to as the 2009 Defence Procurement Directive) is a case of supranational liberal economic patriotism through regional market integration (Clift & Woll, 2012, p. 315). Its liberal form is inherently shaped by an ambiguous compromise between Atlanticists and Europeanists as to which political-economic spaces it should promote.

Historically, EU member states have retained competence over their security and defence policy. Based on an extensive interpretation of article 346 in the Treaty of Lisbon (2007), armament procurement has escaped EU single market rules. In the late 1990s, the European Commission started to look into ways of disciplining national armament procurement practices through its competence in competition and industry (Mörth, 2000). For the Commission, only a European “defence market” would ensure competitiveness and hence the survival of the so-called European Defence Industrial and Technological Base. In 2009, the EU adopted its first piece of legislation on armament procurement: the Defence Procurement Directive.

The directive testifies to the predominance of liberal conceptions of EU market regulation and their translation into economic patriotism. Its aim is market-making insofar as it seeks to limit state discretionary practices by introducing competition requirements. During the negotiations (Hoeffler, 2012), France suggested creating a form of EU protectionism by making competition requirements open to EU firms only. The majority of member states rejected this because of both their economic pref-

erences and conceptions of reference spaces. In addition to considering protectionism politically unacceptable and economically disastrous, they opposed EU protectionism because they preferred keeping the EU within a transatlantic NATO-centred space. Moreover, protectionist EU would not only exclude the US but would first and foremost protect French industry.

The directive mostly catered to Atlanticist and liberal positions. From this perspective, market-making is supposed to benefit European firms as it creates more market opportunities across member states. Moreover, the directive included a liberal outsider-targeting clause: The directive's recital 18 called on other states to open their markets too (Directive 2009/81/EC of 13 July 2009, 2009). For EU officials, this was a clear signal to the US, whose domestic market is still very closed to European firms. The directive therefore represents a liberal instrument to promote EU firms in a transatlantic space. This is all the more so as the directive did not alter national competence, which allowed member states to continue to procure US weapons.

While representing a liberal form of economic patriotism embedded in a transatlantic political-economic reference space, the directive gave some satisfaction to Europeanist- and protectionist-inclined governments such as France. First, Atlanticist liberals like the UK and Europeanist protectionists like France could have different readings of the directive. While the former read it as liberal market-opening the latter saw it as a first step towards EU industrial policy: Short of an in-built EU preference, imposing more competition should theoretically make more space for European (French) firms against US ones. At the very least, the directive reflected a consensus on the need to support EU defence firms. Second, the directive contained some indirect financial incentives (exemption from competition rules) for European governments to launch and cooperate in joint armament programmes. Despite being marginal, this element pleased Europeanist governments, who promoted the EU as a new reference space in armament production. This question gained salience on the EU agenda and materialised in the EDF.

### **4. Building Up Europe's Fortress? The European Defence Fund, a Not-So-Protectionist Subsidy In-Between Transatlantic and EU Political-Economic Spaces**

Proposed in 2016 and in force since 2021, the EDF is an EU instrument which co-finances collaborative military research and development projects. It constitutes a shift in the type of EU economic patriotism, from liberal market-making to protectionist subsidies. However, the instrument's design reveals that the shift is more ambiguous than it seems. On the one hand, its eligibility criteria reflect the strength of liberal, Atlanticist preferences among member states, as the EDF is open to a larger political-economic space than the EU. On the other

hand, the EDF includes outsider-targeting provisions that can be labelled as protectionist, as they seek to keep EU-funded actions free from foreign control. I argue that this ambiguous policy design is explained by enduring conflicts among member states regarding the combination of spaces and types of economic interventionism.

#### 4.1. *International Security and the Shift to Subsidies*

The European Commission justified its shift to defence industrial policy by citing international security threats (Håkansson, 2021). A 2013 EU Communication argued that enhanced security threats required the EU to support military capacity-building, inter alia by the EU subsidising military research and development. The December 2013 European Council Conclusions approved this and gave the Commission a green light. A first small-scale pilot project was launched in 2015. The new President of the Commission Jean-Claude Juncker put defence high on his agenda. According to him, growing security risks made it necessary for Europeans to rearm, and the EU provided the most efficient and politically relevant framework to do this. In September 2016, he announced the Commission would propose a fund to finance cooperative armament projects. The Commission consequently launched the 2017 Preparatory Action on Defence Research and the 2018 European Defence Industrial Development Programme (EDIDP), which laid the ground for the larger-scale 2021 EDF.

For many actors, while the international security environment had deteriorated, the Trump administration and Brexit had shown Europeans their vulnerability (Interview 1). This sentiment was shared by Atlanticist countries such as Germany, and even those with the strongest liberal take such as the Netherlands or Sweden (Interview 2; Interview 3). There was a consensus among states that the EDF should serve to reinforce European capacities (Interview 4), and that this should not be seen as against NATO but complementary to it (Interview 5; Interview 3). This was echoed by Ursula von der Leyen, then German Defence Minister, for whom both events represented a “wake-up call—that we need to change things and stand on our own feet....We want to remain transatlantic but at the same time become more European” (Manson & Chazan, 2018). The Parliament and Council agreed with the Commission’s plan to strengthen strategic autonomy: “The EDF respects one major objective: strategic autonomy. Two years ago, nobody but the French were talking about it. Now everybody talks about it.” (Interview 6; Interview 7).

These instruments include clauses targeting both insiders and outsiders. Most of the negotiations happened during the preparation of the EDIDP, which served as a crash test for the EDF: It allowed the Commission to test the ground with member states and firms and fine-tune the instrument’s design. As the EDF heavily draws on the EDIDP and the negotiation periods overlap, I will refer to discussions regarding both the EDIDP and the EDF.

#### 4.2. *Friends With Benefits: A Liberal Definition of Insiders Beyond the EU*

Creating a fund involved creating boundaries as EU funding cannot go into just anyone’s pockets. What kind of boundaries and where to draw them were, however, less clear to the Commission, the European Parliament, and the Council of Ministers:

The real problem we had in negotiations was: who would have access to the fund....The biggest added value of that process was that we defined what a “European” industry is. Because of that question...we were forced to sit down and find a solution....It is a complex one, but it reflects the complexity of Europeans’ situation. (Interview 6)

Negotiations focused on the matter of state participation. There was a consensus that the EDF should be open not only to EU member states but also to EU-associated countries, defined as members of the European Free Trade Association, which are also members of the European Economic Area. The definition of eligible business entities caused more discussion. Member states and firms criticised the Commission’s initial eligibility criterion focused on capital control (Interview 6), as it would not include obvious European businesses such as Airbus. Moreover, the Council and Parliament (through its Commission on Industry, Research and Energy) both wanted to open the EDF to third-state firms. Countries such as Sweden were very vocal about third-state participation. Sweden considered—despite its military neutrality—that NATO should not be alienated from such initiatives, and that closing EU funds represented protectionism, which ran against Swedish interests and political DNA (Interview 8). Except for the Czech Republic and Poland, most Eastern and Central European countries were reluctant, as they do not have firms which could benefit from such funds (Interview 9). While European defence industries were generally supportive of such funds, they were divided over the degree of concentration on EU-only actors. With Brexit, the participation of UK firms was encouraged (Interview 10). Others insisted on the need to develop truly European equipment if Europe does not want to be limited to “Ikea-style” assemblage tasks in the future (Interview 11).

The compromise was eligibility based on territoriality and autonomy from foreign interference. A recipient should be located within the EU, as should its infrastructure, assets, and executive management, and a third entity should not control it. However, three derogations were introduced: A third-party-controlled entity located in the EU could be eligible, provided it can guarantee its ability to act without foreign restraint or contravene the EU’s security interests and that it can keep sensitive information and intellectual property within the EU and associated state boundaries. Entities located in third states can participate if there is no competing alternative

in the EU or if member states wish to cooperate with third states, provided they respect security guarantees. In these two scenarios, third-state participating firms cannot, however, receive EU funding.

Therefore, as an insider-targeting measure, the EDF does not create protectionist EU-centred economic discrimination. First, in terms of participating states, the EDF does not cater to the EU as a political-economic space but to the “EU + associated members.” This translated into Norway joining the EDF. Secondly, because the eligibility of firms is based on territoriality and functional criteria, foreign firms can benefit from EU funds. For instance, four Canadian, US, and Japanese firms participated in EDIDP programmes. Those functional boundaries illustrate the compromise between an agreement among policymakers over the need for more “home-grown” capacities and more security of supply on the one hand, and the overall preference in favour of market openness (against any EU preference), on the other. This is even more true given that the EDF does not alter the legal framework of national armament policies, which mostly remain open to foreign firms.

#### *4.3. No Strings Attached: EU Autonomy From Foreign Interference*

In addition to its eligibility criteria, the EDF also reflects economic patriotism strategies through its provisions targeting outsiders. Those pertain most importantly to intellectual property rights and export restrictions. EU texts have grown more constraining. Contrary to the Commission’s EDIDP proposal, the adopted EDIDP and the EDF state that intellectual property resulting from funded action should not be controlled or restrained by third states or third-state entities. Third parties cannot control or restrain the use of funded actions, including their export. This was specifically thought of as the “anti-ITAR [US International Traffic in Arms Regulations]” clause (Interview 6). ITAR allows the US administration to control the trade in defence products containing any US component. This has extraterritorial reach and therefore applies to equipment owned by other states.

EU policymakers have agreed on economic self-rule clauses as they shared the aim of having control over capacities resulting from the EDF. However, they shared different understandings of what this meant in terms of economic patriotism. For some, the insertion of such clauses was intimately linked to some “European preference” even if they did not use this language to accommodate Atlanticist/liberal member states (Interview 6). For Atlanticists, these provisions were acceptable because they did not amount to protectionism, and because autonomous European capacity was meant as a way to strengthen NATO (Interview 5; Interview 12).

The backlash from the US that these provisions created testifies to the fact that the EDF had been read as protectionist by some. In February 2018, ahead of a NATO Defence Ministers meeting, the US Ambassador to

NATO K. B. Hutchison warned that:

We do not want this to be a protectionist vehicle for the EU. And we’re going to watch carefully, because if that becomes the case, then it could splinter the strong security alliance that we have....We want the Europeans to have capabilities and strength, but not to fence off American products, of course. Or Norwegian products. Or potentially UK products. (Hutchison, 2018)

The US administration has also directly lobbied several European governments such as Austria, Belgium, the Czech Republic, and Poland (Gros-Verheyde, 2019). In early May 2019, two US undersecretaries sent a letter to High Representative Mogherini warning Europeans against possible US retaliation should the European Fund discriminate against non-EU firms. While they applauded the possibility of including third-state parties in the EDF, they criticised the conditions for such inclusion, the intellectual property rights, and the restrictions put on foreign (US) export controls.

Despite this lobbying campaign, the clauses remained. Because US lobbying intervened late in the process, member states could use the EU decision-making machinery as an excuse for being unable to change or block the proposal. Moreover, Europeans—Atlanticists and those wanting to give the EU more autonomy—explained at length that the EDF did not challenge NATO or the US. Turning the argument around, the Commission responded to the US government that, if anyone, it was the US that was protectionist. Some European voices, even in the German Conservative party, expressed doubts about the sincerity of the US critique, claiming the administration was less concerned about transatlantic unity and security than about securing access by US industry to European markets (Manson & Chazan, 2018).

#### **5. Conclusions: Military Build-Up Act in Support of Ammunition Production but With Whom?**

Does the EU’s geopolitical turn represent a concomitant shift in the types and spaces of economic interventionism towards EU-centred protectionism? Based on the economic patriotism framework, I have argued that it is not the case in armament policy, which displays continuing disagreements between Atlanticist and Europeanist visions of the EU as a political-economic space. However, this article has nevertheless shown an evolution in the form of economic patriotism. The 2009 Defence Procurement Directive reflects a compromise over liberal instruments of economic patriotism with, on the one hand, no economic discrimination in favour of insiders, and, on the other hand, a call for outsiders to open their markets. In contrast, the 2021 EDF corresponds to what is usually considered a protectionist instrument of economic patriotism, namely subsidies for



capacity-building. This evolution from liberal to protectionist economic patriotic instruments is best explained by the shared problematisation of economic and security interdependence, which created a consensus that Europeans should develop homegrown military capacities. How to do this was more contested among member states and the Commission. Economic provisions shielding the EU from the extraterritorial reach of US laws were easier to agree on than a patriotic definition of EU insiders, which clashed with Atlanticist and liberal-minded governments.

While it is too early to make definitive judgments about the impact of the war in Ukraine on the EU's role in armament production, current EU developments seem to validate expectations regarding the factors shaping the emergence and forms of EU economic patriotism in the armament sector. The risks associated with dependence on foreign actors have pushed Europeans to agree on the need to develop more military capacities with the financial support of the EU. This raised the question of how autonomous the EU should be militarily. Divergences between EU actors seeking protectionist solutions led by Commissioner Breton and more Atlanticist or liberal actors such as the European Parliament partly explained the delay in the adoption of the EU joint procurement instrument, the European Defence Industry Reinforcement Through Common Procurement Act. In March 2023, governments and the Commission agreed on a three-track solution that seeks to accommodate the various positions. Whereas the urgency of military capacity-building justified removing any economic-patriotic criteria for the use of EU funds in the short-term (Act in Support of Ammunition Production), long-term measures pertaining to joint acquisition and military ramp-up are supposed to be less open to non-European firms. Whether this will take place is uncertain, but it would constitute a notable step towards the creation of a Fortress Europe in armament, combining protectionist instruments with the EU as the main reference space.

Overall, the EU armament policy displays a dynamic comparable to other policies such as trade (T. Jacobs et al., 2023; Schmitz & Seidl, 2022) and critical minerals (Riofrancos, 2023). Driven by economic patriotic actors such as Commissioner Breton, the EU is trying to become less dependent on outsiders through a mix of policy instruments. However, this may differ across policies depending on the strength of the attachment of European policymakers to the transatlantic community and the dependence of EU firms on the US. Because of the historical role of NATO and the dominance of the US defence industry, more European autonomy in armament production is less likely than in other policies where such an idea is more politically acceptable and technically achievable. For instance, the war in Ukraine has shown that EU capacity-building in ammunitions and in vaccines, as was the case during the Covid-19 pandemic, are two different ball games. Further research needs

to investigate policy-specific variations in the Atlanticist vs. Europeanist preferences of European policymakers in a context in which US and European domestic politics may jeopardise trust among allies. Last, the recent European Economic Security Strategy testifies to the growing entanglement of economic and security logics in EU policies. Armament production shows how the EU's shift away from liberalism does not, so far, translate into EU-level protectionism. In the language of the Economic Security Strategy, the EDF relies on a mix of promotion and protection: The EDF *promotes* European firms, but only as part of a circle of insiders larger than the EU, and only protects them insofar as it insulates European decision-making from foreign interference. Far from a Fortress Europe in arms, the EDF and current initiatives reveal how the EU is trying to walk the fine line between securing EU defence industrial capacities on the one hand and cultivating the transatlantic security space on the other. Achieving both is a very delicate balancing act. Understanding what the EU will make of its economic strategy in the years to come requires going beyond dichotomies such as Atlanticism/Europeanism and liberalism/protectionism and looking at how they combine in specific policy instruments.

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### Conflict of Interests

The author declares no conflict of interests.

### Supplementary Material

Supplementary material for this article is available online in the format provided by the author (unedited).

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