

**NEWS – ECIPE PRESS RELEASE – NEW OCCASIONAL PAPER**

# **The 8 Percent Approach: A Big Bang in Resources and Capacity for Europe's Economy and Defence**

*By Ismail Abdi, Andrea Dugo, Fredrik Erixon and Lauri Tähtinen*

**Brussels, 3 March 2025** - Every now and then, history presents us with new problems requiring profound strategic change. Now is such a moment for Europe – and not just for the region's defence. Yes, Europe's military remains weak, but Europe's geopolitical power is also undermined by its poor economic performance and laggard status in technological change – both factors that reduce Europe's power to shape its own outcomes. While EU leaders have long emphasised the need for increased Research and Development (R&D) and a thriving entrepreneurial sector, progress has largely been absent. Business investment and foreign direct investment have declined, overregulation stifles innovation, and productivity growth continues to decelerate.

Europe is now under severe geopolitical stress – now exacerbated by the Trump administration's cavalier attitude to a revanchist Russia and the gradual breakdown of international rules for peace and prosperity. While defence expenditures are rising, with countries like Poland emerging as serious military powers, the reality is that it goes too slow across Europe. This paper outlines current modes of strategic thinking in European countries, and the dominant modes mix the political personality of a bean counter with the psychology of paralysis. Russia, despite its war in Ukraine, is rapidly rebuilding its military strength and with the support of like-minded partners, is seeking to dismantle the liberal world order. European NATO members collectively meet the 2% defence spending target, but everyone knows this level of spending is wide off the mark for Europe to be able to protect itself and deter aggressors. Moreover, Europe should also make stronger contributions to peace and security in other regions in the world, where Europe also has interests to protect. On current trends of military spending, however, Europe is not capable of being an international power.

***"Now is a time for profound change in resources,"*** says Fredrik Erixon, one of the authors of [the Paper](#). ***"For Europe to be a master in its own house and make contributions to Indo-Pacific security, European spending on the military now should be equal to 4 percent of GDP. For Europe to get back to the technological frontier, we should now be at a level of R&D spending that stands at 4 percent of GDP as well",*** he says. This translates to EUR 720 billion for each sector, a significant increase from current spending levels.

Beyond funding, Europe must foster innovation, streamline its defence industry, and strengthen global alliances, particularly with the Indo-Pacific. Additionally, Transatlantic cooperation should be modernised and updated for a new century and new political leadership.

***"Incremental change is no longer an option—Europe must overcorrect, invest boldly, and reclaim its strategic influence to ensure long-term prosperity and security,"*** says Lauri Tähtinen, another author of the Paper. Most countries with an ambition to raise spending on the military and R&D are moving gradually – hoping that many problems can be deferred into the future. ***"Europe's security problems are immediate and cannot be fixed with budget planning that is based on risks of war in the future – at some point in the 2030s. Threats are immediate and we need resources and coordinated policies now that can help to create necessary capacity for Europe to deter enemies",*** he says.

---

**Publication details:** [The 8 Percent Approach: A Big Bang in Resources and Capacity for Europe's Economy and Defence](#), ECIPE Occasional Paper No. 02/2025.

**Author presentation:** Ismail Abdi is a Research Assistant at ECIPE. Andrea Dugo is an Economist at ECIPE. Fredrik Erixon is the Director of ECIPE. Lauri Tähtinen is the CEO of Mission Grey and a non-resident Senior Associate at CSIS.

**Contact the corresponding author:** Fredrik Erixon, [fredrik.erixon@ecipe.org](mailto:fredrik.erixon@ecipe.org)

**Media inquiries:** [info@ecipe.org](mailto:info@ecipe.org) or +32 2 289 13 50