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Neighbors in Arms

The prospects for EU-Ukraine defense-industrial integration

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Summary

The EU and Ukraine are in a time-limited window to achieve their defense-industrial integration. Ukraine's wartime production base has expanded significantly since 2022, while the EU has developed a defense policy and financing toolkit that combines long-term industrial integration, capability development, and crisis-response support. The new EU instruments treat Ukrainian firms on equal or near-equal footing with other European entities for procurement and funding purposes—a level of formal access earlier EU frameworks did not provide. However, converting that access into practical integration will depend on action at the level of the EU institutions, the member states, and Ukraine's government. This evolution in the EU, combined with Ukraine now being firmly on the accession path, opens up a logical next step for Ukraine's defense-industrial sector: translating its unprecedented wartime growth into deeper integration with the EU's defense-industrial base.

This paper reviews the EU's most recent defense-industrial policy developments, including the shift from fragmented coordination to large-scale defense-sector mobilization through the evolution of its policy and financing toolkit. It also shows the unprecedented access for Ukrainian firms to new EU frameworks. However, there is a structural asymmetry between EU-level eligibility and national-level implementation. The EU sets participation rules but procurement decisions, certification requirements, and security clearances remain the domain of individual member states. If they default to protectionist or nationally concentrated procurement strategies during the current rearmament wave, Ukrainian firms risk structural marginalization despite their formal inclusion in EU frameworks. The same will apply if Ukraine's government is too late in lifting its export controls. To achieve the win-win cooperation that will strengthen defense autonomy for the EU and Ukraine, several steps are needed.

At the EU level, the EU–Ukraine Task Force on Defence Industrial Cooperation should be used as a standing platform to track which member states include Ukrainian firms in procurement and joint ventures, with senior representatives from national procurement agencies added to it directly, and with funding made available for technical assistance to Ukrainian firms on certification, security clearance, and joint-venture preparation.

Member-state governments should identify specific capability areas open to Ukrainian participation, communicate procurement needs early enough for Ukrainian and domestic firms to prepare jointly, and extend national guarantee or insurance instruments to cover co-production and joint-venture investment with Ukrainian partners.

In Ukraine, regulatory predictability, certification alignment, and intellectual-property safeguards are essential to reduce risk in investment by and collaboration with EU firms. A controlled allowing of exports of defense technologies at the core of the approach. Ukraine must do it now, not after the war, while its firms enjoy greater local demand and investments, giving them a solid domestic foundation from which to enter EU markets. The opportunity must be seized because the window for defense-industrial integration between the EU and Ukraine will narrow as procurement cycles and industrial partnerships solidify over the coming years.

Introduction

The EU and Ukraine are in a narrowing window in which wartime industrial acceleration in the latter converges with the former's historic shift toward large-scale defense investment and common procurement. High-intensity warfare since the full-scale invasion in 2022 has transformed Ukraine into a rapidly growing defense production hub that generates battlefield-tested technologies, entrepreneurial dynamism, and manufacturing capacity at unprecedented speed.

Defense exports are currently heavily controlled, but the government lifting its wartime limits to allow Ukrainian producers to respond to rising global demand is discussed as a matter of when rather than if, and this looks increasingly possible. In February 2026, the government allowed very limited and strictly regulated exports.[1] Simultaneously, the EU has moved from fragmented coordination focused on research and development (R&D) to finance-backed industrial mobilization under several new instruments. This effort aims to increase collaboration to reach better interoperability among member states and economies of scales.

This overlap is contingent and time-sensitive. As the EU increases its defense spending and retools its defense-industrial base in response to the possibility of the United States withdrawing its security umbrella from Europe and to long-term security threats, decisions taken now will determine whether and to what extend Ukraine becomes embedded within the emerging European defense-industry architecture. An eventual ceasefire would likely see demand in Ukraine slow down, but allowing exports in a timely manner would allow Ukrainian producers to enter new markets and establish themselves as parts of international and European supply chains. Therefore, this moment offers a rare alignment between Ukraine's industrial momentum and the EU's rearmament drive.

This paper is premised on the expectation that Ukraine will move toward the liberalization of its defense exports. Once restrictions are lifted, the defense industry, particularly the producers of cost-efficient and battlefield-tested solutions, will become a potential supplier to European markets. However, this faces the obstacle that defense procurement in the EU remains largely a member-state domain, even with the creation of EU-level incentives and funding frameworks.

This paper looks at the prospects for defense-industrial integration between the EU and Ukraine. It addresses three questions. First, what structural changes have occurred within Ukraine's defense industry since 2022, and how sustainable is the acceleration under current financing conditions? Second, to what meaningful extent do the new EU instruments enable Ukrainian participation in common procurement and industrial cooperation? Third, what could be done at the EU, member-state, and Ukraine levels to address major obstacles and gaps and to ensure smooth defense-industrial integration?

The paper examines the EU financing structures, incentive systems, procurement architecture, and frameworks that will determine whether defense-industrial integration materializes fully. It identifies structural obstacles that affect the process. It argues that the decisive question is whether financial incentives, procurement sovereignty, and regulatory predictability in the EU align sufficiently to embed Ukraine within the emerging European defense-industry architecture.

The analysis is based on open-source data, publicly available EU regulatory documents, budgetary information, and market data. Firm-level and sectoral dynamics are derived from open corporate databases and official Ukrainian government portals. This data is complemented by semi-structured interviews with policymakers, defense-industry actors, and policy experts in Ukraine and selected EU member states, as well as by information from conferences and industry events in Ukraine and the EU.

The EU's Evolving Toolkit

Over the past decade, the EU has developed a layered defense policy and financing toolkit combining long-term industrial integration, capability development, and crisis-response support instruments (see Table 1). Its earlier architecture centered on Permanent Structured Cooperation (PESCO), a framework for voluntary defense cooperation among member states that does not receive EU budget funding, and the European Peace Facility (EPF), an instrument for supporting the EU's external partners and for responding to crises, including through military assistance, financed through contributions by all member states. Between 2022 and 2024, the EU mobilized €6.1 billion under the EPF to address Ukraine's military and defense needs.[36] The European Defence Fund was created under the EU's annual budget to support collaborative defense research and capability development, complemented by the EU Defence Innovation Scheme, which is aimed at integrating small and medium-sized enterprises (SMEs), startups, and nontraditional innovators into the defense-industry ecosystem.

Following Russia's full-scale invasion of Ukraine in 2022, the EU significantly expanded its defense-industrial financing architecture. The White Paper for European Defence—Readiness 2030 and the broader ReArm Europe plan set the strategic direction for strengthening its defense technological and industrial base, mobilizing public and private capital. This framework is operationalized through new instruments such as Security Action for Europe (SAFE), which provides up to €150 billion in loans to member states for defense procurement and industrial investment, and the European Defense Industry Programme, which allocates €1.5 billion in grants for collaborative industrial projects and includes a dedicated Ukraine Support Instrument. In parallel, building on the Readiness 2030 white paper, the European Commission has proposed creating a new European Competitiveness Fund, as part of which the budget for defense and space would be increased fivefold to €131 billion under the EU's 2028–2034 Multiannual Financial Framework (MFF). This fund would start operating in January 2028. The European Commission aims to further increase EU support for defense and dual-use technologies across the full investment cycle—from research and innovation to procurement and commercialization, reflecting a broader shift toward strengthening defense readiness, industrial capacity, and technological competitiveness.

However, EU-headquartered defense and dual-use startups have a problem accessing capital. The EU is gradually recognizing that an increasing number of them are choosing the United States as their primary base due to easier access to capital there. In his 2024 report on European competitiveness, former European Central Bank president Mario Draghi identified limited access to finance as a core barrier preventing EU technology firms from scaling and competing globally.[37] In the case of defense and dual-use technology products, access to private capital is shaped by three sector-specific factors. First, environmental, social, and governance (ESG) constraints still limit capital flows in many cases. The shift to recognizing it as a contributor to institutional resilience and national security has

Table 1. The EU Defense Policy and Financing Toolkit

Permanent Structured Cooperation—PESCO (2017)	Framework for defense cooperation among member states, at the time of writing encompassing more than 70 collaborative capability and training projects across the land, maritime, air, cyber, and space domains. It is focused on long-term capability coordination and does not receive dedicated funding from the EU budget.
European Peace Facility—EPF (2021)	Instrument aimed at enhancing the EU's ability to prevent conflicts, to build and preserve peace, and to strengthen international security and stability, with a ceiling of €17 billion. It is primarily aimed at financing member states' procurement contracts.
European Defence Fund—EDF (2021)	Instrument for supporting collaborative defense research and capability development, funded directly from the EU budget. The sum budgeted for it in the 2021–2027 Multiannual Financial Framework is €7.3 billion development projects. Financial support is offered primarily through grants of up to 100% of eligible costs. The fund is structured along 34 categories of actions designed to cover all military domains and key enabling technologies. Its 2026 program earmarks €1 billion for collaborative research and development (R&D).
EU Defence Innovation Scheme—EUDIS (2021)	Scheme set up under the EDF to support smaller industry players and innovators, with €1.46 billion sourced from the EDF and €400–500 million from other public and private sources.
White Paper for European Defence—Readiness 2030 (2025)	Offers solutions to strengthen the defense industry by closing gaps and ensuring long-term readiness, suggesting ways for member states to invest in defense, to buy necessary equipment, and to support defense-industry growth. It is a base for all the recent defense funding and common procurement initiatives, and it was translated into the €800 billion ReArm Europe plan. Financing comes from activating the national escape clause of the Stability and Growth Pact to allow member states to increase their defense spending through additional debt and higher deficit levels, launching the SAFE loan instrument (see below), supporting the European Investment Bank in broadening its lending to defense and security projects, and accelerating the savings and investment union to mobilize private capital.
Security Action for Europe—SAFE (2025)	Loan instrument that should be functional up to 2030 to provide up to €150 billion to member states for investments in defense capabilities. The goal is to increase their investments through common procurement from the European defense industry, focusing on priority capabilities based on submitted National Defense Investment Plans. Funds will be raised by the European Commission. SAFE supports the procurement of priority defense products by member states in which no more than 35% of component costs originate from outside EU and European Economic Area- European Free Trade Association countries or Ukraine.
European Defence Industry Programme—EDIP (2025)	Makes available €1.5 billion in grants for 2025–2027 to boost the defense industry. It is oriented at collaborative industrial projects designed to contribute to the development of member states' military capabilities, to increase interoperability and interchangeability, and to facilitate access to the defense market for small and medium-sized enterprises, mid-capitalization firms and startups.
European Competitiveness Fund—ECF (proposal)	Proposed new fund that would increase the budget for defense and space to €131 billion under the 2028–2034 Multiannual Financial Framework. It would offer support through diverse funding tools (grants, equity, debt financing, procurement) throughout the investment journey from R&D to procurement and commercialization.

not yet fully penetrated mainstream investment and traditional banking frameworks. Second, governments are often the primary or the only buyers of defense and dual-use products produced in a country. Their openness to emerging firms, transparency regarding what is expected to be procured and in what quantity, and procurement criteria, as well as the informal rules of military acquisition ecosystems, significantly affect startups' ability to grow. This directly influences investor appetite. Third, there is growing attention from private investors to the emerging ecosystems of dual-use "deep-tech" startups (for example, in artificial intelligence, robotics, and quantum technologies) across major EU universities and innovation hubs. This is supported by government funding, the NATO Innovation Fund (which invests €1–15 million to build venture capacity), and other initiatives aimed at strengthening Europe's strategic technology base.

Is Ukraine Ready?

Ukraine's defense industry has a growing body of know-how and has demonstrated the capacity for fast technological advance, which allows it to offer products and solutions at a fraction of the cost that EU countries currently spend on similar ones.[38] This makes it highly relevant for the EU's goals of competitiveness and self-sufficiency as set out in the Readiness 2030 white paper and the ReArm Europe plan.[39] Ukrainian firms are able to produce highly relevant, battle-tested products. They also have significant room for growth, supported by sustained domestic demand, and they are interested in selling their products to EU countries in the future or in co-production joint ventures with EU firms.

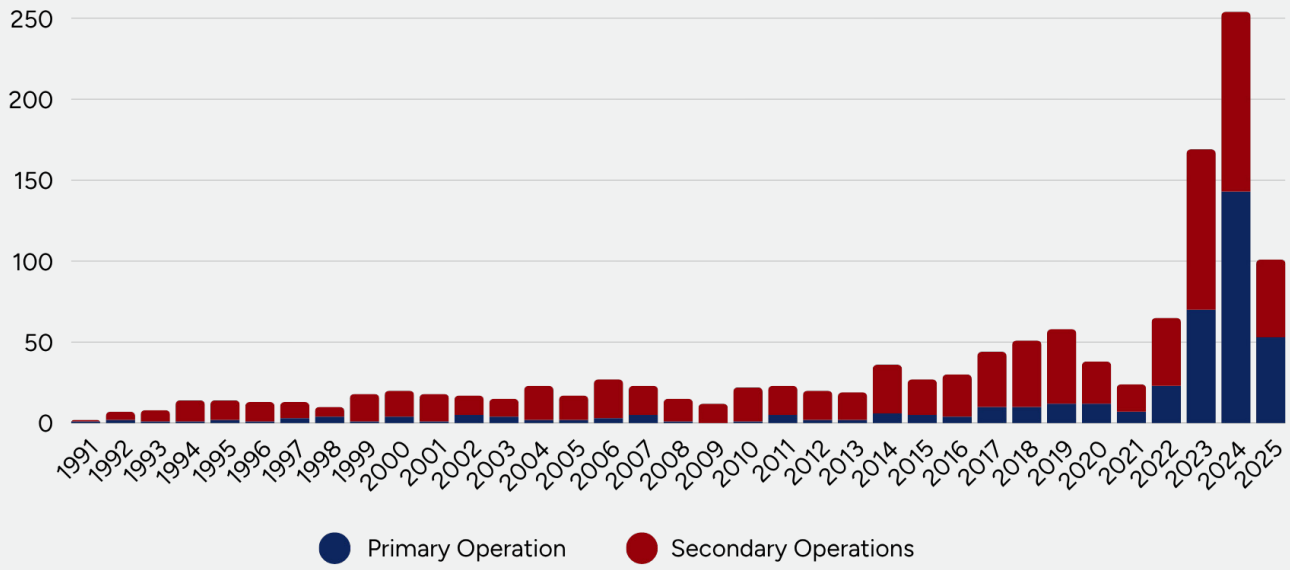
Ukraine has proved itself to be able to unfold from scratch the serial production of battlefield-relevant, high-tech innovative weapons since 2022 under the harsh conditions of ongoing war, with Russian strikes targeting weapons production, logistics, and the electricity network. The combination of urgent need, national determination, a wealth of technology talent, and massive foreign financial aid made it possible for the government to devote enough resources to domestic weapons procurement.

Ukraine's emerging defense-industry sectors that produce long- and middle-range drones, software solutions, and electronic warfare systems could make EU-Ukrainian joint ventures an attractive proposition for targeting different markets in Europe and other parts of the world. People in and around the defense sector say that the domestic market could also easily absorb up to ten times more ammunition and weapons if the funding effort were to be increased.

Ukraine's defense industry has rapidly evolved from having a few large producers of weaponry developed in the Soviet era (tanks, rocket engines, armored vehicles), mainly servicing the countries of the former Soviet Union's sphere of influence, into a production hub for high-speed wartime innovation. It went from $1 billion in production capacity in 2021 to $35 billion in 2025, according to the Ministry of Defense.[40] The war years have seen as much entrepreneurial activity as the previous three decades of peace through a blend of legacy production and knowledge hubs with emerging private players.

The number of private firms with arms production as their primary operation has doubled since 2022, and grown fivefold in the case of SMEs.[41] According to the Ministry of Defense, there were 100 primarily Soviet-era state-owned firms and 800 private firms in the defense industry at the time of writing.[42] The former are mainly in traditional sectors such as aircraft production and maintenance, tanks and armored vehicles design and production, and missile and space systems component design and production. The private ones are concentrated in emerging industries such as drones and electronic warfare. These firms accounted for 300,000 workers, or about 4% of the employed population. To put this into perspective, agriculture—the economy's core industry—accounts for 6.5% of the employed population. The defense industry's share of GDP is not publicly available and cannot be reliably derived from existing data due to the current official statistical classification framework. The four years of war have produced as many firms in the industry as the preceding three decades of peace—of all new ones registered since 1991, 46% were registered between 2022 and 2025. (See Figure 1).

Figure 1. New Defense Firms Registration per Year, 1991–2025.



Source: YouControl.

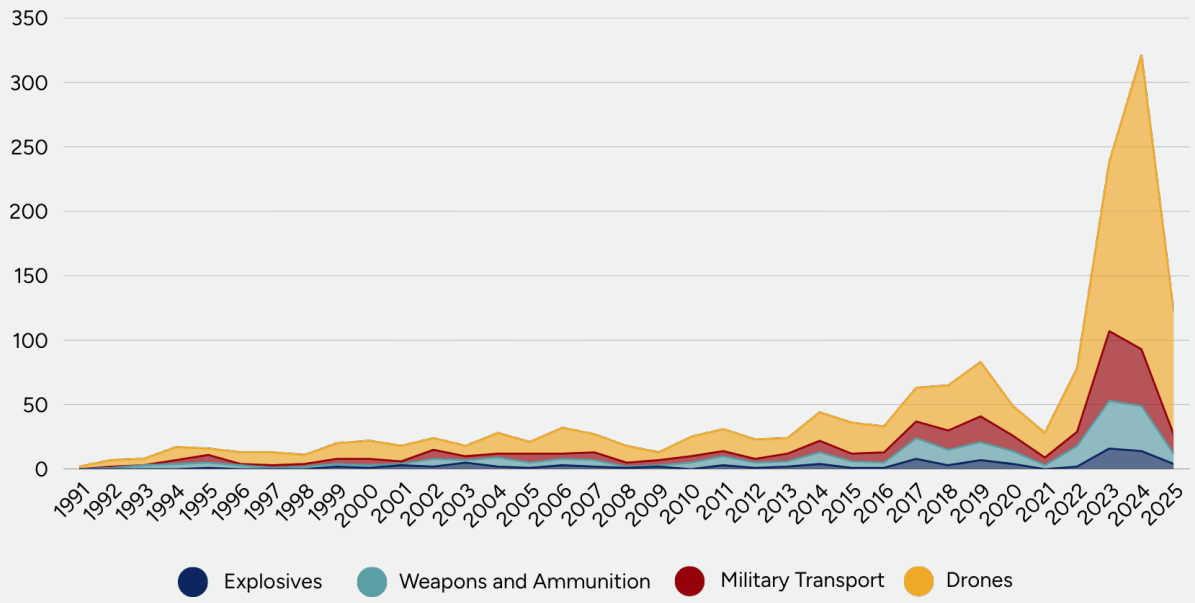
Note: Companies register under one primary operation code and may also select several secondary operation codes. For example, a company may be registered primarily for steel-pipe production while also having a secondary code for weapons manufacturing if it produces defense-related products.

Note: Firms included are legal entities with at least five employees, registered under codes of economic activity for explosives, weapons, military transport, aircraft as either their primary or secondary operations. The data does not include communications equipment (partly used in electronic warfare) and other dual-use sector or supplier firms in related sectors, such as precision manufacturing, optics, electronics, and turbine engines.

Ukraine's modern military-technology sector, including drones, is developing quickly, with many new firms appearing since 2022 (see Figure 2). It should be of most interest for foreign investments and integration in the EU defense-industrial ecosystem. Drone production experienced probably the biggest boom in Ukrainian manufacturing history, after the industrialization of the soviet era. For example, as of January 2026, 1,000 interceptor drones were being produced daily, compared to none before the full-scale invasion. The number of firms with the aircraft sector as their field of primary operation (under which drone production is mainly categorized) has increased almost fourfold from 2021 to 2025, alongside a significant expansion of capacities.

The traditional sectors of the defense industry are dominated by long-standing players (known as "primes"), with imports and Western in-kind aid filling critical gaps. The barriers to entry in these sectors, including their capital intensity, are higher, and the scale of imports for these products is high. Industry newcomers are not choosing these sectors as much as others, such as the emerging drones one.

Figure 2. New Defense Firms Registration per Year/Sector, 1991–2025.



Source: YouControl, data as of end 2024

Note: Totals exceed 100% because of firms' registration under multiple industry codes. Firms' revenue from their various operations may present a different picture, but the available data do not allow for distinguishing between defense and non-defense revenue for firms that do not operate only in defense-industry sectors

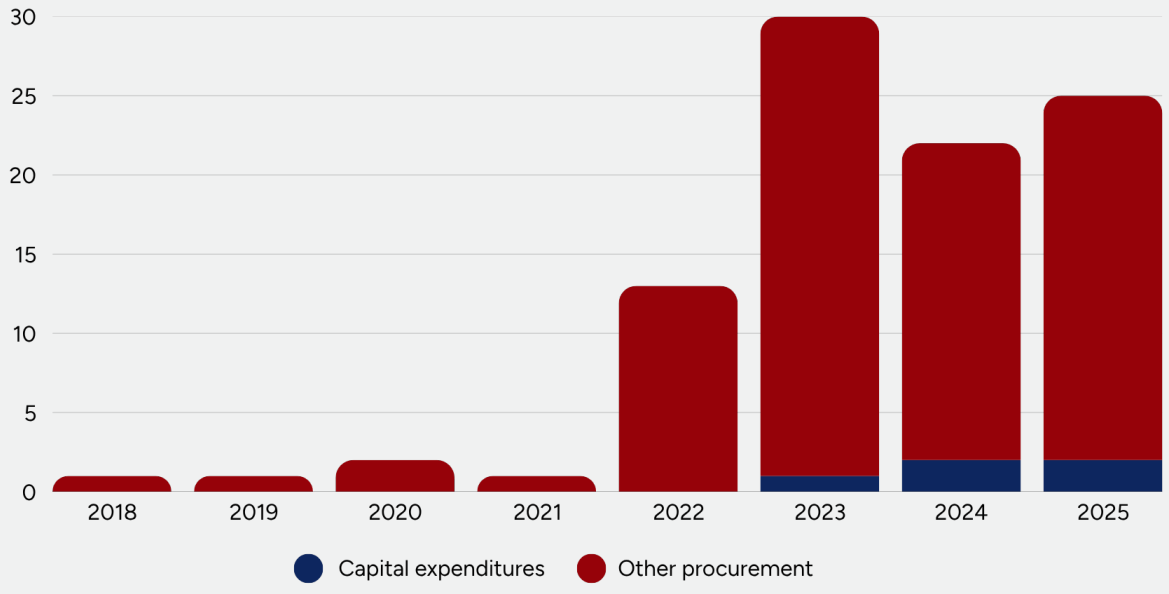
Note: Firms included are legal entities with at least five employees, registered under codes of economic activity for explosives, weapons, military transport, aircraft as either their primary or secondary operations. The data does not include communications equipment (partly used in electronic warfare) and other dual-use sector or supplier firms in related sectors, such as precision manufacturing, optics, electronics, and turbine engines.

The biggest players in military transport production are well-established firms (for example, Ukrainian Armor) that were launched in the 1990s or early 2000s. They have a long history of relations with the state and are well known in the military market. The situation is similar in explosives production (for example, Pavlograd Chemical Plant). In weapons and ammunition production, a few firms that entered the market after the annexation of Crimea and the outbreak of the war in Donbas in 2014 account for a significant share of production, with the remainder accounted for by a group of medium-sized and expanding firms. A limited number of firms, primarily Soviet-era ones, such as Motorsich, produce highly complex components for aviation and rocket engines. However, production cannot easily be increased, given the technological sophistication of their products. There have been new entrants in this sector—including Fire Point, a major player that produces Flamingo missiles—but their number is far lower than that of firms entering drones production.

The boost in wartime procurement has been the driving force behind the expansion of the defense industry. The government has increased annual capital investment in defense eightfold and in military procurement sixteenfold compared to prewar levels. The state spends over €20 billion annually on defense-related goods and services, including weapons, ammunition, drones, and other types of military goods, compared to approximately €1.5 billion on average before the war according to state budget data (see Figure 3). A significant share of contracts has been given to local producers, incentivizing them to increase their capacity.

Ukraine's procurement system is structured to ensure rapid and continuous feedback from the battlefield—during the biggest and longest war in Europe since the Second World War. Initially organized around centralized state procurement and brigade-level purchasing, it is now further institutionalized through the development of

Figure 3. State Defense Capital Expenditures and Other Procurement (€ billion).



Source: Openbudget, National Bank of Ukraine.

DOT-Chain Defense, an IT system that the Ministry of Defense launched in 2025 to regulate the procurement and supply of drones to the military.[43] This system reinforces the relevance of domestic producers: products are selected, adapted, and iterated in response to immediate operational needs, with frontline commanders as the ultimate decision-makers rather than remote procurement officials.

It is likely that defense procurement levels will remain high for some time, therefore preserving the incentive for firms and private individuals to continue investing in defense-industrial capacity.

The EU's Readiness for Integration

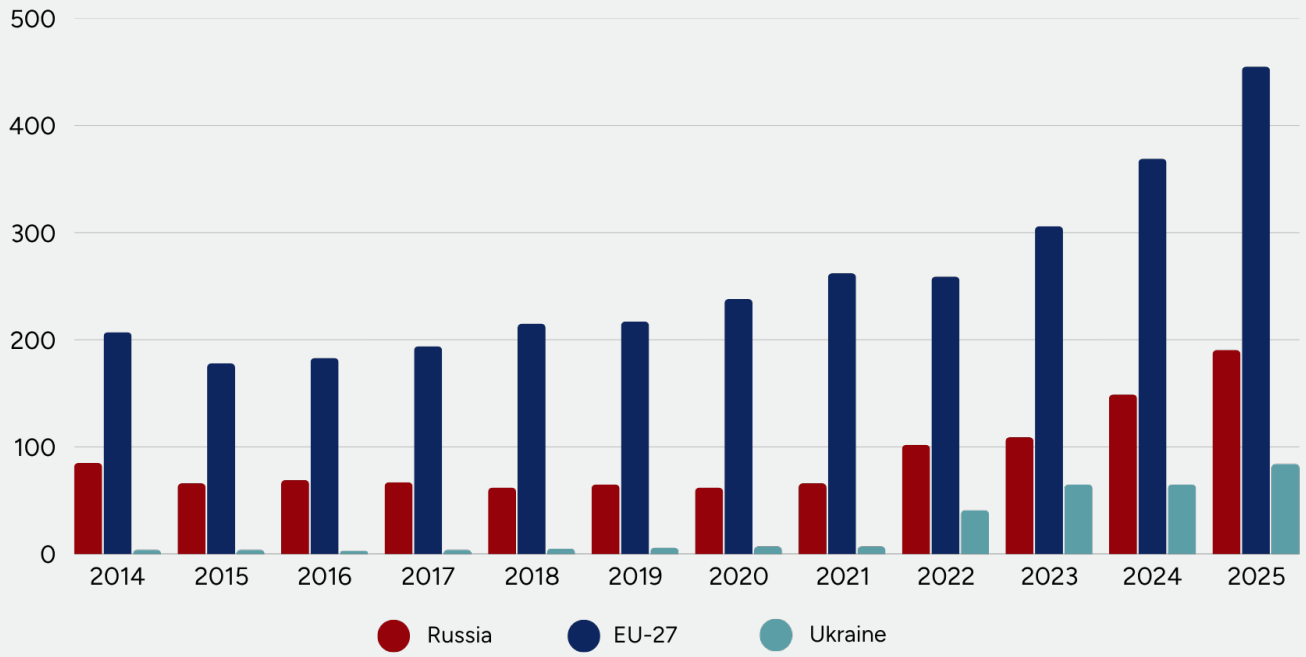
The geopolitical threats the EU faces, and will likely keep facing for some time, are causing it to accelerate its rearmament. The EU is increasing its military spending and, as noted, has been expanding its defense policy and financing toolkit. As part of this, it aims to enable integration with Ukraine's defense industry on an unprecedented scale. The modernization of the country's defense technological and industrial base as well as its gradual integration into Europe's are among the key EU goals.[44] Support for Ukraine and its defense industry is also included into the European Commission's proposal for the EU's 2028–2034 MFF.[45] However, the procurement decisions and implementation practices of member states will ultimately determine the impact in Ukraine.

When it comes to military expenditure, the EU is far ahead of Russia, having outspent it almost threefold by €2 trillion over 2014–2025 (see Figure 4.) But the gap should be much bigger given their respective economic size, with the combined economies of the 27 member states is about nine times larger than Russia's in nominal GDP terms.[46] However, the EU has chronically underinvested in defense: in 2021, only seven of the 21 member states that are also NATO members met the alliance's goal of spending 2% of GDP on defense, and only 10 did in 2024.[47]

Only 10-20% of annual defense investments in the EU were made collaboratively between member states before 2022, according to European Defence Agency data. This low share reflects national procurement biases, which are caused by a wide range of factors, from security concerns over access to technologies and IP protection to industry lobbying and the political benefits from the creation of jobs. Investments in the defense industry in the EU are mainly made by the member states and there is no EU-level procurement. Before the development of the post-2022 toolkit, there was some defense funding at the EU level through budgetary grants, off-budget mechanisms, and EU-backed loans, rather than relying on a single funding channel, and there was also coordination of some national spending through EU frameworks.

The EU's toolkit now combines the earlier coordination frameworks (notably PESCO and the European Peace Facility) and the post-2022 funding and financing instruments that increasingly target industrial capacity, common procurement, and large-scale investment. While the European Defense Fund and the EU Defense Innovation Scheme are the core budget tools for collaborative defense R&D and innovation, newer instruments such as SAFE, the European Defense Industry Programme, and the defense component of the proposed European Competitiveness Fund mark a shift toward increasing production, de-risking investment, and leveraging EU-level

Figure 4. EU, Russia, and Ukraine Military Expenditure, 2014–2025 ($ billion)



Source: SIPRI Military Expenditure Database
Note: At current Prices and exchange rates.

borrowing. These newer instruments constitute a transition from largely coordination- and research-oriented mechanisms toward a more integrated, finance-backed approach to defense readiness, with Ukraine embedded as a priority beneficiary and an industrial partner.

The proposed 2028–2034 MFF is significantly more ambitious than the previous one in this regard, with new instruments, larger envelopes, loans, and strategic integration. Anchored in the Readiness 2030 white paper and building on measures introduced after Russia's full-scale invasion of Ukraine, it shifts from crisis response toward long-term strategic investment in defense readiness and industrial capacity. More emphasis is placed on coordination instruments.

Ensuring Ukraine's participation in the EU's different efforts at an early stage is important. Earlier instruments like the European Peace Facility, the European Defense Fund, and PESCO did not allow its defense industry to participate on a par with EU producers, as they required the country to have been given a special associated status and permissions. The newer instruments, by contrast, treat Ukraine as a part of the EU architecture when it comes to common procurement. In the case of the proposed European Competitiveness Fund—which combines support for the defense, security, and space sectors, from R&D through deployment—actions under the specific objective of supporting the EU's defense industry are open to Ukraine's participation.

Ukrainian producers (as contractors and subcontractors) are granted a unique status with regard to the SAFE instrument. They are treated on an equal footing with EU and Economic Area—European Free Trade Association (EEA–EFTA) entities to support the rapid buildup of defense-industrial capacity. However, some experts argue that SAFE's capacity to overcome the challenge of national protectionism is limited.[48] The European Defense Industry Programme establishes a dedicated framework for Ukraine, primarily through the Ukraine Support Instrument.

Table 2. Embedding Ukraine Into the EU Toolkit

Permanent Structured Cooperation—PESCO (2017)	Ukraine can only participate if invited, which must be approved in a unanimous decision of the member states.
European Peace Facility—EPF (2021)	Between 2022 and 2024, the EU mobilized €6.1 billion under the EPF to address Ukraine's pressing military and defense needs. However, the country's defense industry is still limited by being a third party and can only access procurement tenders through special authorization measures. Items originated in Ukraine may be procured or provided only under an assistance measure to the country.
European Defence Fund—EDF (2021)	Ukraine is associated to the EDF, which allows Ukrainian entities to join EU collaborative defense research and development activities.
EU Defence Innovation Scheme—EUDIS (2021)	Ukrainian entities are eligible to receive acceleration support.
White Paper for European Defence—Readiness 2030 (2025)	One section of the white paper is dedicated to support actions to make Ukraine so resilient that it can deter any future attacks. It emphasizes closer cooperation between the Ukrainian and European defense industries and knowledge transfer, direct procurement orders from the country's industry by member states for donation to Ukraine, participation in collaborative procurement on the same footing as EU actors, participation in the EU space program, association with EU initiatives to develop defense capabilities, and integration of the defense industry into the EU defense technological and industrial base.
Security Action for Europe—SAFE (2025)	Ukraine is not eligible to receive EU loans under SAFE, but Ukrainian companies can participate in common procurement by member states as contractors and subcontractors.
European Defence Industry Programme—EDIP (2025)	Within the EDIP, €300 million are earmarked for the Ukraine Support Instrument. Ukrainian companies are granted a unique status, treated on par with member states regarding defense-industrial participation. Under the instrument, EU grants can cover up to 100% of eligible costs for industrial reinforcement and supporting activities.
Ukraine support loan for 2026—2027	€60 billion from the loan is earmarked for Ukraine to procure weapons and ammunition from EU and domestic producers. The 2026 defense component is €28.3 billion, intended for weapons procurement and strengthening the national defense industry. Both Ukrainian and imported weapons will be procured.
European Competitiveness Fund—ECF (proposal)	ECF funding is available to Ukraine as it is directly eligible for actions under the objective of supporting the EU defense industry. Ukrainian defense products are specifically included in the Military Sales Mechanism, which aims to ensure the availability of equipment in time and volume. Ukrainian firms are invited to populate the centralized EU catalogue of defense products. Ukraine is also included with reference to common defense procurement.

Ukrainian producers are granted a unique status under it, being treated on par with EU member states regarding defense-industrial participation. The proposed €90 billion Ukraine Support Loan for 2026–2027 includes €60 billion for defense support, with Ukraine's defense industry directly eligible for procurement participation alongside those of member states. In May 2025, the EU–Ukraine Task Force on Defence Industrial Cooperation was launched to deepen industrial ties and support integration of Ukrainian defense firms into European supply chains.[49]

However, it is the actions of the member states that determine defense-industrial outcomes. Procurement remains largely a national matter as the Treaty on the Functioning of the European Union allows them to exempt this from the EU's internal-market rules on the grounds of "essential interests of their security".[50] Even under instruments like the European Peace Facility, SAFE**,** or the EDIP, implementation depends on member states' contracting authorities. The EU can create incentives and funding frameworks, but it cannot override national procurement sovereignty.

Protectionism has hindered common procurement and market integration in the EU: the defense market remains highly fragmented, with parallel national systems, duplicative capabilities, and limited cross-border procurement. Experts argue that the fragmented defense-procurement market undermines the EU's security efforts.[51] The lack of joint procurement and the national preferences for defense spending translate into small markets with low production numbers.[52]

Defense procurement in the EU tends to operate following the unwritten rule that if a member state wants other ones to buy from its defense industry, it is expected to buy from theirs too. The drivers for this include the protection of national champions, sectoral employment policies, electoral incentives, and industrial lobbying. As a result, while the Ukrainian market remains highly open to EU defense firms—understandably given the scale of EU financial support and Ukraine's needs—those of the member states are typically accessible to Ukrainian firms only through joint ventures or other forms of industrial collaboration with a local firm. However, favoring national champions hampers the EU if it wants to rearm quickly, as analysts like Guntram Wolf have pointed out, and much needed competition is already lowering costs in parts of Europe's defense market, such as with artillery shells, a standardized product with several producers and buyers, while the markets for tanks, infantry fighting vehicles, and even basic equipment remain dominated by national champions, limiting competition and keeping prices high.[53]

Member-State Perspectives

Given the observations above regarding the EU's readiness for defense-industrial integration with Ukraine, it is important to consider the perspectives of key member states on this issue. As outlined here, those neighboring Ukraine—notably Poland—are generally more willing and able to accept it as a partner. However, the member states that are major defense players, especially Germany and France, have their industries dominated by traditional "primes" that can be affected by competition from emerging challengers. Therefore, they want to protect their domestic procurement markets, thus making integration more difficult for Ukrainian firms.

Poland

Defense-industrial cooperation between Poland and Ukraine illustrates the wider strategic shift in the economics of the EU's security. Poland is seeking to consolidate its role as a frontline NATO industrial, logistics, and procurement hub at the same time as neighboring Ukraine is moving from being primarily a recipient of military assistance toward being a defense-industrial partner offering combat-tested products and technologies. Poland's defense market is one of the largest in Europe, with the country's defense spending doubling since 2022, putting it in fifth position in Europe after Germany, the United Kingdom, France, and Italy.[54]

In 2016, Poland and Ukraine signed a general agreement on defense cooperation that covers planning, logistics, infrastructure, armaments, R&D, production, and supply.[55] It was reinforced in 2024 by the Polish-Ukrainian Security Cooperation Agreement, which links bilateral defense cooperation to Ukraine's future EU and NATO integration.[56] In February 2026, Prime Minister Donald Tusk and President Volodymyr Zelensky signed a letter of intent on joint weapons and ammunition production.[57] Together, these instruments frame cooperation between the two countries as long-term defense-industrial integration.

Ukraine is increasingly viewed in Poland not only as a recipient of security assistance, but as an emerging defense-industrial actor with significant wartime expertise in unmanned aerial vehicles (UAVs), missile technologies, engines, air defense, and cost-effective systems tested under combat conditions. More recently, this has been extending to conventional capabilities too, including artillery. PK MIL, a joint venture established by Poland's PONAR Wadowice and Ukraine's Kramatorsk Heavy Machine Tool Plant is a key example.[58] It aims to produce NATO-standard artillery systems such as the Bohdana self-propelled howitzer and the Bohdana-BG towed howitzer.

Poland's BGK development bank plays an important role as a financial bridge and de-risking entity.[59] Under the Ukraine Investment Framework (one of the three pillars of the EU's Ukraine Facility that provides €50 billion in financial support)[60] the bank and the European Commission support preferential investment loans in energy, transport and manufacturing, including dual-use industries.

The case of Poland also illustrates a political-economy constraint. The country's established defense-industrial players may perceive Ukrainian firms as competitors, particularly if they offer combat-tested and cost-effective systems in sectors targeted by these national champions. Integration is therefore unlikely to be frictionless. Polish actors may support Ukraine's defense-industrial role at the strategic level while resisting market displacement.

Interviewed experts broadly agree that having Ukraine as a close partner would strengthen the EU's defense-industrial base, that it will remain one of Europe's largest defense markets for decades, and that early integration will shape which EU actors secure long-term strategic and economic positions in the country. Overall, Polish-Ukrainian defense-industrial integration is likely to become a long-term feature of Europe's security architecture.

Ukraine's Nearest Neighbors as Defense-Industrial Partners

Like Poland, the other EU member states that neighbor Ukraine—including Czechia, Estonia Hungary, Latvia, Lithuania Romania, and Slovakia—have a strong interest in regional security and strengthening the EU's eastern flank. However, unlike larger members such as France, Germany, and Poland, they lack the market size, industrial scale, and financial resources to play a leading role in defense-industrial integration. This creates constraints but also incentives for their cooperation with Ukraine. For many of these states, Ukraine is an attractive defense-industrial partner because it can help them overcome some of their structural limitations. Ukrainian companies have developed competitive capabilities in areas such as drones, electronic warfare, ammunition production, and the rapid adaptation of military technologies. That makes them potentially attractive suppliers and technology partners for Ukraine's EU neighbors with limited defense-industrial ecosystems. At the same time, cooperation with Ukrainian firms may offer more balanced joint ventures and co-production arrangements than partnerships with large Western European defense primes.

Czechia provides the clearest example of this dynamic. Czech-Ukrainian defense cooperation has expanded significantly since 2022, particularly in drones, production of ammunition and artillery shells, small-arms manufacturing, and repair and maintenance of heavy military equipment. Czech firms have also begun incorporating EU-based entities linked to emerging Ukrainian drone producers. Flexibility mainly based on firm-to-firm contacts has facilitated rapid cooperation, but long-term strategic coordination would require government-level engagement. Slovakia presents a more ambiguous picture. Its relations with Ukraine have periodically been strained under governments led by Prime Minister Robert Fico, yet commercial defense ties have proven resilient. Despite political caution at the governmental level, selective defense-industrial cooperation and business links have continued. As for Hungary, under the Fidesz government led by Prime Minister Viktor Orbán, it frequently opposed or delayed EU financial and military assistance to Ukraine. The change of government following the April 2026 elections may create opportunities for a more constructive relationship, but the practical implications for defense-industrial cooperation remain unclear. Hungary did not have a significant defense industry before the Zrínyi Defense and Military Development Program launched in 2016. The industry is only emerging and consists mostly of subsidiaries of primes of other EU members. Romania occupies a distinct position, not only bordering Ukraine but also increasingly positioning itself as prominent actor in the Black Sea security environment. Recent discussions on drone production, technology transfer, and joint industrial projects suggest growing interest in leveraging Ukrainian expertise to support the expansion of its defense-industrial base. The Baltic states offer a different model, centered less on manufacturing scale and more on innovation. Estonia, Latvia, and Lithuania have shown particular interest in Ukrainian capabilities in drones, autonomous systems, and rapid battlefield adaptation.

The above shows that Ukraine cannot treat its EU neighbors through a single framework for defense-industrial partnership. Its success will therefore depend on developing a differentiated and tailored strategy that targets the specific national strengths and priorities of these EU countries.

Germany

Germany is the EU's largest defense spender and one of its strongest defense-industrial powers. In April 2026, it signed a strategic partnership declaration with Ukraine.[61] The defense pillar prioritizes air defense, drones, ammunition, long-range capabilities, and defense-industrial cooperation, including joint work on air-defense system and missile manufacturing.

The case of Germany highlights the structural asymmetry that currently defines the defense-industrial integration of the EU and Ukraine. While the Ukrainian market offers comparatively low entry barriers and fast-track access to procurement for EU producers, the German one is highly regulated, certification-heavy, and difficult to penetrate—even for domestic firms. The view of defense EU "primes" about emerging Ukrainian challengers may also have been revealed when the CEO of Germany's Rheinmetall in March 2026 publicly dismissed Ukrainian drone production as improvised "Lego" work by "housewives."[62] This incident suggested that some German incumbents might be increasingly uneasy about the idea that agile Ukrainian manufacturers are rewriting the rules of defense production.

At the same time, German interest in Ukraine is strong and twofold: access to a large defense market as well as to battlefield-tested technologies in UAVs, loitering munitions, and data-driven systems. One example of how this manifests itself came when the German sensor and radar firm Hensoldt earlier this year opened a service and innovation center in Ukraine to improve maintenance, training, and local repair capacity for systems such as air-defense radars.[63]

SMEs on both sides face significant constraints, though. German ones struggle with visibility and navigating the procurement system in Ukraine while Ukrainian firms face security-clearance rules, export controls, and lengthy certification timelines in Germany. German actors say security risks, insurance gaps, and regulatory barriers remain key structural impediments. They argue that meaningful integration will require joint ventures, regulatory streamlining at the EU level, and sustained political commitment to avoid a postwar demilitarization that could prematurely close the current window for industrial convergence.

Under these conditions, the most realistic near-term pathway into Germany's market for Ukrainian firms is through joint ventures with certified German producers, combined with a representation presence in the country, participation in innovation networks such as the Fraunhofer Institutes or TUM Venture Labs, and long-term engagement with procurement authorities.

Denmark

Although Denmark is not among Europe's largest defense-industrial powers, it has championed Ukraine's interests at the EU level and was among the first member states to welcome several Ukrainian firms in the country. In its approach to Ukraine's defense-industrial integration, the needs of the country's military are increasingly expected to be met by Ukrainian-developed systems, and Denmark (and the EU) can benefit from participation in the country's technological innovation and development of defense know-how. This is centered primarily on increasing production in Ukraine via the "Danish Model"[64]—direct financing for Ukraine's defense production by its partners—and the gradual incorporation of Ukrainian innovations into European value chains via EU-registered joint ventures.

Denmark has also played a catalytic role in showing that Ukrainian defense production within Europe is feasible physically, financially, and politically. Top-level political agreement, based on a sense of urgency, made Ukrainian firms welcome in Denmark, leading to Kyiv's plan to open an export office and to support co-production sites in the country, particularly in areas such as maritime drones, artillery systems and long-range capabilities. After this political push, Ukraine has started to be more active in establishing a footprint in other EU countries.

Investment guarantees provided through the Export and Investment Fund of Denmark to promote innovation are a central financial instrument in the country's approach to facilitating investment in Ukraine, but this has limitations. Although this offers risk coverage up to 70% of investments, the uptake by Danish firms has been minimal. They remain hesitant to invest due to wartime uncertainty, perceived corruption risks, financing constraints, and uncertainty about long-term market demand, particularly in a postwar scenario.

France

In 2024, France and Ukraine signed a security cooperation agreement,[65] and they focus on achieving a qualitative military edge through key areas such as artillery, air defense, and armored vehicles. However, Ukrainian products and solutions cannot easily be absorbed into existing French value chains without significant adaptation on both sides.

There is interest in France in accessing Ukrainian battlefield-tested, cost-efficient technologies. However, its defense ecosystem does not favor rapid external integration, being built around large-scale, complex platforms, and long-cycle industrial programs, and dominated by established primes. France's defense doctrine at its core is based on nuclear deterrence. This creates a technological and organizational mismatch with Ukraine's wartime innovation model, which is centered on rapid iteration, cost-efficiency, and smaller systems such as UAVs and digitalized battlefield solutions. As a result, smaller French defense players are more perceptive to Ukraine's innovations than larger ones. The national investment bank Bpi France was one of the first institutional investors backing the Ukraine Phoenix Tech Fund launched in 2025 to support technology startups,[66] and with its general record in investing in dual-use tech firms and connecting startups to large firms it is well positioned to play a larger role in supporting Ukrainians dual-use startups.

Two structural constraints will define the pace of integration. First, procurement inertia, driven by the centralized and conservative nature of the French acquisition system, will slow any adoption of Ukrainian technologies, especially in disruptive domains such as drones and digital systems. Second, industrial protectionism, reinforced by domestic fiscal pressure and security and compliance concerns, will continue to mean the prioritization of national champions, limiting the share of public funding and contracts accessible to foreign players. In addition, French firms have concerns about lasting demand if the war ends sooner rather than later, in which case they see no need for rapid expansion of their production capacity.

Institutionally, the main obstacle to Ukrainian firms' participation in the French market lies in the country's defense procurement system. The adoption of disruptive technologies is constrained by lengthy certification cycles and rigid acquisition frameworks. At the same time, the formation of joint ventures might also be a complicated matter, given that France remains reluctant to share sensitive information about defense technologies even at the EU level,

reflecting its broader concerns over sovereignty. France supports EU instruments such as SAFE and the European Defence Industry Programme, but it seeks to shape them through local content rules and industrial preferences.

Obstacles in Ukraine

There are five major obstacles in Ukraine to its integration in the EU defense-industry architecture: certification and compliance; access to capital; exports controls; intellectual property (IP) protection; and physical security, war insurance, and de-risking.

Certification and compliance

In order to access defense-procurement markets in the EU, Ukrainian firms need to align with NATO quality and interoperability standards. This includes adopting NATO's Allied Quality Assurance Publications (AQAP) standards, which define requirements for management and product quality in defense supply chains, and complying with relevant Standardization Agreements (STANAG) interoperability standards that NATO members use to harmonize technical and procedural specifications. Certification gaps—particularly limited readiness for the ISO 9001 quality management system standard, AQAP standards, internal quality-control audits, and information-security requirements—remain a practical obstacle to Ukrainian defense companies' integration into EU and NATO-linked supply chains.[67]

Access to Capital

Ukraine's defense industry faces specific constraints regarding access to EU private capital. These include the limited financial literacy among some founders of firms and insufficient managerial capacity to comply with foreign investors' requirements. Foreign investors have often accepted in Ukraine weaker corporate governance structures than they would in other markets, as well as the absence of audited financial statements in some cases. There are also valid concerns about investor protection and legal risk. The integrity and diligence of firms' founders are critical, but these are not always easily verifiable by foreign investors. Trusted local intermediaries or partners are often essential for investors to fill this gap and boost investors' confidence.

Export Controls

Following the collapse of Ukraine's old industrial order because of Russia's invasion, the defense and dual-use technology sector has the potential to become a key driver of economic growth, replacing the machine-building base oriented on Russia and countries with a history of buying Soviet weapons. But Ukraine must abolish or significantly liberalize its export controls to fully benefit from defense-industrial integration and collaboration with the EU.

Currently, firms wanting to export their products must obtain a special export permit through a procedure that is excessively complicated and decided case by case with unclear criteria for decisions. This applies even to firms with capacity twice as large than the possible domestic procurement volumes. In addition, criminal liability for unauthorized defense and dual-use sectors technology transfer is a significant barrier to investing in emerging industries. At the same time, wartime conditions require that exporters take domestic needs into account. Internal demand should be fully met at reasonable prices before products are supplied to external markets.

The most efficient timing for easing export controls is before a ceasefire or peace agreement. For now, Ukrainian firms have a stable domestic cash flow, which is important for entering the new markets. A freeze or end to the war would raise concerns for them about lasting domestic and foreign market demand,

Intellectual Property Protection

Without reliable IP protection, any form of international technological cooperation—whether joint R&D, co-production, or licensing—encounters a fundamental barrier: partners are unwilling to share technologies if they cannot be certain these will not end up in the hands of third parties. The level of trust that EU governments and firms have in Ukrainian firms as counterparties regarding their ability to comply with confidentiality and IP-protection requirements is a crucial issue. EU producers are concerned that their technologies could be sold or transferred by potential Ukrainian partners to unauthorized buyers. IP protection is also part of Ukraine's requirement to comply with the EU acquis within its accession process.

From the perspective of Ukrainian industry actors, the obstacle of IP protection has two interconnected dimensions: an external one in the lack of trust among international partners in local enforcement mechanisms, and an internal one in the lack of trust among Ukrainian manufacturers in the IP system as an effective tool for protecting what they develop. Also, the combination of the rapid pace of technological change and the absence of effective enforcement mechanisms turns IP registration in Ukraine into a formality with little practical effect. Some Ukrainian producers are also concerned about security risks associated with registering IP rights and disclosing sensitive information. The government took a regulatory step to address the issue in April 2026 with the decision to establish a comprehensive framework for managing IP within the defense-industrial complex.[68] However, the challenge will be credible and consistent enforcement.

A related challenge concerns "salvage investor" behavior: some foreign investors seek to relocate Ukrainian firms—along with their IP—outside Ukraine, rather than integrating them into a stable and transparent domestic legal framework.

Physical Security, War Insurance, and Security Risks

As Russia systematically targets Ukraine's military-industrial facilities and infrastructure, defense firms are forced to continuously develop and refine practices for maintaining continuous production under conditions of ongoing attacks. The security risks to production facilities and to foreign personnel traveling to Ukraine continue to deter investors, particularly in the absence of widely accessible war-risk insurance. This is not an issue of prohibitive

cost; rather, the commercial insurance markets remain simply closed for defense-related activities in an active war zone. This significantly raises the cost of capital for investing in Ukraine and limits long-term commitments.

Some countries, such as Denmark and Germany, have introduced insurance or guarantee schemes to support their national firms investing in Ukraine. The EU also has proposed investment-guarantee instruments channeled through international financial institutions. However, these are fragmented, unevenly accessible, and often difficult for smaller firms to navigate. They tend to be project-specific, administratively rigid, and limited in scale—falling short of a predictable, market-wide risk-sharing framework capable of crowding in broader private capital at scale.

Conclusion and Recommendations

The current situation regarding Ukraine's defense-industrial integration with the EU suggests that the risk is not that the country will be formally excluded. Rather, it is that it will be included too late, after member states have already established new procurement pipelines, consolidated national suppliers, and locked in industrial partnerships without Ukrainian firms. The inclusion of Ukraine's defense industry will depend on three interrelated structural factors.

Member states' willingness to deepen defense cooperation, among themselves and with Ukraine. EU countries are increasingly incentivized to collaborate in building common defense given the scale of the security threat, the cost-ineffectiveness of smaller national procurements,[69] the limited capacities of smaller members, and the uncertainty surrounding the durability of the US security umbrella. However, while cooperation is more likely now than was the case before 2022, integration will remain incremental and politically negotiated rather than automatic. Ukraine's integration will require in many cases agreements with individual or groups of member states. As the case of Denmark shows, much will depend on the sense of urgency transmitted from the highest political level, without which the speed of industrial collaboration will very likely be much slower.

Ukraine's ability to liberalize defense exports, enforce the rule of law and inspire trust in partners, and ensure credible IP protection. Without regulatory predictability, transparent export controls, and enforceable IP safeguards, building deeper industrial partnerships will be constrained. This presents a significant governance and investment risk for EU actors.

The technical capacity of Ukrainian producers to integrate into EU procurement frameworks. Their direct participation as standalone suppliers is unlikely in the short term. EU defense procurement typically requires security clearances, financial transparency, supply-chain certification, compliance with EU technical standards, financial guarantees, and in some cases political-risk insurance—all of which pose challenges for Ukrainian firms under wartime conditions. As a result, joint ventures and structured industrial partnerships with EU firms appear to be the more feasible pathway for integration, in the short term at least when it comes to local and EU procurement. These can lower costs and ease EU and NATO-standard certification, but their success ultimately depends on political will.

The implications of the analysis in this paper must be considered across the levels of the EU, the member states, and Ukraine. Each one has distinct competences, faces different constraints, and shapes the incentives that ultimately determine whether defense-industrial integration including Ukraine becomes a reality. Meaningful integration will require sustained political will on all sides and overcoming many coordination challenges, but the fruits it will bear for European security will be unparalleled.

The EU

The recent EU instruments and their eligibility conditions provide unprecedented opportunities for Ukrainian firms by bringing them closer than ever to member states' defense industries. However, translating formal eligibility into practical integration will require sustained political coordination. The EU's role as facilitator and convener is therefore indispensable, particularly in aligning member-state procurement practices with EU-level strategic objectives. Future activities could build on the EU–Ukraine Task Force on Defence Industrial Cooperation, in close coordination with relevant initiatives of the European Commission's Directorates-General for Defence Industry and Space and for Enlargement and Eastern Neighbourhood.

To facilitate greater defense-industrial integration with Ukraine, the EU should do the following:

Use the EU–Ukraine Task Force on Defence Industrial Cooperation as an implementation-monitoring platform. It could track whether member states include Ukrainian firms in procurement, investment projects, joint ventures, and co-production initiatives involving Ukrainian firms. This would create a meaningful baseline for further action and help identify practical lessons from existing cooperation.

Include senior representatives from member-state defense-procurement agencies in the task force. Procurement is the cornerstone of meaningful integration: predictable demand is what allows firms to invest, increase production, and enter into long-term industrial partnerships. Task force meetings could serve as a forum for translating member-state procurement priorities into actionable opportunities for Ukrainian firms and their European industrial partners.

Help closing implementation gaps between EU-level eligibility criteria and national procurement decisions. The European Commission should facilitate structured dialogue between member-state procurement authorities, Ukrainian firms, and their European industrial partners. This would include supporting Ukrainian firms in presenting their capabilities, product lines, and potential co-production opportunities as well as presenting in a clear and comprehensive way member-states' different procurement and consortium-building procedures and requirements, from registration or localization rules to security clearance.

Expand de-risking and financial support for defense-industrial integration with Ukraine. The EU should continue widening the Ukraine Investment Framework to cover not only dual-use industries but also defense-industrial projects, particularly in cooperation with the member states most active in defense production and procurement, including Germany, France, Italy, Poland, Spain, the Netherlands, and Sweden. Consideration should also be given to involving Norway and the United Kingdom through co-funded guarantee or investment windows.

Fund technical assistance for Ukrainian firms seeking access to EU procurement frameworks. This should cover compliance, certification, security-clearance requirements, financial reporting, corporate governance, and preparation for joint ventures or subcontracting arrangements with European firms.

Member States

Member states will ultimately determine the pace and depth of Ukraine's defense-industrial integration with the EU through their procurement choices and investment-support policies. While national industrial considerations are legitimate, excessive reliance on fragmented or purely national approaches risks undermining the EU's long-term defense resilience.

To achieve closer integration, member states should develop joint programs with Ukraine's government that will encourage and support collaboration among firms; and start gradually producing in Ukraine through joint ventures and licensing.

In the context of heightened regional security threats, greater global demand for defense-related goods, and uncertainty over the durability of the US security umbrella, member states should do the following:

Strengthen structured coordination with Ukraine's government. This should include signing or renewing bilateral defense-industrial cooperation agreements that provide a clear legal basis for co-production, technology transfer, IP protection, export-control compliance, and security-sensitive collaboration, and facilitating collaboration between state-owned companies in Ukraine and in the EU.

Identify concrete capability areas for Ukrainian participation. Member states should determine where Ukrainian firms can contribute through joint ventures, subcontracting, licensing, maintenance and repair, or co-production. Where feasible, they should facilitate such partnerships at the top political level, as illustrated by Denmark's case, and integrate Ukrainian firms into regional collaborative programs.

Communicate capability needs early. For their defense procurements, member states should publish or otherwise communicate what capabilities they require and must procure early enough for domestic and Ukrainian firms to prepare. The EU–Ukraine Task Force on Defence Industrial Cooperation could serve as one platform for sharing such demand signals with relevant EU and Ukrainian partners.

Limit protectionist reflexes that obstruct cross-border consolidation. National industrial priorities are understandable, but excessive protectionism risks weakening economies of scale, interoperability, and the EU's collective defense-industrial resilience.

Use national guarantee institutions to de-risk investment and co-production with Ukraine. Member states should develop industry-relevant guarantee and insurance schemes, combining national budget resources with available EU de-risking instruments where possible.

Incentivizing collaboration with Ukraine on components, in production and R&D, to decrease dependency on third-country components for the Ukrainian and EU defense technological and industrial bases.

Ukraine

Ukraine's integration into the EU defense technological and industrial base will depend significantly on domestic reforms, regulatory clarity, and the ability of Ukrainian firms to meet EU procurement requirements. Its government should do the following:

Integrated physical security and production continuity as a distinct track in the agenda of the EU–Ukraine Task Force on Defence Industrial Cooperation. For the country's international partners, the resilience of Ukraine's defense-production facilities is a core condition for long-term industrial cooperation, investment, and technology transfer. The government should expand state support for the fortification and underground relocation of production facilities, including through grants or compensation schemes for critical infrastructure protection. It should also accelerate support for the dispersal and duplication of production capacities, particularly in strategically important supply chains, so as to eliminate single points of failure. In parallel, Ukraine should expand its energy-resilience measures, including backup generation and decentralized energy systems, and establish faster procedures for restoring damaged defense-industrial facilities after attacks.

Liberalize defense export controls in a transparent and predictable manner. Export liberalization should be phased and designed to preserve priority supply for Ukraine's armed forces while allowing producers to enter foreign markets, attract investment, and participate in joint production with EU partners.

Strengthen IP protection. Ukraine should ensure that IP rights are enforceable in practice, including in joint ventures, licensing arrangements, co-production agreements, and cross-border technology partnerships. Credible IP protection will be essential for investor confidence and long-term industrial cooperation. The transition from formal rules to effective protection requires the development of specialized judicial jurisdiction for IP cases in the defense industry, stronger liability for violations, the introduction of secure registration procedures that do not require the public disclosure of critical technical details, and the establishment of out-of-court dispute-resolution mechanisms aligned with international standards.

Improve judicial predictability and rule-of-law safeguards relevant to defense contracts. EU partners of Ukrainian firms will need confidence that contracts, ownership rights, investor protections, and dispute-settlement mechanisms are reliable, especially in sensitive defense and dual-use sectors.

Support enhancing certification, compliance, and financial-transparency standards. Ukrainian firms seeking access to EU procurement frameworks should be helped to meet requirements related to security clearances, supply-chain certification, quality assurance, financial reporting, corporate governance, and EU/NATO technical standards.

Conclude bilateral defense-industrial agreements with key EU member states. Ukraine should pursue country-level agreements that define pathways for coordinated industrial integration, including co-production,

subcontracting, licensing, certification support, export-control coordination, and protection of sensitive technologies.

Facilitate localization of the components by timely revision of the government's tax exemptions for some imported components as well as supporting producers by providing state guarantee mechanisms, tax incentives, and institutional support on certifications and matchmaking

Clear regulatory commitments will reduce risk perceptions among EU partners and facilitate deeper industrial partnerships. For Ukraine, these reforms are preconditions to becoming a credible long-term participant in the EU's defense-industrial base.

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