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FRAMING DEFENCE COMPETITIVENESS IN THE EUROPEAN UNION: A COMPARATIVE ANALYSIS OF EU DEFENCE POLICY AND DEFENCE INDUSTRY PERSPECTIVES (2021–2025)

Master Thesis

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Author's Declaration

I have composed this work independently. All viewpoints of other authors, data from literature and other sources, which have been used for writing this paper have been referenced.

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ABSTRACT

Over the past decade, the European Union has increasingly expanded its role in defence industrial policy in response to geopolitical instability, growing security threats, and the need to strengthen Europe's defence technological and industrial base. Russia's full-scale invasion of Ukraine, increasing global competition, and concerns over industrial fragmentation and external dependencies have accelerated the EU's efforts to enhance defence readiness, industrial resilience, and strategic autonomy. In this context, "competitiveness" has emerged as one of the central concepts shaping EU defence-industrial initiatives and policy instruments. Despite its frequent use in EU policy discourse, the concept remains broadly defined and interpreted differently by various actors within the European defence ecosystem. The purpose of this master's thesis was to examine how the concept of competitiveness is defined and framed in European Union defence policy documents and by defence industry representatives during the period 2021–2025. The thesis applies the theoretical framework of discursive institutionalism and constructive ambiguity to analyse how competitiveness functions politically and institutionally in EU defence governance. The dissertation consists of three main parts: the theoretical framework explains the role of discourse, strategic concept deployment, and constructive ambiguity in EU policymaking; the methodology chapter presents the qualitative comparative research design, including document analysis and semi-structured interviews; and the empirical chapter analyses and compares institutional and industry framings of competitiveness. The empirical analysis is based on seven EU defence-industrial policy documents and nine semi-structured interviews conducted with representatives of defence companies and industry associations from both small and large Member States. Based on the analysis, the author draws several main conclusions. First, there is no single shared definition of competitiveness across EU institutions and industry actors. EU institutions primarily frame competitiveness through strategic autonomy, industrial integration, resilience, innovation, and cross-border cooperation at the European level. Industry representatives, however, define competitiveness more operationally through export performance, procurement opportunities, production capacity, financing, market access, and predictable long-term demand. Second, the research demonstrates that understandings of competitiveness differ significantly across actor groups. SMEs emphasise barriers related to financing, access to supply chains, and participation in EU instruments, while large companies focus more on global market position. Actors from small Member States stress industrial inclusion and equal access to EU programmes, whereas actors from large Member States place greater emphasis on industrial leadership and scaling capabilities. Third, the analysis demonstrates that competitiveness

functions as a constructively ambiguous concept within EU defence policy. Different actors support the same competitiveness agenda while attaching different meanings and priorities to the concept. This ambiguity have enabled the European Commission to act and expand EU-level involvement in defence industrial policy by framing defence increasingly through industrial policy, innovation, and competitiveness rather than through traditional sovereignty-centred defence integration. The thesis therefore concludes that competitiveness functions simultaneously as a political integration tool, a policy objective, and a flexible discursive concept that accommodates divergent strategic interests within the evolving EU defence industrial landscape

Keywords: EU defence industry, EU competitiveness, EU defence industry competitiveness, discursive institutionalism, constructive ambiguity, European Defence Fund, European Defence Investment Programme (EDIP), European Defence Investment Strategy (EDIS)

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LIST OF ABBREVIATIONS

ASAP	Act in Support of Ammunition Production
CARD	Coordinated Annual Review on Defence
CSDP	Common Security and Defence Policy
EDA	European Defence Agency
EDAP	European Defence Action Plan
EDIP	European Defence Industry Programme
EDIRPA	Instrument for the Reinforcement of the European Defence Industry through Common Procurement
EDIS	European Defence Industrial Strategy
EDTIB	European Defence Technological and Industrial Base
ECF	European Competitiveness Fund
EDF	European Defence Fund
EU	European Union
EEAS	European External Action Service
EUGS	EU Global Strategy
NATO	North Atlantic Treaty Organisation
PESCO	Permanent Structured Cooperation
QMV	Qualified Majority Voting
R&D	Research and Development
SME	Small and Medium-sized Enterprise
TFEU	Treaty on the Functioning of the European Union
TEU	Treaty on European Union

INTRODUCTION

Over the past decade, the European Union has undergone a substantial transformation in how it approaches defence and defence industrial policy. Traditionally, defence has remained a *domaine réservé* of Member States, with national governments retaining sovereign control over procurement, industrial policy, and capability development (Genini, 2025). However, since 2016, the EU has systematically broadened its role in defence industrial policy, positioning a competitive and resilient European defence technological and industrial base as a prerequisite for achieving strategic autonomy (Fiott, 2018). The publication of the EU Global Strategy (EUGS) marked a turning point in this evolution. For the first time, the EU explicitly connected its capacity to act as a security provider with the strength of its defence technological and industrial base (European External Action Service, 2016). In parallel, the European Commission and the Council began to make more active use of internal market and industrial policy instruments to address long-standing structural weaknesses in the European defence industry, including fragmentation, duplication, and limited economies of scale (European Commission, 2016). At the same time, Member States remained cautious about expanding the EU's role in defence, particularly due to concerns about duplication with NATO and the need to preserve transatlantic cohesion (Fiott, 2018). The so-called "winter package" adopted in 2016, bringing together the EUGS Implementation Plan on Security and Defence, the European Defence Action Plan (EDAP), and the activation of Permanent Structured Cooperation (PESCO), marked the beginning of a more systematic attempt to use EU tools to support cooperation on capabilities and industrial development (European Parliamentary Research Service, 2016).

Building on these initial steps, the Union gradually assembled a broader and more complex set of instruments. For the 2021–2027 period, these initiatives were consolidated and expanded in the European Defence Fund (EDF), which for the first time provides a multiannual budget for defence research and capability development at EU level, explicitly linking industrial competitiveness, innovation, and cross-border cooperation to the broader objective of strategic autonomy (European Parliament & Council, 2021). This expansion has been driven to a significant extent by the European Commission, which has assumed a leading role by framing defence increasingly through the lens of competitiveness, innovation, and industrial policy - areas within its core competences.

At the same time, these initiatives operate within a sector long treated as an exception to the Single Market. Defence remains primarily within the competence of Member States, and legal provisions such as Article 346 TFEU allow governments to exempt defence procurement from

internal market rules on grounds of national security (Engström, 2018). National governments remain the dominant actors as primary buyers, regulators, and sponsors, while procurement decisions are still largely shaped by national strategic, industrial, and political considerations. According to the European Parliamentary Research Service (2025), the European defence industry remains highly fragmented, characterised by national procurement systems, limited coordination of demand, and persistent protectionist practices - contributing to duplication, reduced economies of scale, and inefficiencies in production and procurement. A further distinctive feature is the industry's concentration in a limited number of countries, with production systems typically organised along national supply chains dominated by major firms (European Parliament, 2021).

Russia's full-scale invasion of Ukraine in 2022 added a crisis-driven dimension to this trajectory. The unjustified aggression exposed significant shortfalls in European stockpiles, production capacity, and procurement speed, prompting the EU to adopt new instruments such as the Act in Support of Ammunition Production (ASAP) and the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA) to expand manufacturing capacity and incentivise joint procurement. In parallel, broader strategic frameworks such as the Strategic Compass emphasised the need to increase defence investment, reduce dependencies, and strengthen industrial capabilities (Council of the European Union, 2022).

More recently, the EU has moved toward a more comprehensive and explicit industrial policy framework. The European Defence Industrial Strategy (EDIS), proposed in 2024 as the EU's first comprehensive document dedicated to the defence industry, aims to enhance the competitiveness and readiness of the European Defence Technological and Industrial Base (EDTIB) (European Commission & High Representative of the Union for Foreign Affairs and Security Policy, 2024). The proposed European Defence Industry Programme (EDIP) further provides a structured framework for industrial reinforcement, supply security, and coordinated procurement (European Commission, 2024). In 2025, the Defence Industry Transformation Roadmap added a further layer by emphasising speed, scalability, and battlefield-driven innovation, arguing that traditional peacetime industrial and procurement procedures are no longer adequate and highlighting the importance of SMEs, startups, and new defence actors (European Commission, 2025). Importantly, many of these defence-industrial instruments have been developed outside the intergovernmental Common Security and Defence Policy (CSDP) framework, allowing EU institutions - particularly the European Commission - to rely on supranational decision-making procedures including Qualified Majority Voting (QMV) rather than unanimity, marking a notable departure from traditional defence governance.

Throughout this period, one concept has served as the consistent organising principle of EU defence industrial policy: **competitiveness.** This framing is also politically and institutionally logical in the broader EU context, as the Union already possesses established competences and policy instruments for supporting European industry, innovation, and competitiveness more generally, which in turn creates a pathway for supporting the defence industry as well. The concept appears in every major instrument from the EDF (2021) to the Transformation Roadmap (2025), anchors the legal and political justification for EU involvement in a traditionally Member State-dominated domain, and is invoked consistently by both EU institutions and industry stakeholders. Yet despite its ubiquity, competitiveness is rarely defined with precision in EU defence policy. This ambiguity is not merely semantic. Different understandings of competitiveness imply different diagnoses of the problems facing the European defence sector and, consequently, different policy solutions, priorities, and beneficiaries. For some actors, competitiveness may primarily refer to industrial integration, strategic autonomy, and European-scale production capacity, while for others it concerns export performance, procurement access, technological innovation, or company-level market survival. The ambiguity of the concept therefore matters politically because it enables actors with divergent interests to support the same policy agenda while attaching different meanings to its core objective. At the same time, it matters empirically because if EU institutions and defence industry actors understand competitiveness differently, policies designed to strengthen European defence competitiveness may ultimately target different problems than those experienced by industry itself.

Despite the growing academic and policy literature on EU defence initiatives and strategic autonomy, there remains limited systematic analysis of how competitiveness itself is defined and framed across EU policy documents and defence industry actors, and whether these framings converge or diverge.

This thesis addresses that gap and as a first step, examines how "competitiveness" is defined and framed in EU defence policy documents and by defence industry representatives and assesses the extent to which these framings align. The following research questions guide the analysis:

- **Main research question:** How is the concept of "competitiveness" defined and framed in EU defence policy documents and by defence industry representatives, and to what extent do these framings align or diverge?
    - How is "competitiveness" defined and framed in EU defence policy documents in the period 2021–2025?
    - How do defence industry representatives define and frame the concept of "competitiveness" in the context of EU defence policy?
    - How do these framings differ between actor types - companies from small versus large Member States, and SMEs versus large companies?
    - To what extent do EU institutional and industry framings of defence competitiveness converge or diverge, and what do the key differences reveal?

The thesis is structured as follows. Chapter 1 develops the theoretical and conceptual framework, examining how "competitiveness" functions as a political concept in EU industrial governance and situating the analysis within the literature on discursive institutionalism and framing. Chapter 2 presents the methodology, justifies the selection of documents and interview respondents, and explains the analytical approach applied to both sources. Chapter 3 analyses how competitiveness is constructed in EU defence policy documents across the 2021–2025 period and presents the same findings from interviews with defence industry representatives. Chapter 4 compares the institutional and industry framings and discusses what their convergences and divergences reveal about the relationship between EU policy ambition and its practical foundations. Chapter 5 is summary.

1. THEORETICAL FRAMEWORK

This chapter develops the theoretical framework for analysing how "competitiveness" can be explained in EU defence industrial policy. It proceeds in three steps. Section 1.1 introduces discursive institutionalism as the primary analytical lens, establishing how policy language operates politically and why the distinction between coordinative and communicative discourse is analytically productive for this thesis. Section 1.2 develops the concepts of strategic concept deployment and constructive ambiguity to explain why deliberately ambiguous policy terms can build coalitions and expand institutional authority in politically sensitive domains. Section 1.3 applies this framework to "competitiveness" directly, first by mapping its analytically distinct meanings across company, national, and European levels, and then by examining the structural property - the concept's function as an empty signifier, that allows those divergent meanings to coexist within a single policy vocabulary.

1.1 Discursive Institutionalism

The analytical framework of this thesis draws on discursive institutionalism as developed by Vivien Schmidt (2008). In EU politics, the way a concept is defined and talked about is not merely a matter of communication - it is itself a political act that shapes what policies become possible, which actors can be brought into coalition, and how institutional authority can be extended into domains where formal competence is limited or absent (Schmidt, 2008). This makes discursive institutionalism well suited to studying "competitiveness" in EU defence policy, where the central puzzle is not whether the concept is used - it clearly is, consistently and across all actor types - but what work it does politically, and why actors with fundamentally different interests continue to endorse it while disagreeing substantially about what it means in practice.

Discursive institutionalism, as Schmidt defines it, is the study of how ideas and discourse function in institutional settings (Schmidt, 2008). It differs from rational choice, historical, and sociological institutionalism in placing primary emphasis not on the incentive structures, path dependencies, or cultural norms that shape behaviour, but on the substantive content of the ideas that actors hold and the interactive processes through which those ideas are communicated, contested, and used to justify action (Schmidt, 2008). Of particular relevance here are normative ideas - ideas that specify what goals are worth pursuing and what criteria of legitimacy apply to policy choices (Schmidt, 2008). In the EU defence policy context,

"competitiveness" functions normatively by placing defence industrial integration within the broadly acceptable domain of industrial and economic policy - a framing that justifies EU institutional involvement in a field that Member States would resist if presented in direct sovereignty terms.

Schmidt (2008) further distinguishes between two forms of discourse that operate at different levels of the policy process. Coordinative discourse refers to the interactive processes among policy elites - in the EU defence context, principally the Commission and Member State ministries - through which policy frameworks are constructed, negotiated, and refined. Communicative discourse refers to the broader process by which those frameworks are legitimated to wider publics, including national parliaments, industry stakeholders, and European citizens (Schmidt, 2008). The coordinative discourse that produced instruments such as the EDF and the EDIS reflects complex negotiations among actors with divergent interests, in which the shared vocabulary of "competitiveness" functions as a discursively ambiguous concept capable of uniting them behind a common agenda (Jabko, 2006). Recognising this distinction helps avoid taking communicative framing at face value when analysing industry perceptions, since what actors say publicly may diverge significantly from what they express in more candid settings such as semi-structured interviews.

1.2 Strategic Concept Deployment and Constructive Ambiguity

Discursive institutionalism establishes that ideas and discourse are politically consequential. It does not, however, fully explain the mechanism through which ambiguous concepts build coalitions, nor the conditions under which such coalitions produce durable integration rather than merely temporary agreement (Jegen & Mérand, 2014). These questions are addressed by two further bodies of work: Nikolas Jabko's (2006) account of how the European Commission strategically deployed the concept of "the market" to advance European integration, and Jegen and Mérand's (2014) theory of constructive ambiguity in EU policy.

Nikolas Jabko's (2006) analysis demonstrates that the EC gained support for the Single Market not by promoting a single coherent vision of what "the market" meant, but by framing the concept in ways that simultaneously appealed to actors with deeply incompatible underlying goals. Free-market advocates saw market integration as legitimising economic liberalisation; integrationists saw it as a step toward European unity; regulators saw it as an opportunity to extend European-level governance. EC officials recognised these divergent interests and deliberately used language that catered to all of them, ultimately enabling the formation of

unlikely coalitions united around an immediate shared objective while disagreeing about long-term purposes (Jabko, 2006). As Jabko shows, the concept's vagueness was not a weakness to be corrected but a political resource to be exploited - the ambiguity of "the market" was a feature, not a bug, of the Commission's discursive strategy (Jabko, 2006).

Jegen and Mérand (2014) formalise this logic into a theory of constructive ambiguity, explaining under what conditions such a strategy produces durable integration. Their point of departure draws on Henry Kissinger's account of constructive ambiguity as the deliberate deployment of imprecise language in sensitive political contexts to advance a strategic purpose (cited through Berridge and James, 2003). Translated into EU integration theory, political entrepreneurs facing heterogeneous member state preferences and a weak legal basis face a fundamental strategic choice: they can pursue a strategy of clarity, specifying intended outcomes to galvanise committed supporters at the cost of provoking organised opposition; or they can pursue a strategy of ambiguity, deploying a concept to which different audiences can attach their own meanings, thereby minimising opposition by avoiding the confrontation that clarity would produce. As Hoffmann (1995(1966): 131, cited in Jegen & Mérand, 2014) observed, European integration has historically made most progress when actors could preserve a degree of ambiguity around the enterprise, enabling each participant to hope that the eventual outcome would be closest to their own ideal.

Both conditions that trigger the ambiguity strategy apply with force to EU defence industrial policy. Member State preferences regarding the depth and direction of defence integration are deeply heterogeneous, and the EU lacks direct defence competence, relying instead on the indirect routes of industrial policy and research funding established in Articles 173 and 182 TFEU. This is precisely the context in which, according to Jegen and Mérand's framework, a strategy of ambiguity is rational.

Their empirical analysis of the 1998 Saint-Malo Declaration provides a concrete historical precedent for this dynamic in the EU defence domain itself. The Declaration's central term, "autonomy," was sufficiently open to carry entirely different meanings for its two principal architects: for France it signified decision-making independence from NATO, while for the UK it referred to autonomous capabilities strengthening the European contribution to allied operations (Jegen & Mérand, 2014). As Hoffmann (2000, cited in Jegen & Mérand, 2014) observed, clarity on this point would have rendered agreement impossible. Interview evidence collected by Jegen and Mérand confirms that this ambiguity was fully understood and deployed strategically by the negotiators. The coalition that assembled around CSDP was correspondingly diverse - France and Poland understood it as a security arrangement for a

dangerous world, German and Belgian federalists saw it as a step toward European integration, while the British and Swedes viewed it as simply one crisis management instrument among many. What united them was not substantive agreement on what European defence meant, but shared endorsement of a concept open enough to accommodate all of them (Jegen & Mérand, 2014).

Critically, Jegen and Mérand also identify why the CSDP strategy ultimately produced only fragile and limited integration. When the political context shifted - France rejoined NATO's integrated command, the UK moved toward disengagement, Germany returned to its traditionally cautious posture - the coalition lost cohesion and CSDP stalled. Ambiguity alone cannot produce durable integration. For a strategy of ambiguity to be genuinely constructive, it must be embedded in what Jegen and Mérand call an institutional opportunity structure - a formal-legal context capable of anchoring the coalition when the political conditions that created it begin to shift. The contrast with the Delors Single Market Programme is instructive: Jabko's analysis shows that ambiguous framing produces lasting outcomes precisely when it rests on an institutional foundation capable of sustaining the coalition beyond its founding political moment.

The one exception Jegen and Mérand identify within the defence domain is analytically decisive for the present thesis. The defence industrial sector, unlike CSDP, did not stall - precisely because it could be framed as internal market policy, in which the Commission holds treaty-based competences, providing the institutional opportunity structure that the intergovernmental CSDP track lacked (Jegen & Mérand, 2014). The post-2016 period - including the creation of the EDF on Articles 173 and 182 TFEU, the establishment of DG DEFIS, and the adoption of the European Defence Industrial Strategy - can be understood as the systematic construction and deepening of this institutional opportunity structure.

The Commission's use of "competitiveness" in EU defence industrial policy follows the same logic as Jabko's account of "the market": a vocabulary flexible enough to appeal to actors with divergent interests while consistently serving the institutional purpose of expanding EU-level involvement in a domain of Member State sovereignty. Member States that resist deeper defence integration on sovereignty grounds can accept competitiveness-framed initiatives because the term does not directly challenge national procurement authority. The word achieves political consensus not despite its ambiguity, but because of it.

1.3 "Competitiveness" as a Contested Concept in EU Defence Policy

Building on the constructivist framework established in Sections 1.1 and 1.2, this section analyses the concept of "competitiveness" as it operates in EU defence policy. The central argument is that the term "competitiveness" has no single ultimate definition in the EU defence context and is also a politically constructed and contested concept - one whose durability in EU defence discourse derives precisely from its capacity to accommodate divergent meanings across actor types. More precisely, "competitiveness" operates in EU defence policy neither as a substantive element of defence policy in itself nor primarily as a policy goal, but as an enabling term - a discursive instrument through which the EU acquires institutional traction in a domain where its formal competence remains constrained. This distinction shapes the analytical approach that follows. The section proceeds in two steps. Section 1.3.1 identifies three analytically distinct levels at which the concept operates and the tensions between them. Section 1.3.2 then explains the structural property that makes this possible, drawing on Laclau's concept of the empty signifier and Crespy and Vanheuverzwijn's application of it to EU economic governance.

1.3.1 How EU competitiveness have been defined in literature?

The concept of competitiveness does not carry a single stable meaning in EU defence discourse. Depending on the level of analysis - company, national, or EU level - it refers to distinct capacities, reflects distinct interests, and implies distinct policy priorities. The literature reveals three distinct levels at which EU defence competitiveness has been defined. At the company level, Faure (2025) frames it through commercial performance, the ability of prime contractors to win international contracts and sustain market position. At the national level, Ploom et al. (2022) and Meershoek (2021) emphasise each Member State's capacity to participate meaningfully in collaborative programmes without ceding industrial sovereignty - a framing that already contains the tension between national and collective interests. At the EU-wide geopolitical level, Seidl and Schmitz (2024) have related competitiveness as the collective capacity to direct economic resources toward strategically vital sectors, while Draghi (2024) frames it as reducing external dependencies and closing the innovation gap with the US and China. Fiott (2024) offers the most defence-specific formulation, arguing that the ultimate test of EU defence industrial competitiveness is not export performance but readiness - whether the EDTIB can actually deliver at the scale and speed required in a high-intensity conflict.

These three levels are analytically distinct, and they can be in active tension with one another. A company may be highly competitive at the national level precisely because nationally organised procurement shields it from pan-European or international competition. A Member State may maintain a robust domestic defence industry while simultaneously contributing to the fragmentation that weakens European industrial competitiveness in aggregate. The Commission's preferred geopolitical framing - positioning EU defence industrial policy as a response to competition with the United States - may serve to justify supranational intervention while obscuring the ways in which individual firms or Member States benefit commercially from preserving the fragmented status quo (Meershoek, 2021).

1.3.2 Competitiveness as an Empty Signifier

The tensions identified in Section 1.3.1 raise an immediate analytical question: if the three levels of competitiveness are in potential conflict, why do actors across all of them consistently endorse the same term without apparent disagreement? This requires moving beyond definitional precision toward a more interpretive analytical stance, and specifically toward the concept of the empty signifier as developed by Laclau (1996).

Laclau (1996) argues that certain political terms gain their power not because they are vague or flexible enough to mean different things to different people, but through a more specific mechanism. A term becomes an "empty signifier" when it loses its concrete, specific meaning and instead comes to represent something that all actors in a given political space feel is missing or unfulfilled - a sense of order, unity, or collective purpose that nobody can quite define but everyone agrees is absent. Different actors come to rally around such a term not because they agree on what it means in practice, but because they share a common sense of what they are against: dysfunction, fragmentation, or failure. Laclau calls this a logic of equivalence - differences between actors are temporarily set aside because what unites them, their shared opposition to a common problem, matters more than what divides them. The term then becomes a placeholder for a better state of affairs that everyone desires but that no single actor's agenda fully delivers. Critically, this also means that whichever actor or institution manages to present its own specific objectives as the path toward that better state gains a powerful political advantage, but this advantage is never guaranteed or permanent, because the connection between the empty signifier and any particular agenda is always contestable (Laclau, 1996). In this perspective, "competitiveness" in EU defence policy operates in precisely this way: actors with very different interests - large companies, SMEs, the Commission, Member States large

and small - all endorse the term because they share a common sense of the problem, an insufficiently competitive European defence industrial base, rather than because they agree on the solution.

Crespy and Vanheuverzwijn (2019) apply a structurally analogous analysis to "structural reforms" in the context of the European Semester, demonstrating that diverse actors - Member States, the Commission, international financial institutions, and domestic political actors - all endorsed the term while disagreeing fundamentally about what it required in practice. Their content analysis reveals, however, that the concept was not entirely empty: it retained a persisting core around liberalisation and deregulation, even as more eclectic and at times contradictory elements were layered over it. The result was not a neutral consensus but a reflection of an asymmetric and ongoing battle of ideas within the EU, in which the concept's apparent openness masked the Commission's more specific institutional agenda.

The parallel with "competitiveness" in EU defence policy is direct: the term accommodates a wide range of actor interests while its institutional core consistently reflects the Commission's agenda of expanding EU-level involvement. Drawing on this analytical precedent, the document analysis in Chapter 3 examines whether "competitiveness" in EU defence policy similarly retains a persisting institutional core beneath its open surface - and what that core reveals about whose interests the policy architecture is designed to serve.

1.4 Methodological Implications

For the empirical design of this thesis, the theoretical framework developed in this chapter carries three specific implications. First, the semi-structured interviews do not treat industry assessments of EU policy as straightforward expressions of policy effectiveness. They treat them as discursive acts - statements through which actors position themselves in relation to EU defence competitiveness, articulate their interests, and invest the shared vocabulary of competitiveness with their own content, following Schmidt's distinction between coordinative and communicative discourse. Second, divergences in how different actors define competitiveness across company size and Member State context are not treated as measurement inconsistencies but as findings that reveal the structure of the battle of ideas within the EU defence policy field, mapping which actors' understandings of competitiveness the post-2016 institutional architecture has been designed to serve. Third, the document analysis component examines how EU policy documents construct competitiveness as a problem and a goal, providing the analytical baseline against which industry discourses can be compared -

following the method Crespy and Vanheuverzwijn (2019) apply to European Semester documents and informed by Jabko's (2006) approach to tracing strategic concept deployment across Commission documents.

Together, these components allow the thesis to map not only what industry actors think about EU defence policy, but how the conceptual frameworks they use to evaluate it reflect and reproduce the broader discursive structure of EU defence industrial governance - and whether the institutional opportunity structure assembled since 2016 has been sufficient to convert the ambiguous consensus around "competitiveness" into tangible industrial outcomes.

1.5 The EU defence industrial landscape

1.5.1 The EU as a Constrained Defence Industrial Actor

Unlike most areas of EU industrial policy and economic governance, defence does not operate within a fully supranational framework. It remains closely tied to Member State sovereignty, especially in relation to national security, procurement, and capability development (Genini, 2025; Ostanina & Tardy, 2024). This creates a structural tension at the heart of EU defence policy. On the one hand, the EU is founded on the logic of the Single Market, which seeks to reduce barriers, harmonise rules, and support cross-border economic integration. On the other hand, defence continues to be treated as a politically sensitive exception, where national security concerns justify derogations from normal internal market principles (Genini, 2025; Perotto, 2022). As a result, the EU's role in defence is not that of a direct market controller, but rather that of a constrained actor seeking to influence a sector it cannot fully govern.

The legal architecture of this constraint is specific and consequential. Article 346 TFEU provides a broad exemption from ordinary internal market rules, allowing governments to take measures they consider necessary for the protection of essential security interests in connection with the production of or trade in arms, munitions, and war material (Perotto, 2022; Genini, 2025; Ostanina & Tardy, 2024). In practice, this gives national authorities considerable discretion to favour domestic suppliers and pursue nationally defined security goals, thereby reinforcing nationally organised defence industrial structures. EU-level initiatives must therefore operate within narrow limits and often depend on Member State cooperation rather than supranational enforcement, resulting in a governance environment in which the EU can support, coordinate, and incentivise, but not command.

At the same time, the legal framework provides space for integration in the defence-industrial field. Article 173 TFEU on industrial policy and Article 182 TFEU on the improvement of the EU scientific and technological base allow the Commission to act through competitiveness, innovation, and industrial coordination, even in the absence of direct defence competence (Perotto, 2022; Genini, 2025). Beyond these bases, Articles 42(3), 42(6), and 46 TEU provide the foundations for a European capabilities and armaments policy and for PESCO (Perotto, 2022). The EU defence framework is therefore composed of overlapping legal and institutional layers rather than a single coherent competence. This fragmented architecture is not merely a legal technicality - it is precisely the institutional opportunity structure that explains why the Commission has operated through the language of competitiveness and industrial policy rather than direct defence authority, and why the defence industrial sector has proven more amenable to EU-level integration than the intergovernmental CSDP track (Jegen & Mérand, 2014).

This layered architecture has enabled the development of several key instruments. PESCO provides a framework for more binding cooperation among participating Member States, while the Coordinated Annual Review on Defence (CARD) functions as a planning and coordination tool designed to identify opportunities for collaboration and improve coherence in capability development (Perotto, 2022). The EDF is the Commission's central financial instrument for supporting collaborative defence research and development, funded through Articles 173 and 182 TFEU and explicitly linked to industrial competitiveness, innovation, and the scientific and technological base of the Union (Perotto, 2022; Fiott, 2021). The Fund supports consortia of companies from different Member States undertaking cooperative research and development, and includes mechanisms intended to stimulate the opening of supply chains and cross-border cooperation (Perotto, 2022; European Parliament, 2019).

The EU can therefore be understood as a defence industrial actor whose influence is structurally constrained - strongest where it can provide funding, coordination, and incentives; weakest where direct market-shaping power would be required (Perotto, 2022; Genini, 2025). This institutional position shapes the strategic space available to the Commission and explains why instruments such as the EDF are designed as incentive mechanisms rather than regulatory interventions. It also shapes how industry actors engage with EU policy: the voluntary and incentive-based character of EU instruments means that firms and Member States retain significant agency in determining whether and how they participate.

1.5.2 Defence Markets as Politically Constructed Systems: Company-Level Dynamics

Understanding EU defence competitiveness requires examining not only the institutional architecture but also the structural characteristics of defence markets themselves and how those characteristics translate into divergent interests across firm types. Defence markets depart fundamentally from standard competitive models, and these departures have direct consequences for how different actors relate to EU integration efforts.

Companies do not compete in a large, open market in the conventional sense; instead, they operate within a narrow procurement environment shaped by a small number of public purchasers and by long-term relationships with state authorities (Fiott, 2019). Fragmentation is often framed in the literature as a market failure, but it is more precisely the outcome of deliberate political decisions. Member States have consistently chosen to preserve domestic production capacity, support national champions, and favour local suppliers in procurement - choices that are economically inefficient from a European aggregate perspective but politically rational from a national one (Meershoek, 2021; Clapp, 2024). Domestic defence industries provide skilled employment in strategically significant sectors, generate export revenues, produce technological spillovers into civilian sectors, and sustain state sovereignty over production capabilities that governments are unwilling to entrust to external suppliers (Hartley, 2011). These political functions explain why fragmentation persists even when its costs are widely acknowledged.

The position of SMEs and new entrants are also valuable to consider. Defence procurement processes are typically structured around large system integrators, making it difficult for smaller firms to participate effectively (European Commission, 2025; Orgalim, 2025). Access to financing is limited, as defence-related investments are often perceived as high-risk, restricting capital access and slowing the transition from innovation to production (EIB, 2025/2026). The gap between EU-funded research and development and national procurement follow-on is particularly acute for SMEs: without credible demand signals downstream, companies cannot justify the investment required to scale production (European Court of Auditors, 2023). At the same time, SMEs are increasingly important contributors to innovation in software, artificial intelligence, cyber, and dual-use technologies, and the war in Ukraine has demonstrated their capacity to develop and deploy new capabilities rapidly in response to operational needs (European Commission, 2025). Their systemic importance for supply chain resilience and technological diversification is increasingly recognised in the literature (Orgalim, 2025), even as the structural barriers to their full participation remain substantial.

As Ploom, Kalvet, and Tiits (2022) show specifically in the small-state context, firms constrained by limited domestic demand, restricted financial and human resources, and dependence on external technologies cannot develop full-spectrum defence capabilities and therefore cannot benefit from nationally organised procurement in the way that larger incumbents do. For these actors, fragmentation functions as a barrier, restricting access to export markets and collaborative programmes that a more integrated European market would open.

This asymmetry of interests highlighted in the literature is a relevant baseline for this thesis. It means that industry assessments of EU competitiveness policy are unlikely to be uniform even among actors who all endorse the vocabulary of competitiveness.

1.5.3 Member State Asymmetries

Large Member States such as France, Germany, and Italy possess relatively well-developed defence industrial bases, including major prime contractors capable of designing and producing complex military systems (EDA, 2024). These countries benefit from larger domestic markets, greater financial resources, and more mature industrial ecosystems, which position them to achieve economies of scale and sustain technological capabilities across multiple domains (Fiott, 2019). In this sense, larger states are better placed to absorb the high fixed costs of defence production (Hartley, 2011). However, even large Member States face challenges related to fragmentation. National procurement practices that prioritise domestic industry limit cross-border integration and reinforce duplication at the European level (Mejino-Lopez & Wolff, 2024; Clapp, 2024). National strength and European fragmentation therefore coexist, and competition between national champions can constrain cooperation and delay joint programmes precisely where integration would be most productive.

Smaller Member States face a structurally different set of challenges. Constrained by limited domestic demand, restricted financial and human resources, and a high degree of dependence on external technologies, they cannot develop full-spectrum defence capabilities or compete directly with larger states in most domains (Ploom et al., 2022). For these states, competitiveness is less about self-sufficiency and more about strategic positioning within broader value chains: specialising in niche areas and participating in collaborative projects can make them relevant contributors to the European defence industrial ecosystem without requiring a full domestic base (Ploom et al., 2022). However, this model carries risks. If production becomes increasingly concentrated in larger states, smaller countries risk becoming

dependent importers rather than active industrial contributors - raising distributional questions about how the gains from integration are allocated across the Union (Ploom et al., 2022).

The tension between integration and inclusion is therefore central to any assessment of EU defence competitiveness policy. Deeper integration may improve aggregate efficiency and support economies of scale, but it may also produce uneven effects across Member States if the institutional architecture favours incumbents in larger markets. For the present thesis, this matters because industry representatives from different national contexts are likely to evaluate competitiveness through different lenses - actors in larger states may prioritise scaling and global competitiveness, while actors in smaller states may focus more on access, participation, and industrial inclusion.

1.5.4 The Current State of EU Defence Industrial Competitiveness

Against this structural backdrop, the current state of EU defence industrial competitiveness is best understood through a combination of spending trends and structural performance indicators. According to the data of the EDA, defence expenditure in the EU has risen sharply, reaching approximately €343 billion in 2024 and projected to rise further to roughly €381 billion in 2025. Defence spending as a share of GDP has also increased, reaching approximately 1.9% in 2024 and projected to reach 2.1% in 2025 (EDA, 2025). These figures demonstrate that political commitment to defence has grown significantly, but they do not by themselves indicate that competitiveness has improved.

A more revealing indicator is the composition of spending. Defence investment reached roughly €106 billion in 2024, while equipment procurement stood at approximately €88 billion (EDA, 2025). Despite this, collaborative procurement remains far below the Commission's and EDA's ambition of 35%, with joint procurement in earlier assessments reported at only around 18% of total defence investment (Clapp, 2025). Increased budgets do not automatically translate into stronger competitiveness if procurement remains nationally organised and demand remains fragmented (Paire, 2025; Wolff, 2024). The central issue is therefore not only the volume of resources available, but the way demand is structured and converted into long-term industrial commitments - factors that determine whether production can achieve the scale, predictability, and coordination necessary for lowering unit costs and sustaining technological learning (Mejino-Lopez & Wolff, 2024; Brzuska, 2025).

Innovation capacity is a further dimension of competitiveness where structural constraints are visible. The EU has strong research and development potential, particularly in artificial

intelligence, cyber, and advanced materials (European Commission, 2025; EDA, 2024). However, the literature consistently identifies a gap between research and deployment: innovation efforts are not sufficiently translated into procurement and large-scale industrial output (European Court of Auditors, 2023). Competitiveness therefore depends not only on generating innovative capabilities but on whether those capabilities are brought into production and fielded at scale - a transition that requires demand coordination and procurement commitment that remain primarily under national control.

Financial and investment constraints reinforce these challenges. Although public defence spending has increased, access to private capital remains limited, particularly for SMEs and growth-stage firms (EIB, 2025/2026). Defence-related investments are often perceived as high-risk, which restricts financing opportunities and slows industrial expansion, creating a bottleneck in the transition from innovation to production. For that reason, competitiveness in the EU defence industry must be understood as a system-level issue: it depends on the interaction between spending levels, demand coordination, innovation capacity, and financial architecture, rather than on any single variable in isolation.

2. METHODOLOGY

The methodology chapter explains how this thesis investigated how "competitiveness" is defined and framed in EU defence policy documents and by the EU defence industry representatives. The chapter first describes the research approach, analytical method, and the techniques applied to address the research questions. It then explains the selection criteria and composition of the two datasets - industry interviews and EU policy documents. Finally, it describes how the data was coded and analysed in practice.

2.1 Research Approach and Method

To address the research questions, this thesis adopts a qualitative research approach. The choice of qualitative methodology is motivated by the nature of the research object. The aim is not to measure how frequently a term appears or to test a hypothesis statistically, but to investigate what different actors understand by "competitiveness," how that understanding is expressed in language, and what patterns emerge across different data sources. Qualitative methods are suited to this purpose because they allow the researcher to interpret meaning, examine context, and identify patterns that cannot be reduced to numerical measurement (Creswell, 2013). The approach follows an interpretivist tradition, which treats social reality as constructed through meaning rather than as an objective condition waiting to be measured in this case, the meanings that policy actors and industry representatives attach to the concept of competitiveness (Denzin & Lincoln, 2011).

The research type is a comparative case study. The two cases are the EU institutional framing of competitiveness - examined through seven policy documents, and the industry framing of competitiveness, examined through nine interviews. The case study approach is appropriate because it supports in-depth examination of a contemporary phenomenon within its real-world political and institutional context, and because it is well suited to "how" and "what" questions of the kind this thesis pursues (Yin, 2018). The comparative dimension allows the researcher to examine the two cases against each other, identifying convergences and divergences that would not be visible from either case alone (Bryman, 2012).

The primary analytical method is qualitative content analysis. This method focuses on the language used to communicate meaning, not only on what is stated explicitly, but also on how it is framed, what is emphasised, and what is absent (Krippendorff, 2018). Qualitative content

analysis is text-based and preserves the richness and nuance of the material rather than reducing it to frequency counts or numerical codes (Hsieh & Shannon, 2005). It is well suited to analysing both interview transcripts and policy documents because it allows to identify recurring patterns, trace definitional variation across actors, and examine how the same concept is framed differently in different institutional contexts.

More specifically, this thesis uses directed qualitative content analysis (Hsieh & Shannon, 2005). This means the analysis is guided by an existing theoretical framework, the constructivist framework of discursive institutionalism, constructive ambiguity, and the three-level model of competitiveness established in theoretical framework, while remaining open to patterns and dimensions that emerge inductively from the data. The theoretical framework directs analytical attention toward how "competitiveness" is framed cognitively and normatively, at which level it operates, and whether its apparent consensus conceals divergent meanings, without prescribing in advance what specific content the coding will find.

Two main analytical techniques are combined. Cross-case or horizontal analysis allows the researcher to compare the treatment of competitiveness across multiple interview cases and across multiple policy documents simultaneously, identifying shared patterns and divergences (Miles, Huberman & Saldaña, 2014). Manifest analysis focuses on the explicit content of the material, the definitions, terms, and arguments stated directly by interviewees or in policy documents. The combination of these techniques allows the analysis to address both the surface vocabulary of "competitiveness" and the deeper framing logic through which different actors invest the term with different content.

The main limitation of qualitative content analysis is that the analytical process is necessarily influenced by the author's own knowledge, interpretive choices, and the boundaries of the sample. Selective patterns of interpretation cannot be fully excluded, particularly where the researcher has prior familiarity with the policy domain (Bryman, 2012). To mitigate this risk, the analysis was conducted systematically and step by step, with clearly defined coding categories, explicit selection criteria for both interview participants and documents, and a research design that requires the same analytical questions to be applied consistently across both data sources. Reflexivity, awareness of how the researcher's own position influences interpretation, was maintained throughout the analytical process (Creswell, 2013).

2.2 Sample

The empirical analysis draws on two data sources selected to allow a structured comparison between industry and EU institutional framings of competitiveness: nine semi-structured elite interviews with defence industry representatives, and seven EU defence industrial policy documents produced between 2021 and 2025.

Industry interviews

The interview sample was constructed through purposive sampling, with the aim of capturing the structural variation in interests and perspectives that the theoretical framework in Chapter 1 predicted would shape how "competitiveness" is understood across different actor types. Rather than seeking a statistically representative sample, purposive sampling selects participants based on their relevance to the research questions and their capacity to provide analytically significant information (Patton, 2015). Two primary selection criteria governed the sampling decisions. First, the participant had to be directly involved in EU defence industry - either as a practitioner within the industry, as an industry association representative, or as an institutional actor monitoring and engaging with EU policy design. Second, the sample had to span the structural categories: Member State size (small versus large, geographical location), firm size (SME versus large prime), and institutional vantage point (national, European, and cross-national).

Nine interviews were conducted in 2025 and 2026 with representatives from six actor categories. Three interviews were conducted with national defence industry associations from small Member States (I-01, I-05, I-07), covering Western, Central and North European contexts respectively. One interview was conducted with an SME from a small Member State (I-02). One interview was conducted with an SME from a large Member State (I-03). One interview was conducted with a large prime contractor from a large Member State (I-06). Two interviews were conducted with national or domain-specific defence industry associations from large Member States (I-08, I-09). One interview was conducted with a representative of the EU-level industry organisation representing approximately 99% of EU defence technological and industrial base turnover across all Member States (I-04).

All interviews were conducted as semi-structured interviews with industry representatives. The questions while giving respondents the flexibility to introduce dimensions and framings that the researcher had not anticipated (Bryman, 2012). This is particularly important when the aim is to map definitional variation across actor types rather than to test predefined categories, as the interviewee's own vocabulary and framing choices are themselves part of the empirical data (Creswell, 2013). The interview guide included questions on how respondents define competitiveness in the EU defence context, how they assess specific EU policy instruments, what structural challenges they identify, and how they understand the relationship between EU policy objectives and their own organisation's interests. Interviews were conducted in English and Estonian and lasted between 45 and 90 minutes. All interviews were recorded with participant consent and subsequently transcribed verbatim. Where respondents spoke in a language other than English, the relevant passages were translated into English by the author prior to analysis.

All respondents are anonymised in the thesis. Citations use descriptive labels indicating actor category and Member State context, for example "Industry Association Representative, Small MS, 2026", alongside the interview ID code (I-01 through I-09). This format preserves the analytical relevance of structural position while protecting participant confidentiality. The coding table in Annex A2 records the full set of coded interview segments alongside their actor category and interview ID, enabling the reader to verify the evidential basis of analytical claims made in Chapter 3.

EU policy documents

The document sample consists of seven EU defence industrial policy instruments produced between 2021 and 2025, selected to cover the full arc of EU defence industrial policy from its pre-war institutional foundation to its most recent post-war elaboration. The selection criteria were threefold. First, the document had to be an official EU legislative or strategic instrument directly addressing the European Defence Technological and Industrial Base. Second, the document had to contain substantive references to competitiveness as a policy objective or diagnostic category. Third, the sample had to span the 2021–2025 period in a way that allows the evolution of the competitiveness concept to be traced across the policy sequence. All selected documents are publicly available in their official published versions on EUR-Lex and the European Commission website.

2.3 Data Analysis

The data analysis was conducted in three sequential stages, applied consistently to both data sources. The iterative nature of qualitative research - moving between data collection, coding, and analytical questions, was maintained throughout (Creswell, 2013). The same three analytical questions were applied to both the interview transcripts and the policy documents: how is competitiveness spoken about; how is it defined and understood; and what dimensions and priorities are highlighted. Applying identical questions to both data sources was essential for enabling the structured comparison in Chapter 3.

Stage one: transcription and familiarisation

Interview recordings were transcribed verbatim immediately following each interview. Policy documents were read in full prior to coding. In both cases, an initial reading was conducted without coding, with the aim of developing familiarity with the material as a whole before imposing any analytical categories. Notes were made during this stage on initial impressions, recurring themes, and potential coding directions, but no formal coding was applied. This familiarisation stage is a recognised prerequisite for systematic qualitative analysis because it allows the researcher to approach the coding process with an overview of the full dataset rather than engaging with segments in isolation (Miles, Huberman & Saldaña, 2014).

Stage two: inductive open coding (mechanical)

Following familiarisation, inductive open coding was applied to both datasets. Inductive coding means that codes, categories, and their labels were derived from the data itself rather than from a predetermined list of categories (Thomas, 2006). Each meaningful segment of text, a sentence, a passage, or a defined statement, was assigned a descriptive code that captured its content in relation to the research questions. Codes were not defined in advance; they emerged from repeated reading and comparison of segments across the material. Where a new segment raised a dimension not covered by existing codes, a new code was created. Where segments were analytically similar, they were grouped under the same code.

For the interview transcripts, coding was conducted directly on the verbatim text of each interview. Coded segments were transferred to a consolidated coding table (Annex A1) recording the code, the interview ID, the relevant text segment, and the analytical category to which it was assigned. For the policy documents, coding followed the same logic, with segments drawn from the full text of each instrument and assigned codes corresponding to how competitiveness was defined, framed, and operationalised in that specific document.

The inductive approach was chosen over a fully deductive one because the aim of the thesis is to map how "competitiveness" is understood across different actor types and document contexts, not to confirm a pre-existing classification of meanings. At the same time, the directed content analysis design means that the theoretical framework in Chapter 1 shaped the research questions and the analytical categories used for comparison without dictating the specific codes that emerged from the data (Hsieh & Shannon, 2005). This combination of theoretical direction and inductive openness is appropriate for research that seeks both to test and to extend existing theoretical claims (Braun & Clarke, 2006).

Stage three: thematic categorisation and matrix construction

Following open coding, codes were grouped into broader thematic categories through an iterative process of comparison and refinement. This stage corresponds to what Braun and Clarke (2006) describe as the development of themes from initial codes, the point at which individual codes are brought together into larger analytical groupings that capture the central patterns relevant to the research questions. For the interview data, thematic categories were organised around the three analytical questions applied consistently across all nine interviews. For the document data, the same three questions were applied across all seven instruments, allowing the researcher to trace the evolution of the competitiveness concept across the policy sequence as well as to identify the elements that remain constant throughout.

A data matrix was then constructed for each dataset, bringing together the thematic categories, sub-categories, and coded text segments in a structured format that allows patterns to be identified and compared (Miles, Huberman & Saldaña, 2014). The matrix for the interview dataset spans all nine interviews across consistent analytical categories, enabling both within-interview analysis and cross-interview comparison. The matrix for the document dataset spans all seven instruments in chronological order, enabling both within-document analysis and across-series tracing of the competitiveness concept's evolution.

The comparative analysis in Chapter 3 draws on both matrices simultaneously, placing the coded interview material and the coded document material side by side to identify convergences, divergences, and the patterns of absence that reveal where each framing does not engage with the other's competitiveness vocabulary. This comparative stage corresponds to the cross-case analytical technique described in Section 2.1, and its findings directly address SQ3 and the main research question. Interview and EU policy documents coding datasets are available upon request.

2.4 Ethical Considerations and Data Management

This thesis involves empirical research with human participants and therefore required careful attention to ethical standards governing informed consent, confidentiality, anonymisation, and data storage throughout the research process.

Informed consent. Prior to each interview, informed consent was obtained from all participants. Given the professional and elite nature of the sample, consent was collected flexibly - either as a signed consent form or through written confirmation via email, depending on the participant's preference and organisational context. All participants were informed of the purpose of the research, the voluntary nature of their participation, their right to withdraw, and how their data would be stored and used.

Anonymisation. All interviewees are fully anonymised in this thesis. Interviews were conducted via online video conferencing platforms using the platform's integrated automatic transcription function. Following each session, the transcript was manually reviewed and cleaned by author, removing all identifying information, including names and any organisational details that could reveal participant identity, and replacing them with the assigned interview ID code (I-01 through I-09) and the corresponding actor category label. Only the cleaned and anonymised versions were retained for analysis. The original unedited transcripts were permanently deleted following the completion of the cleaning process.

Data storage and access. All anonymised interview transcripts and consent documentation are stored in a password-protected cloud environment accessible exclusively to the author. No third party had access to the data at any stage of the research process. Both datasets are available to thesis evaluators upon request through a secure access arrangement.

EU policy documents. The document dataset consists exclusively of publicly available official EU instruments accessed via EUR-Lex and the European Commission website. No ethical considerations regarding confidentiality or consent apply to this data source.

3. ANALYSIS AND RESULTS

3.1 Industry Actor Framings of Competitiveness

3.1.1 How Industry Actors Define and Understand Competitiveness

The first finding that emerges from the interview dataset is that there is no shared definition of competitiveness across the nine interviewees. The concept is used consistently and without hesitation by all actors, but its content varies substantially depending on structural position, also an institutional vantage point of the speaker. This pattern directly confirms the constructive ambiguity argument developed in Chapter 1: "competitiveness" functions as a concept whose apparent consensus conceals real variety about what it means in practice. What unites the interviewees is the word; what divides them is the level at which they locate the competitiveness problem and the indicators they use to evaluate whether it is being addressed. The analysis below traces those definitional differences.

Company level definition - Competitiveness as market performance

At the company level, definitions in general centre on market performance, product quality, and the ability to win contracts against rivals. The most direct articulation comes from a small Member State association representative who defined competitiveness as follows:

> *"Competitiveness means being able to design, produce, and sell better products at a cheaper price than your competition - simply put"* (I-01, Industry Association Representative, Small MS, 2026).

This is a market-oriented, business-first definition that locates competitiveness entirely at the company level, the ability to outperform rivals on product quality and price, with no reference to collective European capacity, geopolitical context, or policy instruments. The same interviewee broadened this to include what they described as systemic company-level enablers:

> *"To achieve that, you need a well-oiled machine across all elements of production: competent personnel, thorough understanding of the market, solid market intelligence, and foresight to invest in the right place at the right time"* (I-01, Industry Association Representative, Small MS, 2026).

Competitiveness in this framing is an organisational achievement built from human capital, market knowledge, and strategic foresight. Yet the same actor introduced a candid tension within this company-level framing:

> *"Our competitiveness has its roots in engineering and innovation - that is really the key. However, our national industry has always been rather poor at selling its products. We are too shy"* (I-01, Industry Association Representative, Small MS, 2026).

The self-critical observation locates part of the competitiveness problem not in policy or market structure but in institutional self-promotion deficit - a dimension entirely absent from EU policy framing of the challenge. I-02 was most explicit about structural ceiling about the markets:

> *"There will never be a prime contractor in Estonia - simply because there is no such large market. A company's size is determined by the size of its home market; this is true in every sector, including defence"* (I-02, SME Representative, Small MS, 2026, translated).

This statement reflects dependence of the market influencing competitiveness and tied definition toward niche specialisation at supply chain tiers where small firms can realistically compete.

I-08 reinforced this through the niche indispensability framing:

> ***"The most successful approach is to identify something specific that no one else can supply, or can supply better, and become indispensable in that niche - almost like a semiconductor play in the supply chain. If you have the best offering for that one specific component, you become a must-have rather than a nice-to-have" (I-08, Industry Association Representative, Large MS, 2026).***

Export performance as competitiveness test

Export orientation appears among Small Member State representatives. For I-07 (Small MS), export orientation is not a strategic preference but a constitutional identity of the organisation:

> *"Our mantra, which I repeat at every meeting, is this: the ultimate goal of all our activities must be that our companies can sell abroad. In our defence industrial policy,*

the first point states that we are an export-oriented industry. This is the primary priority for us as a small country and for our industry" (I-07, Industry Association Representative, Small MS, 2026).

The terms "mantra" and "first point" signal that export success is the organising principle through which all EU policy instruments are evaluated. Every subsequent assessment of EU mechanisms in this interview is filtered through this export-sales test, making the communicative structure of the interview itself analytically revealing. The same logic - export performance as the definitive competitiveness test, appears in the large MS and large company framing, but from a different starting position:

"If we are winning contracts globally against competitors such as the US, Israel, and South Korea, it means we are genuinely competitive. (I-06, Large Company, Large MS)

Where I-01 describes an industry aspiring to export and constrained by commercial assertiveness deficits, I-06 describes an actor already winning international tenders against the world's most capable defence exporters. The export-oriented framing is therefore shared across actor types, but carries structurally different meanings depending on the competitive position from which it is spoken. The same large company representative offered an angle extends the company-level picture:

"As a large company, we are not agile. Innovation happens internally but it takes a very long time to move from a lab to a product. For a smaller company from Eastern Europe, they are agile, they can develop things quickly, and they are not constrained by the internal processes of a large group. In a large company, every new initiative requires convincing many people. The tolerance for failure is much lower" (I-06, Large Prime Contractor Representative, Large MS, 2026).

A fundamentally different company-level definition is offered by I-02, who frames competitiveness primarily as an output of sustained demand rather than an intrinsic industrial capacity:

"The competitive situation of the European defence industry is relatively weak at the global level. One of the main reasons is that there have not been enough orders in Europe. Without orders - especially large orders - companies cannot develop sufficiently and cannot keep production costs down. Ultimately the customer buys the

cheaper product if parameters are comparable" (I-02, SME Representative, Small MS, 2026, translated).

It relocates the source of competitiveness from the firm itself to the procurement environment that surrounds it. A company cannot become competitive through its own efforts alone if the demand necessary to sustain investment and reduce unit costs is absent.

Combat-proven status as competitiveness advantage

I-02 (SME, Small MS) introduced a dimension of competitiveness that does not appear in standard company-level or policy-level definitions: combat-proven status as competitive advantage.

> *"European defence companies have not participated in any real conflict in the last two decades. Participating in conflict gives the opportunity to test and genuinely develop systems. The Americans apply their products daily - they have a conflict somewhere every decade and constantly test what they develop"* (I-02, SME Representative, Small MS, 2026, translated).

The argument benchmarks European competitiveness not against research investment or market integration but against the lived operational experience that continuous conflict deployment produces - a dimension that EU policy instruments cannot replicate through programme design alone. The importance of combat-proven status as a competitiveness factor was confined also from the large company vantage point, though with optimistic assessment of the current trajectory. I-06 identified the Ukraine conflict as a turning point in this respect:

> *"I believe that competitiveness is increasing for two reasons. First, defence budgets are rising all around the world. Second, the war in Ukraine has given many European companies the opportunity to provide combat-proven systems - and a combat-proven product is a very strong export argument"* (I-06, Large Prime Contractor Representative, Large MS, 2026).

Where I-02 identifies the structural gap that has historically existed, European industry lacking the operational validation that continuous US deployment generates, the I-06 identifies Ukraine as the moment at which European industry is beginning to close that gap. The two observations therefore point in the same analytical direction: combat-proven status is a recognised

competitiveness dimension across both actor types, and the Ukraine conflict has elevated its salience across the dataset as a whole.

The tiered supply chain model that I-02 elaborated provides the structural context within which this and other competitiveness dimensions operate differently depending on position:

> *"The defence industry market operates in layers: Tier 1 are prime contractors with long-term agreements; Tier 2 are subsystem integrators; Tier 3 are component manufacturers; Tier 4 are component suppliers; Tier 5 are maintenance and service providers. The more demand at the top, the more it cascades down to all tiers"* (I-02, SME Representative, Small MS, 2026, translated).

National level definitions

At the national level, definitions shift toward the capacity of a country's defence industrial base as a whole - its ability to sustain strategic production capabilities, equip its armed forces, and ensure that its firms can participate meaningfully in the wider European industrial ecosystem. This level is most visible in the distributional fairness framing that several small Member State association representatives employ.

I-05 from Small MS expressed this directly:

> *"The EU tries to make opportunities equal for everyone, but it is hard when you have 27 countries all with different goals and priorities. It is very hard to manage so that countries such as France, Germany, Spain, and Italy - which have incredibly large defence industries and their own prime companies - do not end up as the biggest recipients simply because of the scale of their industries"* (I-05, Industry Association Representative, Small MS, 2026).

Competitiveness here is understood not as company-level market performance but as equitable participation in the European defence industrial ecosystem - a distributional question about whether smaller national industries can access EU instruments on terms that are not structurally biased toward larger incumbents. The same interviewee introduced a dimension of competitiveness that does not appear in company-level definitions and is absent from EU institutional framing: the capacity to write competitive EU funding proposals.

> *"It almost seems like the main factor determining success in the EDF is experience. Writing a competitive proposal for the EDF is genuinely hard work, and those with the knowledge and experience to do it well have a clear advantage. I fear we do not have enough of that in our country"* (I-05, Industry Association Representative, Small MS, 2026).

Administrative capacity as a competitiveness resource, what might be termed meta-competitiveness, reveals that access to EU instruments is itself a competitive challenge, and one that is unequally distributed in ways that compound the structural disadvantages of smaller national industries. This observation has significant implications for instrument design: a programme that is formally open to all Member States may be substantively accessible only to those with the institutional infrastructure to navigate its application requirements.

Regulatory aspects

The national-level framing also encompasses the regulatory architecture within which national industries operate. I-01 identified a systemic problem at this level:

> *"Regulations have been prepared in silos. There is insufficient cross-sectional coordination between different regulatory areas - you often end up with unintended negative impacts elsewhere"* (I-01, Industry Association Representative, Small MS, 2026).

A other small MS association representative provided a concrete illustration of how this cross-sectoral regulatory fragmentation produces direct industrial harm:

> *"We were working on a case involving ECHA attempting to ban certain chemicals - including D5 and D6 polymers, widely used in the defence industry to make equipment water-resistant. Banning them from all industrial use would have halted defence production entirely. Meanwhile, our strategic competitors like China, Russia, are not dealing with these kinds of internal constraints"* (I-05, Industry Association Representative, Small MS, 2026).

The near-miss is analytically significant because it illustrates that national-level competitiveness is constrained not only by defence-specific policy failures but by the broader EU regulatory architecture that was designed without reference to defence industrial

consequences. The shorthand formula deployed by I-01 captures the same diagnosis in condensed form:

> *"The US innovates, China copies, and the EU regulates. That is unfortunately very true"* (I-01, Industry Association Representative, Small MS, 2026).

The formula positions EU over-regulation as the defining self-imposed competitive disadvantage, and its deployment as apparently self-evident rather than arguable reveals how certain narratives about EU competitiveness have become institutionalised in industry discourse, functioning as shared shorthand within the associational community rather than as original analysis.

I-08 offered the most vivid illustration of how the national level produces intra-EU market access barriers that undermine the single market promise:

> *"It is sometimes as difficult - or even more difficult - for an Estonian company to sell something to a French company and enter its supply chain as it is for a US company to sell to a European customer. That is clearly wrong. It should be easier for European companies to sell and collaborate with each other than with any country outside the EU"* (I-08, Industry Association Representative, Large MS, 2026).

The Estonia-France-US comparison makes a national protectionism argument concrete: national supply chain preferences create market access barriers within the EU that are sometimes higher than those facing external competitors. At the national level, therefore, competitiveness is not only about what a country's industry can produce but about whether it can access the markets of other Member States, a dimension the company-level definitions do not capture.

The political-institutional dimension of national-level competitiveness emerges most directly from I-03, who frames the blockage as a governance failure rather than an industrial one:

> *"I genuinely admire the ambition of the European Union in trying to integrate the European defence industry, which is still very fragmented. I see even more propensity from the industry side to create synergies and build larger companies with common objectives, rather than from the political side - because Member States remain very*

reluctant to release their power to the EU" (I-03, SME Representative, Large MS, 2026).

The blockage is located not in industrial incapacity but in Member State political unwillingness to cede control. The same interviewee connected this governance diagnosis to a concrete operational consequence exposed by the Ukraine conflict:

> "*A captive market also affects delivery times: when the delivery timeline is more manageable in peacetime, you end up being unprepared for the urgency that a crisis like Ukraine demanded. We were simply not ready to deliver with the speed that was require*d" (I-03, SME Representative, Large MS, 2026).

Delivery speed and surge capacity emerge here as national-level competitiveness dimensions that standard firm-level metrics do not capture, and the diagnosis is historically grounded: nationally captive market structures produced structural unreadiness that became visible only under the pressure of actual conflict demand.

Structural-systemic and geopolitical level definitions

At the structural-systemic level, definitions move toward the collective capacity of European industry as a whole and introduce strategic and geopolitical dimensions that are largely absent from firm-level or national-level framings. This level is where the most analytically distinctive definitions in the dataset appear, and where the limitations of commercially-oriented competitiveness frameworks become most visible.

I-04 offered the most explicit challenge to conventional competitiveness frameworks:

> "C*ompetitiveness in defence is a very unique concept. In most industries, competitiveness is thought about in commercial terms - supply and demand curves, cost differentials. But in defence, the relationship between the customer essentially a single buyer, the government - and the primes is driven primarily by strategic considerations, operational requirements, performance, security of supply, and alliance alignment, rather than purely commercial considerations*" (I-04, EU-Level Industry Organisation Representative, 2026).

It is not primarily about price or market share but about the ability to meet strategic operational requirements and ensure security of supply. The same actor escalated this further by proposing an entirely different evaluative standard:

> *"The key benchmark for this industry should not be competitiveness in the traditional sense, but rather: can we provide our armed forces with what they need, when they need it, in the event of large-scale high-intensity warfare against a peer adversary? Are we war-ready?*" (I-04, EU-Level Industry Organisation Representative, 2026).

The war-readiness metric replaces economic performance with strategic capability delivery as the ultimate measure of industrial success - the most radical definitional departure in the dataset. The same interviewee provided concrete quantitative grounding for the structural fragmentation diagnosis:

> *"The EU market is divided into around 30 different national markets, a large part of the small and fragmented demand goes outside Europe, and this prevents European industry from achieving economies of scale. Despite these disadvantages, our products are very competitive in certain segments"* (I-04, EU-Level Industry Organisation Representative, 2026).

The qualification "competitive in certain segments" introduces important nuance: the European defence industry is not uniformly weak, and assessments that treat it as categorically uncompetitive misread the structural picture.

I-08 reinforced the structural-systemic framing with the most direct anti-fragmentation statement in the dataset:

> "W*e have enormous potential that is not yet realised. The most fundamental challenge is fragmentation, which is really the enemy of competitiveness. Without being more united and structured, we are effectively making Europe a market for others"* (I-08, Industry Association Representative, Large MS, 2026).

The phrase "making Europe a market for others" reveals a collective European framing in which the speaker advocates not for their national industry but for European industry as a geopolitical actor - a systemic perspective that goes beyond national interest to engage with the strategic consequences of structural fragmentation.

I-09 offered the most methodologically sophisticated challenge to the entire concept:

> "Y*ou cannot generalise competitiveness because you really have to segment the European offer by domain, and even that is not sufficient - you have to go deeper. You cannot make a general statement about European defence competitiveness; you have to fragment and analyse, because the conclusions change depending on where you look"* (I-09, Industry Association Representative, Large MS, 2026).

This is a meta-level intervention before engaging with the substance of competitiveness, the interviewee establishes that the concept is fundamentally heterogeneous and that any generalisation will be analytically misleading. The effect is to challenge the practice of speaking about EU defence competitiveness as a singular policy objective. This framing aligns directly with the empty signifier argument developed in Chapter 1 (Laclau, 1996): different actors invest the same term with different content, and the apparent shared vocabulary conceals real disagreements about what it requires in practice.

The same actor elaborated a layered definition that extends well beyond product performance:

> "*You are not only selling the asset - you are selling an integrated system, and the ecosystem that sells it and sustains it is part of the offer. Without an armed force that uses it and co-develops it, the system cannot evolve properly. Competitiveness is layered: segmented by domain, segmented by the specific system, and shaped by the political and industrial system behind the seller*" (I-09, Industry Association Representative, Large MS, 2026).

Through-life support, operational co-development, and software sustainment are here identified as constitutive elements of a competitive offering - not add-ons to a product sale but integral parts of what is being sold. The same actor also introduced the most explicit account of political relationships as a competitiveness determinant:

> "I*f Australia wants to buy a new frigate and holds a tender in which Italian, French, and British shipyards compete, the winner is often not the one with the best technology or the best value, but the one with the strongest political relationship. Politics conditions the outcome at least as much as capability*" (I-09, Industry Association Representative, Large MS, 2026).

This observation implies that EU-level diplomatic weight and political integration are themselves components of export competitiveness, not merely enabling conditions for industrial policy but direct competitive assets that a fragmented EU pursuing independent export diplomacy cannot deploy as effectively as a consolidated political actor.

What the definitions reveal?

These definitions reveal a pattern of structural divergence that the three-level framework from Chapter 1 helps organise but does not fully contain. Boundaries of talking competitiveness are not entirely fixed and dependant of particular actor type. For example I-02 operates at the company level while simultaneously identifying structural constraints at the national and systemic levels that make company-level competitiveness impossible to achieve through company effort alone. I-09 operates at the association level, while insisting on domain-specific and company-specific realities that resist systemic generalisation. The most important analytical finding of this sub-section is therefore not that the three levels map neatly onto actor types, but that actors at different positions in the ecosystem emphasise different levels as the primary locus of the competitiveness problem. Small Member State actors speak in the language of market access and export survival as principle mantra. Large Member State actors speak in the language of systemic architecture and fragmentation. The EU-level organisation speaks in the language of strategic logic and war-readiness. The large prime speaks in the language of commercial validation and supply chain management. The same term "competitiveness" is therefore doing very different discursive work.

3.1.2 How Industry Actors Assess EU Defence Instruments – Challenges, gaps and priorities

Industry representatives across all nine interviews broadly endorse the direction of EU defence industrial polic. The creation of the European Defence Fund, the push toward collaborative procurement, and the attempt to reduce fragmentation are recognised as legitimate and necessary objectives. However, this broad directional endorsement coexists with a consistent and detailed set of criticisms concerning the scale, design, and implementation of the instruments through which these objectives are pursued. The criticisms are not uniformly distributed across actor types and each emphasise different dimensions of the problem. However several challenges emerge with sufficient consistency across the dataset to constitute cross-interview findings rather than individual perspectives. This section traces those challenges in order of the analytical weight they carry across the dataset, beginning with the single most consistently identified structural problem.

Fragmentation as the foundational challenge

Fragmentation of the European defence market is the one challenge raised by every interviewee in the dataset, regardless of actor type, Member State size, or institutional position. It is identified not as one problem among several but as the foundational structural condition from which most other challenges derive. The strongest formulation comes from a large Member State association representative:

> *"We have enormous potential that is not yet realised. The most fundamental challenge is fragmentation, which is really the enemy of competitiveness. Without being more united and structured, we are effectively making Europe a market for others"* (I-08, Industry Association Representative, Large MS, 2026).

The EU-level organisation provides the most quantitatively precise diagnosis:

> *"The EU market is divided into around 30 different national markets, a large part of the small and fragmented demand goes outside Europe, and this prevents European industry from achieving economies of scale"* (I-04, EU-Level Industry Organisation Representative, 2026).

I-04 provided the most damning quantitative evidence in the entire dataset:

> *"EDA member states made a binding political commitment in 2007 to ensure 35% of defence investment would be collaborative by 2025. When EDA last published data - for 2024 - the figure stood at 18%. The goal has been 35% for 20 years and we are at 18% and apparently moving down. Member states are now not even sharing procurement data with EDA consistently"* (I-04, EU-Level Industry Organisation Representative, 2026).

The gap between declared commitment and actual behaviour is the most empirically grounded single finding in the dataset, and it frames all subsequent assessments of EU instruments: if Member States cannot meet a political commitment made in 2007, the question is not whether EU instruments are well-designed but whether the political will to use them exists.

The directional worsening of fragmentation is confirmed also from the small Member State perspective:

> *"The biggest limiting factor from the (Small MS) perspective is that there is no single market in defence. The market is extremely fragmented and becoming increasingly protectionist - barriers are growing rather than shrinking. Virtually all EU member states are developing or already have some form of localisation, industrial cooperation, or offset measure. For an (Small MS) company to sell directly to the German armed forces is very difficult and probably impossible without a local partner"* (I-07, Industry Association Representative, Small MS, 2026, translated).

The phrase "becoming increasingly protectionist" is significant as it describes a trend moving in the opposite direction to EU integration ambitions. The same asymmetry is made explicit by I-01:

> *"Protectionism is the biggest hindrance to entering new markets. Not many countries in Europe truly believe in the single market concept for defence products. The larger an EU Member State is, the more protectionist it tends to be"* (I-01, Industry Association Representative, Small MS, 2026).

The mechanism through which fragmentation perpetuates itself is described most precisely by I-08:

> *"The four main industrial nations have built very vertically integrated supply chains, mostly domestic. Most suppliers of French companies are French, most suppliers of German companies are German. This creates bottlenecks. And within those vertical chains, you sometimes find it easier to import a specific part from the US or Israel than to look for it among European neighbours"* (I-08, Industry Association Representative, Large MS, 2026).

The supply chain lock-in described here is not merely a product of preference - I-06 explains the structural mechanism that drives it:

> *"Supply chain decisions are tightly linked to contracts. We sustain national supply chains for national contracts, bilateral supply chains for bilateral contracts. Without common procurement, it is very expensive to maintain a widely diversified, multilateral supply chain"* (I-06, Large Prime Contractor Representative, Large MS, 2026).

National supply chain structures are therefore not irrational corporate behaviour but a rational response to the nationally organised procurement environment - which means they will not change without a prior change in that procurement environment. The political dimension of this lock-in is captured most starkly by I-08:

> *"From a pure market logic, it would be very rational for there to be fewer, larger defence companies across Europe. But the politics are very difficult: no political authority will willingly advocate for their major national champion to become primarily a subsidiary of another country company*" (I-08, Industry Association Representative, Large MS, 2026).

And I-09 provided the most vivid empirical illustration of this Commission-Member State tension:

> *"Within one minute of the Commissioner's statement about a single market in defence, representatives of two major member states said: stop, you are talking about member state competence, not Commission competence. This kind of tension is something we live with on a daily basis"* (I-09, Industry Association Representative, Large MS, 2026).

Funding scale and fiscal adequacy

The second cross-interview finding concerns the fiscal scale of EU defence instruments. Across multiple actor types, EU instruments are assessed not merely as imperfect in design but as categorically insufficient in financial scale to produce the industrial effects they are intended to achieve. This critique is made most forcefully and with the greatest analytical authority by the EU-level organisation representative, who provided a comparison that contextualises the funding gap precisely:

> *"Those instruments are broadly good in the sense that they have introduced new elements and tools into the EU toolbox. However, they are all limited by the remaining budget from the 2020 agreement - there is simply very little money. With 300 million for EDIRPA or 500 million for ASAP, compared to the 100+ billion that EU countries are putting into defence investment annually, you cannot really change behaviour"* (I-04, EU-Level Industry Organisation Representative, 2026).

This order-of-magnitude comparison establishes that EU instruments are not marginal supplements to national procurement but are themselves marginal relative to the scale at which the competitiveness problem operates. The same assessment is made independently and with equal directness by the small Member State SME representative:

> *"Funding does not follow. The fundamental problem is that there is too little money. EDIP is essentially one and a half billion - some projects and initiatives are done with it, but for industrial impact it is not enough. Industrial effect comes when volumes follow: you have enormous production capacity, you are constantly producing - that is what is actually needed"* (I-02, SME Representative, Small MS, 2026, translated).

The demand and private investment logic underlying this funding critique is articulated most clearly by I-02:

> "*The private sector does not invest without demand - this is something that is often not understood from a public sector perspective. If you invest a billion in this sector, that billion plus interest has to come back. That can only happen through state procurement. If states start buying certain capabilities, industry emerges behind it*" (I-02, SME Representative, Small MS, 2026, translated).

This argument directly challenges the logic of EU grant-based instruments, which assume that co-investment incentives will mobilise private capital - but private capital in defence follows procurement demand, not policy frameworks.

The implication is that EU instruments designed to stimulate private investment without securing corresponding procurement commitments are structurally misaligned with the investment logic of the sector. I-04 pointed to where the funding challenge might be addressed:

> *"We hope these things will be corrected with a well-designed and sufficiently funded defence industry section within the Competitiveness Fund. 2028 is not tomorrow, and people are dying in Ukraine today"* (I-04, EU-Level Industry Organisation Representative, 2026).

The temporal observation condenses the central fiscal adequacy problem into a single phrase: the instruments capable of producing structural change are scheduled for a future that is too distant to address present operational and industrial urgency.

The R&D-to-procurement gap

The third major challenge identified across the dataset is what several interviewees explicitly call the "death valley" - the gap between the completion of EU-funded research and development and the procurement decisions that would convert that research into deployed capability and sustained industrial production. This gap is identified by actors across all size categories and Member State contexts, making it one of the most robustly cross-interview findings in the empirical material.

I-01 was the first to articulate it:

> "W*hat has been missing is long-term commitment from Member States: after R&D is completed, what happens next? In most cases, nothing — and then new calls come out and the cycle starts again"* (I-01, Industry Association Representative, Small MS, 2026).

The cycle described here - R&D funded, R&D completed, no procurement follow-through, new R&D call opened - is not merely inefficient but actively counterproductive: it generates sunk costs, raises and then dashes industry expectations, and fails to convert technological

development into the production volumes that competitiveness requires. I-03 named the concept explicitly and assessed whether EDIP addresses it:

> *"What is embedded in EDIP - addressing the so-called death valley, the gap that typically comes after R&D and before industrialisation - is crucial and broadly on the right track, if implemented with a reasonable timeframe"* (I-03, SME Representative, Large MS, 2026).

I-07 identified the mechanism that makes the death valley difficult to close: intellectual property ownership.

> "*The biggest gap is how political keywords and beautiful messages translate into real actions - real changes in procurement policy, real money and orders for industry. Specifically: how do products developed in EDF actually reach procurement? This is extremely difficult because intellectual property questions remain unresolved"* (I-07, Industry Association Representative, Small MS, 2026, translated).

I-08 identified a further downstream consequence that extends the death valley problem specifically to SMEs:

"For SMEs specifically, the EDF included bonuses and special calls that worked well. But now the question is: what do we do with all the results from those SME projects? How do we bring that into larger weapon systems? How do we help those companies industrialise? We gave them some money, they developed products, and now what? The large primes are not going to spontaneously pick up those results without incentives" (I-08, Industry Association Representative, Large MS, 2026).

The large company representative provided the most concrete explanation of why primes do not spontaneously integrate SME outputs:

> "*The Commission sometimes assumes it is straightforward for large companies to replace an existing supplier with a newcomer offering a better solution. If you change a supplier for a system installed on an aircraft, you have to go through the entire certification process again from scratch. That costs enormous amounts of money. We cannot manage a supply chain that is constantly changing"* (I-06, Large Prime Contractor Representative, Large MS, 2026).

The re-certification cost argument is important because it explains the prime's rational difficulties to SME integration, it is not preference or protectionism but the economic reality of certification requirements in safety-critical defence systems. Combined with I-06's observation about the 40-year lifecycle of naval platforms and the incompatibility of SME business models with decade-long development cycles, these constraints suggest that the EU's push for SME inclusion faces structural barriers that financial incentives alone cannot fully overcome.

Instrument design, hollowing-out, and initiative overload

Beyond scale and the R&D-to-procurement gap, industry actors identify a set of governance and design problems that limit instrument effectiveness independently of funding levels. I-04 described this process as follows:

> "*All these instruments have been full of asterisks and derogations, because Member States always add conditions - yes, we do this for Europe, but if I need something today I can still buy American. So you have programmes that are too small in scale and full of holes. The whole point of EU defence industrial policy is to reinforce the European defence industrial base, and that core objective is not being adequately pursued*" (I-04, EU-Level Industry Organisation Representative, 2026).

This is confirmed by I-04's observation about the gap between rhetoric and behaviour:

> "*Governments declare support for strengthening the European defence industrial base and then, in their actual procurement decisions, buy from outside Europe anyway"* (I-04, EU-Level Industry Organisation Representative, 2026).

I-05 concerns the temporal rigidity of EU programme frameworks:

> "*The EDF was created in 2021, just one year before the war began. Because everything had already been agreed, you could not change the programme focus in response to the changed geopolitical reality. We are stuck with the original design until 2027. Some of the work packages supported at the beginning of the EDF are now arguably irrelevant on the battlefield*" (I-05, Industry Association Representative, Small MS Central EU, 2026).

The programme lock-in problem is structurally acute in the current security environment, where the threat landscape is evolving faster than multi-year EU programme cycles can accommodate.

I-04 added a process-level concern about the pace of EU regulatory output:

> *"The Brussels level is not even particularly stable: we see regulation and initiatives coming out in rapid succession. Some things look not only badly designed but purposeless. EDIP, EDPCIs - none of this has been properly tested before the next iteration is already being written into the 2028 regulations. There has been no time to process, learn lessons, or assess what worked"* (I-04, EU-Level Industry Organisation Representative, 2026).

Initiative fatigue as a real constraint on effectiveness - the inability of industry to absorb and adapt to rapid successive regulatory changes, is a perspective available only from an actor monitoring all EU defence legislative output simultaneously, and it introduces an implementation capacity constraint that is independent of both funding levels and instrument design quality.

I-08 reinforced this with a concern about institutional memory:

> "O*ne thing I find concerning is that we are already designing what will replace EDF without any proper lessons-learned process. What actually worked? What did not? How should we build on it? Nobody is seriously asking those questions. And if you radically change the framework, companies that have learned how to work with EDF will have to start from scratch*" (I-08, Industry Association Representative, Large MS, 2026).

3.2 How EU Policy Documents Frame Competitiveness (2021–2025)

The document analysis examines selected recent EU policy instruments produced between 2021 and 2025 that constitute the primary legislative and strategic architecture of EU defence industrial policy in the period under study. In chronological order, these are:

Full name	Reference	Abbr.	Type	Adopted
European Defence Fund	(EU) 2021/697	**EDF**	Regulation	April 2021
Regulation supporting ammunition production	(EU) 2023/1525	**ASAP**	Regulation	July 2023
Instrument for the reinforcement of the European defence industry through common procurement	(EU) 2023/2418	**EDIRPA**	Regulation	October 2023
New European Defence Industrial Strategy	JOIN(2024) 10 final	**EDIS**	Joint Communication	March 2024
European Competitiveness Fund	COM(2025) 555 final	**ECF**	Proposal	July 2025
European Defence Industry Programme	(EU) 2025/2643	**EDIP**	Regulation	December 2025
EU Defence Industry Transformation Roadmap	COM(2025) 845 final	—	Communication	2025

Table 3: Primary EU defence industrial policy documents analysed, 2021–2025 (compiled by author)

3.2.1 How Do EU Documents cover Competitiveness?

The vocabulary of "competitiveness" shifts substantially across the seven documents, reflecting the changing geopolitical context in which each was produced. These shifts are not incidental: as Schmidt (2008) argues, the specific vocabulary through which ideas are expressed shapes what policies become possible.

The EDF Regulation (European Parliament & Council, 2021) establishes the foundational vocabulary in a long-horizon, structural register: technological autonomy, R&D capacity, cross-border integration, and strategic non-dependency. "Strategic autonomy" appears repeatedly, defined as the EDTIB's capacity to design, develop, and produce without reliance on non-associated third countries (Article 9). The competitive problem is framed

architecturally - the EDTIB is fragmented, nationally siloed, and under-funded in R&D, and the vocabulary of correction is institutional: collaboration, consortium, co-financing, cross-border integration. Market performance in any conventional commercial sense is largely absent; the brief reference to cost-efficiency in Article 12(c) is exceptional within a text whose primary register is industrial policy and sovereignty.

ASAP (European Parliament & Council, 2023a, strips this vocabulary down to production-operational terms: manufacturing capacity, production surge, ramp-up, lead production time, supply chain bottlenecks. The document addresses whether production lines can physically absorb orders at the scale and speed the pre-war EDTIB was not configured to deliver. Article 11 ranks award criteria by increase in manufacturing capacity and reduction of lead production time; Article 13 instructs Member States to accelerate permit-granting procedures, treating administrative friction as a competitiveness constraint - a conceptual extension new to the series.

EDIRPA (European Parliament & Council, 2023b) introduces a procurement-coordination vocabulary: common procurement, collaborative purchasing, and the 65% Union-origin component threshold. Competitiveness is here a procurement-layer variable rather than a research or production one. The document's key contribution is the financial operationalisation of collaborative behaviour - grants scaled by the number of participating Member States, SME inclusion bonuses, financial incentives for Ukraine's involvement - treating procurement behaviour as the primary lever through which industrial competitiveness is shaped.

EDIS (European Commission & High Representative, 2024) returns to a strategic register updated for the post-2022 context: defence readiness, responsiveness, and resilience replace the pre-war language of strategic autonomy. Two vocabulary contributions stand out. First, the document acknowledges that the EDTIB is "generally competitive at global level" before diagnosing structural inadequacy, distinguishing export performance from readiness delivery capacity. Second, it introduces binding quantitative benchmarks: 40% collaborative procurement, 35% intra-EU trade share, 50–60% EDTIB-sourced investment, transforming competitiveness from a structural condition into a directional indicator with specific numerical targets.

EDIP (European Parliament & Council, 2025) consolidates the crisis-era vocabulary within a permanent legal architecture, adding the FAST facility, Strategic Engagement and Armaments Plans (SEAPs), and European Defence Projects of Common Interest (EDPCIs). The 35% non-EU component cap and the priority-rated orders mechanism extend the sovereignty-as-competitiveness vocabulary into binding legal obligations. EDIP also institutionalises

Ukrainian DTIB integration as a permanent strategic objective rather than a crisis measure - extending the geographic vocabulary of European competitiveness beyond EU borders at legislative level for the first time.

The ECF proposal (European Commission, 2025a) absorbs "defence competitiveness" into a broader economic competitiveness vocabulary drawn from the Draghi Report and the Competitiveness Compass. Defence is positioned as one of four strategic policy windows - alongside clean transition, digital, and health and biotech—governed by the same single rulebook and award procedures. The Competitiveness Seal institutionally encodes the equivalence between defence and economic competitiveness that earlier documents only implied. The Transformation Roadmap (European Commission, 2025b) adds a further register: agility, speed-to-capability, deep-tech ecosystem, dual-use integration, and innovation culture. Ukraine is deployed not as a threat context but as a competitive role model whose industrial agility European peacetime institutions must match.

Two vocabulary patterns persist across the entire series. First, "fragmentation" appears in every document as the primary diagnostic term for what European defence competitiveness lacks - the single most stable vocabulary item, present in architectural, operational, procurement, and economic registers alike. Second, third-country control exclusions - the EDF's Article 9 restrictions, EDIRPA's 65% Union-origin threshold, EDIP's 35% non-EU component cap - constitute a persistent sovereignty vocabulary encoding competitiveness as a gatekeeping function: a defence project is not EU-competitive if controlled by non-associated third countries, regardless of its technical or commercial merits.

3.2.2 How Is Competitiveness Defined and Framed?

The definitional content of "competitiveness" across the seven documents is consistent with the argument developed in Chapter 1: the concept functions as an empty signifier (Laclau, 1996), accommodating different meanings depending on political context while retaining a persistent institutional core. Following Schmidt (2008), this section distinguishes the normative framing - why EU institutions are the appropriate actors to respond.

The normative framing

The normative function of "competitiveness" is the most consistent element of the framing architecture. In every document, the concept serves the same purpose: it legitimates EU institutional involvement in defence industrial policy by positioning that involvement within the acceptable domain of economic and industrial governance, avoiding the sovereignty

challenge that would arise from framing the EU's role in direct defence or security terms. This is the constructive ambiguity strategy identified by Jegen and Mérand (2014) and the strategic concept deployment logic analysed by Jabko (2006).

In the EDF, EU involvement is rooted in Articles 173 and 182 TFEU - industrial policy and improvement of the EU's scientific and technological base, rather than in any defence competence. The legal justification for a €7.953 billion defence R&D instrument is that it supports the competitiveness and innovative capacity of the Union's industrial base (Recital 1): a security instrument framed as industrial policy. This pattern repeats across the series: EDIRPA cites the internal market and industrial competitiveness basis; ASAP invokes industrial policy competence; EDIP grounds its most binding obligations in the same treaty articles. "Competitiveness" keeps EU involvement within the register where institutional authority is least contested.

The ECF completes this logic by dissolving the distinction between defence and general economic policy entirely. Defence investment is no longer justified as an industrial policy exception - it is one expression of the same systemic European competitiveness challenge addressed by all other ECF windows. This represents the full normalisation of defence industrial investment as a standard component of European economic governance, completing the normative project implicit in the EDF.

3.2.3 What Dimensions and Priorities Are Highlighted?

Reading the document series as a developmental sequence reveals three patterns in how dimensions and priorities of competitiveness are constructed across the 2021–2025 period: a persistent structural core; a sequential elaboration that adds new dimensions without abandoning earlier ones; and an evolution in the geographic boundaries of "European" competitiveness.

Eliminating fragmentation as the persistent structural core

Three dimensions are consistently prioritised across all seven documents. The first is the elimination of fragmentation through collaborative procurement and investment. Every document, from the EDF's consortium eligibility requirements to EDIP and the ECF's single-rulebook architecture, constructs collaborative behaviour as the primary mechanism through which European defence competitiveness is built. This consistency across seven years and multiple political contexts marks it as the stable institutional core of the Commission's

competitiveness agenda, analogous to what Crespy and Vanheuverzwijn (2019) identified as the liberalisation core within the "structural reforms" concept.

The second is the sovereignty test encoded in third-country control restrictions. Every document restricts eligibility, participation, or financial benefit to entities free from non-associated third-country control. The EDF's Article 9, EDIRPA's 65% Union-origin threshold, EDIP's 35% non-EU component cap, and the ECF's continuation of these restrictions constitute a layered sovereignty architecture consistently deepened across the series. EU documents define competitiveness partly as a gatekeeping function - determining who qualifies as part of the European defence industrial base as much as a performance criterion.

The third is the full R&D-to-production pipeline, from collaborative research through development, prototyping, industrialisation, and procurement. The EDF addressed research and development; ASAP and EDIRPA addressed production and procurement; EDIS and EDIP explicitly named the gap between them - the "death valley", as requiring dedicated instruments; and the ECF and Transformation Roadmap frame the full pipeline as the object of EU industrial policy coordination. The sequential construction of this pipeline logic, each instrument addressing a stage preceding ones had reached but not crossed, is the clearest evidence in the series that the Commission holds a coherent, incrementally developed theory of what European defence competitiveness requires from research to deployment.

Sequential elaboration

Each new instrument adds dimensions absent from preceding ones. The EDF established R&D and technological innovation; ASAP added production surge capacity; EDIRPA added demand-side procurement coordination; EDIS added quantitative benchmarks and demand-side reform as a primary mechanism; EDIP added binding legal obligations and enforcement architecture; the ECF dissolved the defence-general economic boundary; and the Transformation Roadmap added innovation ecosystem and cultural transformation.

The result, as EDIS explicitly acknowledges by listing the full set of objectives simultaneously, is a multi-dimensional compound: competitiveness as a prerequisite of defence readiness, as a product of demand-side reform, as a function of supply chain sovereignty, as a measurable target, and as an institutional achievement produced through collaborative investment across the full innovation-to-deployment lifecycle. This compound definition represents the most complete institutional articulation of what the EU means by defence competitiveness as of 2024.

The Transformation Roadmap extends this furthest: by positioning Ukraine as a competitive role model for industrial agility, it inverts the standard framing of the war as a threat context and presents crisis conditions as an institutional benchmark. Competitiveness is framed not as a condition requiring more investment but as a latent capacity requiring institutional unlocking, shifting the locus of the problem from European industry to European institutions.

The evolution of geographic boundaries

The geographic boundary of "European" competitiveness has shifted progressively across the series. The EDF constructs competitiveness as an intra-EU project: eligible entities must be established in Member States, with ownership and management free from third-country control, and consortium requirements mandate participation across at least three Member States. EDIRPA extends the boundary by making Ukraine and Moldova eligible recipients of jointly procured equipment. ASAP extends it further by funding production capacity explicitly servicing Ukrainian demand. EDIS positions Ukrainian DTIB integration as a permanent strategic objective rather than a crisis measure. EDIP institutionalises this at the level of binding regulation, and the ECF retains the Ukraine dimension within its defence window.

This progression reveals two things. First, the Commission's conception of "European" industrial capacity has evolved in response to geopolitical events, confirming that the concept is politically constructed rather than geographically fixed. Second, it creates a structural tension within the competitiveness framing: if European competitiveness includes Ukrainian industrial capacity, the sovereignty dimension encoded in third-country control restrictions applies differently to a non-Member State ally than to the US or China - a normative distinction the documents do not fully resolve, introducing ambiguity into the gatekeeping function of the sovereignty architecture.

3.3 Comparative Analysis

3.3.1 Convergence and Divergence Within Industry Representatives

Three dimensions are shared across structurally different actor types. Fragmentation is raised by all nine interviewees, but the shared word conceals three distinct diagnoses: a market access barrier for small Member State associations ("protectionism is the biggest hindrance to entering new markets", I-01), a governance failure for the EU-level organisation (18% collaborative procurement against a 35% commitment made in 2007, I-04), and a demand aggregation problem for the small Member State SME (insufficient orders cascading down supply chain tiers, I-02).

The R&D-to-procurement gap is independently identified by I-01, I-03, I-07, and I-08 across small and large Member State contexts - the specific mechanisms differ (Member State follow-through failure, unresolved IP ownership, absence of an SME industrialisation pathway) but the pipeline failure itself is consistent. Combat-proven status is raised by both I-02 and I-06 , a small Member State SME and a large prime, making it a cross-type finding: I-02 identifies the absence of European operational experience as a structural disadvantage, while I-06 identifies Ukraine as the moment at which European industry is beginning to close that gap.

Systematic divergences by Member State size are equally clear. Export orientation is shared in vocabulary but not in stakes: for I-01 and I-07 it is existential survival ("the ultimate goal of all our activities must be that our companies can sell abroad", I-07), for I-06 it is validated achievement against US, Israeli, and South Korean competitors. Regulatory burden and cross-sectoral harm appear only in small Member State material (I-01, I-05) - large Member State actors have the compliance infrastructure to absorb these as transaction costs. Distributional fairness and meta-competitiveness (the capacity to write competitive EU proposals as itself an unequally distributed resource) appear only in I-05, reflecting concerns that are structurally invisible to actors who benefit from the scale advantage.

Divergences by company size are equally consistent. The demand-volume and cascade supply chain logic appears only in I-02 - the only actor who receives rather than generates demand. War-readiness as the ultimate benchmark appears only in I-04, reflecting the unique cross-national vantage point of the EU-level organisation. The EDF SME bonus is assessed as the most effective mechanism by I-03 and I-07, while I-06 describes it candidly as subsidised

supply chain partnership-testing, the same instrument serving two entirely different functions simultaneously.

The ideological divide within the small Member State category is worth noting, as it directly illustrates the constructive ambiguity dynamic. I-01 and I-07 hold more atlanticist position, the EU should provide funding but leave military capability planning to Member States and NATO. I-03 and I-05 hold an integrationist position, Member State sovereignty over procurement is itself the root cause of the competitiveness problem. These are incompatible views on a foundational governance question. Yet both groups endorse the same EU defence industrial policy agenda and use the same competitiveness vocabulary. This confirms what Jegen and Mérand (2014) argue: a concept open enough to carry incompatible meanings allows a coalition to form without requiring its members to resolve the underlying disagreement. Notably, this dynamic operates not only between EU institutions and Industry, as the broader comparison shows, but within a single actor category. The concept's integrating function is therefore wider than a simple institutional-versus-industry framing would suggest.

Table 3.1 Intra-industry convergence and divergence matrix by competitiveness dimension

● = dimension raised by this actor category – = not raised

Competitiveness dimension	Small MS Assoc (I-01, I-05, I-07)	Small MS SME (I-02)	Large MS SME (I-03)	Large Company (I-06)	Large MS Assoc (I-08, I-09)	EU-level Org (I-04)	Pattern
CROSS-TYPE CONVERGENCES — SHARED ACROSS STRUCTURALLY DIFFERENT ACTORS							
Fragmentation as primary structural problem	●	●	●	●	●	●	**All 9 interviewees**
Combat-proven status as competitive advantage	–	●	–	●	–	–	**Cross-type**
R&D-to-procurement gap / death valley	●	–	●	–	●	●	**Cross-type**
Scale inadequacy of EU instruments	●	●	–	–	–	●	**Cross-type**
DIVERGENCES BY MEMBER STATE SIZE							

Export as existential survival — market access barrier	●	–	–	–	–	–	**Small MS only**
Export as validated market performance	–	–	–	●	–	–	**Large firm only**
Regulatory burden / cross-sectoral harm	●	–	–	–	–	–	**Small MS only**
Distributional fairness / level playing field	●	–	–	–	●	–	**Small MS primary**
Meta-competitiveness: admin / proposal-writing capacity	●	–	–	–	–	–	**Small MS only**
Lobbying asymmetry shaping policy design	●	–	–	–	–	–	**Small MS only**
DIVERGENCES BY FIRM SIZE							
Demand volume / cascade supply chain logic	–	●	–	–	–	–	**SME only**
SME-defence lifecycle mismatch (40-yr platforms)	–	–	–	●	–	–	**Large firm only**
War-readiness as ultimate competitiveness benchmark	–	–	–	–	–	●	**EU-level only**
EDF as subsidised supply chain testing (prime view)	–	–	–	●	–	–	**Large firm only**
EDF SME bonus as most effective mechanism	●	–	●	–	–	–	**SME / Small MS**

Source: Author's analysis based on the interview data

3.3.2 Industry and EU Institutional Framings: Alignment, Divergence, and What the Gaps Reveal

Where the framings genuinely converge?

Four dimensions are present with comparable meaning in both data sources. Fragmentation is the most robust convergence - every interviewee and every document identifies it as the primary structural constraint. The R&D-to-procurement gap is identified by four interviewees and explicitly named in EDIS and EDIP as the death valley problem (European Commission & High Representative, 2024; European Parliament & Council, 2025). The need for greater and better-coordinated investment is shared, though industry stresses absolute scale (€1.5bn EDIP against €100bn+ annual national spending, I-04) while documents stress coordination quality through procurement benchmarks. Security of supply and elimination of external dependencies appears in both, through specific supply chain vulnerabilities in interviews and through the third-country control restrictions architecture across EDF, EDIRPA, ASAP, and EDIP (European Parliament & Council, 2021; 2023a; 2023b; 2025).

The partial convergence category in Table 3.2 deserves closer examination than a keyword matrix can capture. Export performance illustrates this well. Both EU documents and industry interviews invoke it, but with different meanings. In EU documents, it signals collective EDTIB performance against global competitors. In interviews, it describes firm survival for small Member State actors (I-01, I-07) and commercial validation for large primes (I-06) - three distinct realities behind the same word. SME participation follows a similar pattern. EU documents treat it as an instrument design objective addressed through bonus structures. I-03 and I-07 value the EDF SME bonus primarily for the cross-border cooperation networks it generates. I-06 describes the same mechanism as subsidised supply chain partnership-testing. Same instrument, three different functions, none technically inconsistent with the policy text, but revealing how much the shared vocabulary conceals.

Where industry raises dimensions absent from EU documents?

Company-level definitions - the ability to win contracts, sustain revenues, and maintain market share , are the primary competitiveness frame for most interviewees but peripheral in all documents. No document evaluates EU instruments against whether they help individual companies compete commercially. Combat-proven status does not appear in any document despite being raised independently by I-02 and I-06 as a genuine competitive parameter. The

demand-driven investment logic - that private capital follows procurement commitments, not grant frameworks (I-02, SME Representative, Small MS, 2026, translated), but is not coming out from EU documents. Regulatory burden appears only in small Member State interview material (I-01, I-05) - ASAP's permit acceleration provision is the closest document equivalent but addresses only administrative timelines, not the cross-sectoral regulatory harm that small Member State actors identify. Distributional fairness, meta-competitiveness, and lobbying asymmetry are raised by I-05 and never elevated to a primary policy objective in any document (I-05, Industry Association Representative, Small MS Central EU, 2026).

Where EU documents use vocabulary absent from industry interviews?

The sovereignty gatekeeping architecture, third-country control restrictions across all seven instruments, generates almost no industry commentary in the interviews, suggesting it serves an institutional purpose more relevant to the Commission's political agenda than to industry's commercial reality. Quantitative benchmarks (40% collaborative procurement, 35% intra-EU trade share) do not appear as evaluative criteria in any interview - they function as political accountability mechanisms directed at Member States, not operational guides for industry. Ukrainian DTIB integration as a permanent strategic objective is institutionalised across EDIRPA, ASAP, EDIP, and the ECF (European Parliament & Council, 2023a; 2023b; 2025; European Commission, 2025a) but is absent from industry competitiveness vocabulary - interviewees reference Ukraine as context, not as an industrial partner. The cultural transformation framing of the Transformation Roadmap (European Commission, 2025b) - latent competitiveness suppressed by institutional constraints, has no industry equivalent; industry actors identify specific structural barriers rather than a generalised institutional suppression of capacity.

On the US and China dimension: both data sources reference these actors, but differently. Industry interviewees use US/China as a benchmark for specific gaps - regulatory burden (I-01, I-05), combat experience (I-02), production cost competition. EU documents deploy US/China competition as the primary strategic rationale for EU-level intervention, framing the entire policy agenda within a geopolitical competition logic. The vocabulary overlaps but the function differs.

The overall pattern of convergences, partial convergences, and absences points to a coherent underlying structure. The dimensions on which both sources align are precisely those that sustain the policy coalition without requiring any actor to accept arrangements they could not support. The dimensions industry raises but documents ignore are those that would require engaging with company-level realities in ways that complicate the Commission's systemic framing. The dimensions documents address but industry does not register serve the Commission's institutional agenda of expanding EU authority within constitutionally available frameworks. This reflects the same dynamic Jabko (2006) identifies in the Single Market strategy and Crespy and Vanheuverzwijn (2019) in the structural reforms agenda: a concept whose openness accommodates divergent interests at coalition level, while its institutional core consistently reflects a specific agenda - in this case, the progressive expansion of Commission competence in defence through the industrial policy treaty basis that the competitiveness framing makes available.

Table 3.2. Comparative keyword alignment matrix: industry interviews and EU policy documents (2021–2025)

● = present ◐ = partially present or present with divergent meaning – = absent

Competitiveness dimension / keyword	Industry interviews	EU policy documents (2021–2025)	Alignment
FULL CONVERGENCE — PRESENT IN BOTH DATA SOURCES WITH COMPARABLE MEANING			
Fragmentation as primary structural constraint	●	●	**Full convergence**
R&D-to-procurement gap / death valley	●	●	**Full convergence**
Need for greater and better-coordinated investment	●	●	**Full convergence**
Security of supply / elimination of external dependencies	●	●	**Full convergence**
Collaborative procurement / demand aggregation as key mechanism	●	●	**Full convergence**
Economies of scale as competitiveness prerequisite	●	●	**Full convergence**
PARTIAL CONVERGENCE — SHARED VOCABULARY, DIVERGENT MEANING OR EMPHASIS			

Export performance as competitiveness measure (industry: firm survival / EU: collective industrial capacity)	◐	◐	**Partial — level differs**
SME participation and inclusion (industry: survival mechanism / EU: incentive-based instrument design)	◐	◐	**Partial — framing diverges**
Production surge / ramp-up capacity (industry: structural failure / EU: instrument objective)	◐	◐	**Partial — urgency differs**
US / China as competitive reference point (industry: benchmark for specific gaps / EU: strategic rationale for intervention)	◐	◐	**Partial — function differs**
Supply chain resilience and diversification	◐	●	**Partial — industry less explicit**
INDUSTRY-ONLY DIMENSIONS — PRESENT IN INTERVIEWS, ABSENT OR PERIPHERAL IN EU DOCUMENTS			
Company-level market performance (contracts, revenues, market share)	●	–	**Industry only**
Combat-proven status as structural competitive advantage (I-02, I-06)	●	–	**Industry only**
Demand-driven investment logic: procurement before private capital (I-02)	●	–	**Industry only**
EU regulatory burden as self-imposed competitive disadvantage (I-01, I-05)	●	–	**Industry only**
Cross-sectoral regulatory harm / silo regulation (I-01, I-05)	●	–	**Industry only**
Distributional fairness / level playing field across MS sizes (I-05, I-08)	●	–	**Industry only**
Meta-competitiveness: admin and proposal-writing capacity (I-05)	●	–	**Industry only**
Lobbying asymmetry shaping instrument design upstream (I-05)	●	–	**Industry only**
Tiered supply chain position and cascade demand logic (I-02)	●	–	**Industry only**
SME-defence lifecycle mismatch (40-year platforms) (I-06)	●	–	**Industry only**
Rhetoric vs procurement behaviour gap: MS declare European preference, then buy non-EU (I-04)	●	–	**Industry only**

EU DOCUMENT-ONLY DIMENSIONS — PRESENT IN DOCUMENTS, ABSENT IN INDUSTRY INTERVIEWS			
Sovereignty gatekeeping: third-country control restrictions (EDF, EDIRPA, ASAP, EDIP)	–	●	**EU documents only**
Quantitative benchmarks: 40% / 35% / 50-60% (EDIS)	–	●	**EU documents only**
Ukrainian DTIB integration as permanent strategic objective (EDIRPA, ASAP, EDIP, ECF)	–	●	**EU documents only**
Cultural transformation / unlocking latent innovation capacity (Transformation Roadmap)	–	●	**EU documents only**
Defence normalised as standard economic policy (ECF Competitiveness Seal)	–	●	**EU documents only**
US/China competition as primary rationale for EU-level intervention (EDIS, Transformation Roadmap)	–	●	**EU documents only**

Source: Author's analysis based on interview coding table and policy document analysis (both datasets available on request)

3.4 Conclusions of the Comparative Analysis

The aim of this thesis was to examine how the concept of "competitiveness" is defined and framed in EU defence policy documents and by defence industry representatives, and to what extent these framings align. To answer the main research question, three sub-questions were formulated. Each is answered separately below, with the research question presented in italics.

SQ1: How is "competitiveness" defined and framed in EU defence policy documents in the period 2021–2025?

The analysis showed that EU policy documents do not use a single fixed definition of competitiveness. Across the seven instruments examined, the definition shifts in response to the political context in which each document was produced. The EDF (European Parliament & Council, 2021) frames competitiveness as a long-cycle R&D and structural investment problem. ASAP (European Parliament & Council, 2023a) narrows it to production surge

capacity. EDIRPA (European Parliament & Council, 2023b) frames it as a procurement coordination problem. EDIS (European Commission & High Representative, 2024) redefines it as defence readiness delivery capacity and introduces binding quantitative benchmarks — 40% collaborative procurement, 35% intra-EU trade share, 50–60% EDTIB-sourced investmens - as measurable targets. EDIP (European Parliament & Council, 2025) institutionalises these elements in binding law. The ECF (European Commission, 2025a) dissolves the boundary between defence and general economic competitiveness. The Transformation Roadmap (European Commission, 2025b) adds cultural transformation and innovation ecosystem unlocking as new dimensions.

Despite these shifts, three elements remain constant across all seven documents. First, fragmentation - the division of the European defence market into 30 nationally organised silos - is the persistent diagnosis. Second, collaborative procurement and investment are consistently presented as the primary solution. Third, sovereignty is encoded as a competitiveness parameter through third-country control restrictions in every instrument. The normative function of "competitiveness" is equally consistent: it legitimates EU institutional involvement in defence by positioning it within the register of industrial and economic policy, where the Commission holds treaty-based authority, rather than in the register of defence and security, where Member State sovereignty is strongest.

SQ2: How do defence industry representatives define and frame the concept of "competitiveness" in the context of EU defence policy?

The analysis found that industry representatives do not share a single definition of competitiveness. The concept is used consistently across all nine interviews but its content varies substantially depending on the structural position of the actor. Most industry representatives define competitiveness primarily at the company or national level rather than at the structural-systemic level that EU documents prioritise. For small Member State associations (I-01, I-07), competitiveness means the ability to export and access other Member States' supply chains. For the small Member State SME (I-02), it means sustained procurement orders that generate production volumes and drive cost efficiency. For the large prime (I-06), it means winning international contracts against US, Israeli, and South Korean competitors and achieving combat-validated product status. The EU-level organisation (I-04) is the exception - its war-readiness benchmark operates at the systemic level and is the closest industry parallel to EU institutional framing.

Several interviewees challenge the commercial framing of competitiveness rather than simply applying it. I-04 argues that defence competitiveness operates under monopsony logic, driven by strategic rather than commercial considerations. I-09 argues that competitiveness cannot be generalised across domains and systems. I-02 argues that competitiveness is an output of demand, not an intrinsic industrial capacity. Combat-proven status emerges as a cross-type finding, raised independently by both I-02 and I-0, that does not appear in any EU document.

SQ2.1: How do these framings differentiate between industry actor types - small versus large Member States, SMEs versus large companies?

The analysis confirmed that the variation across interviews follows structural position consistently. Small Member State actors frame competitiveness around market access, export survival, regulatory burden, and distributional fairness. For industries without significant domestic markets, these are existential concerns. Large Member State actors frame competitiveness around systemic architecture, industrial consolidation, and political-institutional blockage - concerns that reflect the structural position of actors with established domestic market positions. The most striking illustration of this asymmetry is I-05's observation that lobbying capacity is itself unequally distributed: one national industry representative from a small Member State against dozens of French counterparts in Brussels, which directly shapes how instrument criteria are written (I-05, Industry Association Representative, Small MS Central EU, 2026).

By firm size, SMEs and small Member State firms assess EU instruments primarily through the lens of access and inclusion. Large primes assess the same instruments through the lens of supply chain management and R&D funding. I-06's candid description of EDF as subsidised partnership-testing reveals that the mechanism serves large prime commercial interests in ways that differ fundamentally from its stated SME inclusion objectives (I-06, Large Prime Contractor Representative, Large MS, 2026). The EU-level organisation provides the most institutionally complete assessment - it is the only actor with the cross-national visibility to evaluate European industrial capacity against the standard of what high-intensity conflict would actually require.

An ideological divide also runs within the small Member State category. I-01 and I-07 hold an atlanticist position - the EU should fund industry but not plan military capability. I-03 and I-05 hold an integrationist position - Member State sovereignty is the root cause of the competitiveness problem. Both groups endorse the same EU policy agenda while disagreeing

fundamentally about its governance implications, which confirms that "competitiveness" has functioned as a concept open enough to accommodate incompatible positions within the same actor category.

SQ3: To what extent do EU institutional and industry framings of defence competitiveness converge or diverge, and what do the key differences reveal?

The analysis found genuine convergence on four dimensions: fragmentation as the primary structural constraint, the R&D-to-procurement gap, the need for greater and better-coordinated investment, and security of supply and elimination of external dependencies. These represent the closest approximation to a shared competitiveness vocabulary across the two data sources, and the areas where EU instruments and industry interests are most directly aligned.

The key divergence is structural rather than lexical. EU documents construct competitiveness at the systemic level, collective European industrial capacity, sovereign supply chains, and quantitative procurement benchmarks. Industry actors define it primarily at the company and national levels - contract wins, production volumes, market access, and firm survival. This level mismatch means that EU instruments largely address a version of the competitiveness problem that differs from the version most industry actors experience. Several industry dimensions are entirely absent from EU documents: combat-proven status, the demand-driven investment logic, regulatory burden as a competitive disadvantage, distributional fairness, meta-competitiveness, and lobbying asymmetry. These absences reveal where the Commission's systemic framing does not engage directly with the challenges that industry actors report. Conversely, several EU document dimensions are absent from industry interviews: sovereignty gatekeeping through third-country control restrictions, quantitative benchmarks, Ukrainian DTIB integration as a permanent strategic objective, and the normalisation of defence as standard economic policy through the ECF. Industry actors neither contest nor endorse these elements, they simply do not register as meaningful competitiveness concepts from their vantage point.

Main research question: How is the concept of "competitiveness" defined and framed in EU defence policy documents and by defence industry representatives, and to what extent do these framings align?

The relationship between EU defence industrial policy ambitions and defence industry interests is characterised by structured co-existence sustained by constructive ambiguity. The term 'EU competitiveness' does not carry a stable shared meaning across EU policy documents and industry interviews: in EU policy it functions as an institutionalising vehicle for expanding Commission involvement in defence through the industrial policy treaty basis; in industry interviews it is a position-dependent concept whose content - export survival, demand volume, commercial validation, or war-readiness - is determined by where the actor sits in the defence industrial ecosystem. The two framings align sufficiently on fragmentation, the R&D-to-procurement gap, investment scale, and security of supply to sustain a shared political vocabulary and a functioning policy coalition. They diverge structurally on whose competitiveness challenges the policy architecture is designed to address. This divergence is not incidental but functional: the deliberate openness of the concept has allowed a broad and internally diverse coalition to form around EU defence industrial policy without requiring its members to resolve the underlying disagreement about what competitiveness actually demands. The result is coalition-building success and partial substantive alignment.

SUMMARY

This thesis examined how competitiveness is understood in EU defence industrial policy, both as defined in EU institutional documents and as articulated by defence industry representatives and assessed where these understandings converge and where they diverge. The analysis drew on seven EU defence industrial policy instruments produced between 2021 and 2025 and nine semi-structured interviews with defence industry representatives spanning small and large Member States, SMEs, large prime contractors, and an EU-level industry organisation.

One of the central findings of the thesis is that competitiveness in the EU defence context resists reduction to a single definition, and that this is not merely a semantic shortcoming but a structural feature of the policy domain. While certain patterns emerged across actor categories in context of competitivenss, it would be misleading to conclude that any given actor type holds a fixed or somehow internally consistent understanding of what competitiveness means. Rather, the concept functions as what the thesis describes as a floating term: broadly invoked, widely endorsed, and yet substantively understood in ways that are shaped by the actor's market position, institutional interests, and strategic context, and that shift depending on the level of analysis at which the question is asked. Different interviewees, even within the same actor category, emphasised different dimensions of the concept, and these emphases did not always resolve into a coherent collective position. The findings should therefore be read as an identification of recurring patterns and structurally shaped tendencies, rather than as definitive claims about how each actor type understands competitiveness. With that caveat in mind, the analysis does reveal meaningful variation in how the concept is approached across different positions in the industrial ecosystem. The thesis also identified five cross-cutting structural constraints that industry representatives, across actor types and Member State contexts, point to as primary obstacles to European defence industrial competitiveness. The first and most fundamental is fragmentation The second is the R&D-to-procurement gap, or what several interviewees call the "death valley": EU-funded research regularly concludes without downstream procurement commitments, leaving industry unable to justify the investment required to scale from prototype to production. Third is the mismatch between EU instrument scale and the magnitude of the competitiveness problem: with €300 million for EDIRPA and €1.5 billion for EDIP against annual EU defence investment exceeding €100 billion, the instruments are structurally insufficient to change industry behaviour. Fourth, regulatory

fragmentation across EU policy domains imposes competitive burdens that strategic competitors including the United States and China do not face, with defence-specific consequences that were not adequately anticipated in the design of those frameworks

Against this backdrop, the thesis finds four areas of genuine convergence between EU institutional documents and industry perspectives: fragmentation, the R&D-to-procurement gap, investment scale, and security of supply. These shared problem diagnoses help explain why a broad and diverse coalition has formed around EU defence industrial policy despite significant underlying differences in interest and priority. At the same time, the challenges that industry identifies as most pressing in practice, demand-driven investment logic, distributional fairness in access to EU instruments, regulatory burden, meta-competitiveness, and combat-proven status as an export asset, are largely absent from EU policy documents. Equally, elements that EU documents treat as central, quantitative procurement benchmarks, third-country control restrictions, and Ukrainian DTIB integration, generate limited meaningful response in industry. The central finding is therefore that the EU policy architecture has succeeded institutionally, normalising EU involvement in defence as an industrial policy domain and producing seven instruments where none previously existed - but has not yet succeeded industrially, because the company-level and national-level barriers that most directly constrain competitiveness remain largely unaddressed.

A secondary finding concerns how industry actors assess the EU framework itself. Here the picture is more differentiated than a simple positive-but-insufficient verdict. Small Member State actors and the EU-level industry organisation broadly recognise that EDF and related instruments have established a legitimate EU role and created cross-border cooperation networks that would not otherwise have existed, a development they assess as genuinely valuable, particularly for smaller industries that lack the scale to build such networks independently. However, several of these same actors are pointed in their criticism: post-2022 instruments have been characterised as reactive crisis responses rather than strategic industrial policy, and the systematic hollowing-out of instruments through Member State opt-outs and derogations during negotiation is identified as a governance failure distinct from the question of funding level. Large Member State actors, by contrast, tend not to frame the challenge primarily in terms of EU instrument adequacy; their emphasis falls instead on Member State political will, governance architecture, and demand-side coordination, implying that the tools available are broadly sufficient and that the binding constraint is political rather than fiscal.

This divergence is itself a substantive finding: assessments of the EU framework's adequacy are not uniform across the dataset but are structured by the actor's position in the industrial ecosystem and their degree of dependence on EU-level instruments.

The empirical findings of the thesis point toward several directions for the further development of EU defence industrial policy. Future instruments would benefit from stronger linkages between research and development and downstream procurement: the absence of credible demand signals was the most consistently identified obstacle to private investment and industrial scaling, and a more deliberate connection between EU-funded research and subsequent Member State procurement planning would strengthen the industrial logic of existing programmes. Ensuring inclusive access to EU instruments should be treated as a design priority in its own right: administrative complexity, prime-driven consortium structures, and unequal EU affairs capacity risk concentrating the benefits of formally open programmes among already well-positioned industries, which undermines both effectiveness and legitimacy. Cross-border market access within the EU remains a significant structural constraint, with several interviewees noting that intra-European supply chain entry can be harder than working with non-European partners, a category of obstacle that targeted harmonisation of certification and equipment movement rules could address without requiring deeper sovereignty transfers. Governance calibration, the appropriate and well-defined complementarity between EU institutions and Member States, was broadly identified as a foundational condition for instrument effectiveness, alongside more structured and substantive industry-Commission dialogue earlier in the policy design process. The EU's role in supporting the international market position of European companies, particularly through export promotion and reference customer mechanisms, also deserves greater explicit attention, especially for small Member State industries for whom export access is structurally necessary rather than strategically optional. Finally, the question of funding scale warrants attention, though the data indicate this priority is unevenly distributed across actor types: small Member State actors and the EU-level organisation identify the fiscal gap between instrument budgets and total EU defence investment as a structural constraint on industrial impact, while large Member State actors tend to locate the binding constraint in political will and governance design rather than budget volume. Both perspectives point, from different angles, to the same underlying tension between the ambition embedded in the EU's defence industrial policy framework and the conditions currently in place to realise it.

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ANNEXES

Annex 1 – Interviewee sample composition

Annex 2 – Interview guide

Annex 1. Interview sample composition

All interviewees are anonymised. Citations in the thesis use the interview ID alongside a descriptive label indicating actor category and Member State context. 'Large MS' refers to Member States with established large-scale national defence industrial bases (e.g. France, Germany, Italy). 'Small MS' refers to Member States with limited domestic defence market size.

ID	Actor category	Member State size	Organisation type	Geographic context
I-01	National defence industry association	Small MS	Industry association	North EU
I-02	SME	Small MS	Small and medium enterprise	North EU
I-03	SME	Large MS	Small and medium enterprise	South EU
I-04	EU-level industry organisation	EU-level	EU level industry representative organisation	Brussels-based; cross-national and cross-domain vantage point
I-05	National defence industry association	Small MS	Industry association	Central EU
I-06	Large company	Large MS	Large defence company — Tier 1	Southern EU
I-07	National defence industry association	Small MS	Industry association	North EU
I-08	National defence industry association	Large MS	Industry association with EU/NATO affairs function	South EU
I-09	National defence industry association	Large MS	Industry association with domain-specific coverage	South EU

Source: Author's compilation based on interview data (Annex 1).

ANNEX 2. Interview guide

1. When you think about the competitiveness of the EU defence industry today, how would you describe the overall situation - More precise: When you think about the competitiveness of the European defence industry, what does that actually mean to you in practice? What would a more competitive European defence industry look like from where you sit?
2. From your perspective, what are the main factors that currently limit or constrain the competitiveness company or EU?
3. Do you see important differences between how competitiveness challenges look in larger defence industrial countries and in smaller or more SME-intensive countries? 5. Within your association, do larger prime-type members and SMEs/start-ups describe competitiveness challenges in similar or different ways?
4. Turning to the more recent instruments and strategies – such as the Defence Industry Transformation Roadmap, EDIRPA, the proposed EDIP and the European Defence Industrial Strategy (EDIS) – how do your members perceive their relevance for competitiveness?
5. Taking these initiatives together (EDF, Roadmap, EDIRPA, EDIP, EDIS), would you say they have so far been enough to significantly raise the competitiveness of the EU defence industry?
6. How do your members view the credibility and predictability of EU defence industrial policy as a framework for their long-term investment and planning decisions?
7. When you compare the ambitions expressed in EU-level documents (strategies, communications, the Roadmap) with what your members experience on the ground, where do you see the largest gaps?
8. Over- or under-estimation in EU ambitions
   In your association's view, are there aspects of EU defence policy where ambitions:
   - overestimate what the industry can realistically deliver; or
   - underestimate what is needed to become more competitive?
9. Expected trajectory if nothing major changes
   Looking ahead, if current EU policies were to continue without major changes, how do your members expect the competitiveness of the EU defence industry to evolve over the next 5–10 years?

10. From your association's perspective, what are the most important steps that should be taken at EU level to strengthen the competitiveness of the European defence industry?
11. Are there areas where your members feel that the EU is currently doing too much, or where efforts are not well targeted from a competitiveness point of view?
12. If you could transmit one or two concrete recommendations directly to EU decision-makers on how to better align EU defence policy with industrial realities and strengthen competitiveness, what would you emphasise?

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Laura Toodu,
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