HAUT-COMMISSARIAT
AU PLAN
Liberté
Égalité
Fraternité

FRANCE STRATÉGIE
ÉVALUER. ANTICIPER. DÉBATTRE. PROPOSER.

How to finance French rearmament and other priorities by 2030?

Faced with a deteriorating geopolitical situation, France and the European Union must strengthen their strategic autonomy. Military spending targets of 3.5% of GDP, or even 5% - compared with the current 2% - are being discussed. Such an ambition poses a major financing challenge, especially in a context of already strained public finances.

Since 2014, Europe has begun to rearm, a process accelerated by the war in Ukraine. Some countries have already substantially increased their military budget, often financed through deficit spending. France, although historically active and equipped with nuclear weapons, has seen its spending stagnate around 2% of GDP over the last twenty-five years. After an initial increase, the 2023 Military Programming Law (LPM) set the course for a sharp rise in spending through 2030, but exceeding this trajectory would demand an unprecedented effort.

This note aims to shed light on the financing challenges of such an effort. It looks ahead to 2030, attempting to take into account the additional constraints and priorities that will weigh on our public finances over the next five years.

There are four main levers for financing rearmament. First, controlling public spending, which would require unprecedented cuts in other areas, including social benefits or civil service. Second, a major increase in taxes and social security contributions, which would have a negative impact on business activity. Third, an increase in the employment rate –an ambitious and difficult goal in the short term. Finally, the use of European financing, in particular through joint indebtedness, which would raise political and legal challenges but would allow part of the effort to be shared with our partners.

Relying on a single lever seems unrealistic given the scale of the effort required. It would therefore be necessary to mobilise several instruments to finance large-scale rearmament. The right balance between these different levers will have to be the subject of democratic debate.

Beyond budgetary constraints, this rearmament may also face several obstacles: difficulties in recruitment, strained production chains, particularly in terms of manpower or critical materials, requiring massive mobilisation to achieve such an ambition.

Finally, the effectiveness of rearmament will also depend on European cooperation. To organise this, a joint strategic review and a European military programming document could be established, with spending partially financed by joint debt, and a collective target, part of which would be dedicated to the purchase of equipment produced in Europe ('European 1%'), in order to strengthen the continent's strategic autonomy.

FLASH NOTE

MAY
2025
n° 2

Grégory Claeys,
Sylvain Moura,
Jérôme Trinh
Economics department,
France Stratégie

Léo Quennesson,
Society and Social Policy department,
France Stratégie

www.strategie.gouv.fr

INTRODUCTION

The deterioration of the geopolitical context in Europe – with the United States' strategic refocus, the Trump administration's, and the enduring Russian threat – is prompting France and the European Union to accelerate their quest for autonomy in defence[1].

Against this backdrop, France is now considering increasing in its defence spending. The French President has mentioned a target of 3% or even 3.5%[2] of gross domestic product (GDP), while the US President has suggested that NATO members aim for 5%[3].

Such an increase in military spending is likely to further strain an already difficult budgetary equation – complicated by the need to consolidate public finances (to meet European commitments and ensure debt sustainability) and by the simultaneous pressure of financing other major priorities in the coming years.

This note aims to shed light on the current debates on the subject. It begins by examining the figures, expressed as a share of GDP, currently mentioned in the public debate, placing them in historical context and comparing them internationally. It questions the relevance of targets expressed as a percentage of GDP such as 3.5% or 5% by 2030. After reviewing the state of public finances, the note presents several scenarios for the next five years (to 2030) to illustrate the different levers that would need to be activated to meet our objectives.

DEFENCE SPENDING IN FRANCE AND EUROPE

Europe's rearmament since 2014

In 2014, Russia's annexation of Crimea marked the start of a rearmament movement in Europe. It began in Eastern Europe, where proximity to Russia prompted the Baltic States, Finland and Poland to increase their defence spending by 182% between 2014 and 2024[4].

But it is especially since the large-scale invasion of Ukraine in 2022, and more recently amid concerns over U.S disengagement, that Western European countries have been moving in the same direction. This context has strengthened the ambitions of the new military programming law (LPM) voted for in 2023 in France, and has led Germany to revise its debt brake rule[5] in 2025, notably to allow for defence investments.

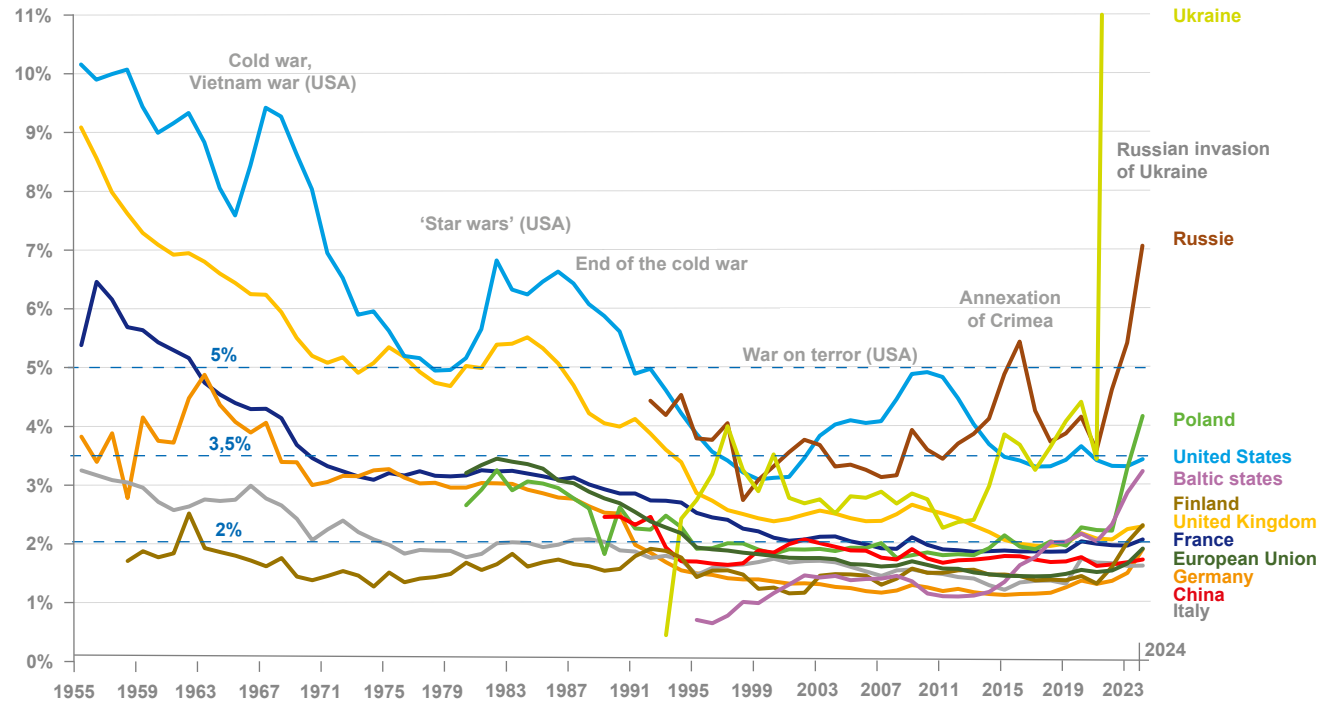
This brings to an end the decline in defence spending as a percentage of GDP that began with the loss of momentum and then the end of the Cold War in the mid-1980s, followed by stagnation at levels well below those reached during the Cold War (see Figure 1). Indeed, with the exception of Italy, all major Atlantic Alliance countries were making an effort of at least 3% of GDP at that time.

This European rearmament should, at least in part, help reduce the gap between the two sides of the Atlantic. In fact, in 2024, defence spending in the United States was nearly three times higher than that of the European Union – €921 billion compared to €341 billion for the EU-27 and €416 billion including the United Kingdom – and twice as high in purchasing power parity terms[6]. On the other hand, the United States had slightly fewer troops than Europe (1,316,000 in the U.S. versus 1,369,000 in the EU-27 and 1,510,000 including the United Kingdom[7]). Moreover, the European Union military spending in 2024 was two and a half times greater than that of Russia, estimated at €138 billion[8]. As a share of GDP, the European effort (EU-27) reached 1.9% in 2024, compared to 3.4% in the United States.

While it is difficult to compare precisely the share of spending on equipment and personnel in military spending given that army models and concepts vary from one country to another (particularly with regard to the inclusion of pensions), the orders of magnitude are still instructive. Traditionally, spending on personnel is relatively lower in the United States than in European countries, confirming that the American army is better

1. This note has benefited from contributions from Élisa Cotet, Mathias Fournel-Meria and Adrien Wendenbaum, interns at France Stratégie, who the authors would like to thank for their documentation work and work on the data.
2. 'Ukraine, dissuasion nucléaire, dépenses militaires : les pistes d'Emmanuel Macron pour pousser le réveil européen', Le Figaro, 2 March 2025.
3. At the Davos summit in January 2025, President Trump said: "*I'm also going to ask all NATO nations to increase defence spending to 5% of GDP, which is what it should have been years ago*" (report broadcast by Euronews).
4. Amounts in 2024 euros (calculated using GDP deflators from the IMF *World Economic Outlook*).
5. The debt brake has been enshrined in Germany's Basic Law since 2009. At federal level, this translates into an authorised structural deficit of just 0.35% of GDP. The Bundestag (18 March 2025) and Bundesrat (21 March) approved a reform of the brake to exempt defence spending. See for example: 'Germany's Bundestag votes in favor of reforming 'debt brake'', DW, 18 March 2025.
6. According to SIPRI (military spending) and Eurostat (exchange rates, deflator). At purchasing power parity (PPP exchange rates published by the IMF), in particular to take account of spending on personnel at a comparable standard of living, the gap would be considerably reduced. US spending (€726 billion PPP) would be twice that of the EU-27 (€381 billion or €449 billion including the United Kingdom). PPP spending for other countries can be found in section 3 of the appendix.
7. International Institute for Strategic Studies (IISS) (2025), The Military Balance 2025, March.
8. The Euro-Rouble exchange rate for 2024 is the average annual exchange rate available on the internet, as international organisations no longer provide the exchange rate between the rouble and the euro since 2024.

Figure1 – Defence spending as a percentage of GDP, 1955-2024



Notes: with 34% in 2024, Ukraine's curve is off the chart. Data for the EU change as countries join and leave the Union.

Interpretation: in 1970, France's defence spending represented 3.5% of its GDP.

Source: according to SIPRI and the IMF

equipped and more readily deployable worldwide[9]. However, since the start of the war in Ukraine, spending on personnel has tended to lose importance in favour of other spending - on equipment, infrastructure, maintenance, etc. – in all countries. This is even more pronounced in Europe, illustrating the increase in equipment undertaken by the continent over the last ten years (see Table 1).

Table 1 – Equipment and personnel spending in selected NATO countries, 2014/2024

		2014	2024	Change 2014-2024
United States	Equipment, infrastructure and other	65%	75%	+10
	Personnel	35%	25%	-10
France	Equipment, infrastructure and other	51%	61%	+10
	Personnel	49%	39%	-10
NATO countries in the EU	Equipment, infrastructure and other	43%	63%	+20
	Personnel	57%	37%	-20
NATO countries in the EU and the United Kingdom	Equipment, infrastructure and other	48%	65%	17
	Personnel	52%	35%	-17

Notes: figures should be interpreted with caution as concepts vary from one country to another (particularly with regard to the inclusion of pensions, included here for France)

Interpretation: in France, spending on equipment rose from 51% to 61% of total military spending, i.e. an increase of 10 percentage points, like in the United States.

Source: NATO (see appendix, section 2)

9. See 2025 Military Strength Ranking.

Despite the rise in equipment spending, Europe nevertheless suffers from a problem of equipment fragmentation: in 2016, European countries (whether members of or associated with the European Defence Agency) had 178 different types of military equipment, compared with 30 for the United States[10], and only 15% of EU countries' spending on military equipment was the result of collaborative programmes in 2021[11], far from the 35% target set in 2017 as part of permanent structured cooperation. Furthermore, since February 2022, only 52% of equipment purchases by European NATO member countries have been made in Europe, according to a recent study by the IISS[12]. An additional defence effort at the European level should therefore, at least in part, focus on equipment and be based on greater (industrial) cooperation among European for the sake of efficiency and autonomy.

How have the countries that have rapidly increased their defence effort financed it, and how have they spent these additional funds? In Poland, the "Homeland Defence" Act (Ustawa o obronie Ojczyzny) was passed in 2022 to strengthen the country's military capabilities. As a result, defence spending increased from 2.2% in 2021 to 4.2% of GDP in 2024. This increase was largely financed through deficit - as shown by the increase in the primary structural deficit from 1.2% of GDP in 2021 to 3% in 2024 - but with a debt that representing around 55% of GDP in 2024.Poland used these additional resources primarily to purchase military equipment, mostly sourced from abroad[13].

Faced with the threat from Russia, Finland not only joined NATO in 2023, but also massively increased its defence spending. Its effort in this area has risen from 1.3% of GDP in 2021 to 2.3% in 2024, an increase financed by a deterioration in its primary structural balance, which has gone from 0% of GDP in 2022 to -1.9% in 2024, but with debt contained at 83% of GDP in 2024[14]. Once again, this effort resulted in the purchase of equipment mainly abroad[15].

These recent examples are consistent with a study by Marzian and Trebesch (2025) who, examining rearmament over the last one hundred and fifty years, conclude that governments faced with the need to increase their defence spending in less than five years favour financing through debt and, to a lesser extent, tax increases[16].

France is participating in this effort, but needs to consolidate its position

France holds a special position in Europe from both a military and strategic point of view.Since the United Kingdom's departure from the European Union,, it is the only EU member with nuclear weapons and a permanent member of the United Nations Security Council. As the EU's second most populous country, it has the largest army with 202,000 soldiers, ahead of Germany (180,000), Poland (164,000) and Italy (162,000) in 2024[17]. It also has a unique defence policy, based on the notion of strategic autonomy[18], which includes nuclear deterrence, a complete army model and the purchase of equipment produced mainly by French companies[19].

At €59 billion in 2024[20], France's annual defence spending is historically lower than that of the United Kingdom, which stands at €76 billion. It has fallen behind Germany since 2019, the EU's leading country with €82 billion in 2024, and is ahead of that of Poland, which stood at €35 billion in 2024 (see Table 2[21]).

Promulgated on 1 August 2023, the Military Programming Law (LPM) provides for steady growth in French defence spending over the 2024-2030 period, averaging €3.2 billion in current terms each year. The goal is to gradually increase the "defence mission" budget to €67.4 billion in current euros by 2030[22], which, according to our calculations, would represent 2% of GDP. This would mean increasing the total defence budget to around 2.3% of

10. The data includes member countries of the European Defence Agency (EDA), i.e. the EU and countries that have joined the EDA via an EDA administrative arrangement (Serbia, Ukraine). T. Bunde, B. Franke, Q. Maderspacher, A. Oroz, L. Schwemer, L.-M.Ullrich, L. Werner, and K. Wittek, Munich Security Report 2017: Post-Truth, Post-West, Post-Order?, Munich: Munich Security Conference, 2017, p. 21.
11. European Defence Agency (2024), *EDA defence data*, 2023.
12. International Institute for Strategic Studies (2024), *European Defence-Industrial Capability*, IISS Strategic Dossiers, March.
13. Korean K9 Thunder self-propelled artillery gun, European MBDA surface-to-air missile, Korean K239 rocket launcher, American F-35 fighter jet. However, some products, such as the Krab howitzer, are produced locally. Source: IISS (2025), *The Military Balance 2025*, March.
14. Source for deficit and debt figures: European Commission/AMECO (2025), 'AMECO Database', European Commission, March.
15. These include the Korean K9 Thunder self-propelled artillery gun, the American F-35 fighter jet and the Israeli Fronde anti-missile system according to the IISS (2025), *The Military Balance 2025*, *op. cit.*
16. J. Marzian and C. Trebesch (2025), 'How to finance Europe's military build-up? Lessons from the World Economy', *Kiel Policy Brief*, no. 184, February.
17. IISS (2025), *The Military Balance 2025*, *op. cit.*
18. This is defined as the ability to defend and pursue one's interests, not alone, but without undesirable dependencies and without excessive constraints, according to V. Vicard and P. Wibaux. (2022), *L'économie mondiale 2023*, collection Repères, Éditions La Découverte, Paris.
19. J. Malizard (2022), 'Budget de défense : quelles évolutions ?', *Cahiers français*, vol. 428, no. 4, p. 34-44.
20. See Appendix for more details on the various defence spending measures.
21. See Appendix for amounts in purchasing power parity.
22. According to Article 4 of the LPM.

Table 2 – Defence spending in the main European countries, 2018-2024

		2018	2019	2020	2021	2022	2023	2024
France	In 2024 €bn	51	52	53	55	56	56	59*
	As a % of GDP	1,8%	1,9%	2,0%	2,0%	2,0%	2,0%	2,0 %*
Germany	In 2024 €bn	49	53	56	56	59	64	82
	As a % of GDP	1,1%	1,2%	1,4%	1,3%	1,4%	1,5%	1,9 %
United Kingdom	In 2024 €bn	59	61	59	64	67	71	76
	As a % of GDP	1,9%	2,0%	2,2%	2,1%	2,1%	2,2%	2,3 %
Poland	In 2024 €bn	15	15	16	16	17	25	35
	As a % of GDP	2,0%	2,0%	2,3%	2,2%	2,2%	3,3%	4,2 %

* The figures for France in 2024 have been adjusted to take account of the final GDP published by Insee and the amount of defence spending in the initial 2024 Finance law.

Note: amounts are in 2024 euros.

Interpretation: in 2024, the United Kingdom spent the equivalent of €76 billion on defence, or 2.3% of its GDP. Adjusted for price changes, this represents 5 billion more than in 2023.

GDP in 2030, taking into account other spending, such as military pensions[23]. Such an effort would already be a break with the last two decades, as this level has not been reached since 1997. All in all, if the LPM is followed, it will result in a doubling of 'defence mission' spending (excluding pensions) between 2017 and 2030 (from €32.7 billion to €67.4 billion in current terms).

Nevertheless, while the LPM sets a course, only the Finance laws commit the executive, due to the principle of budget annuality. As a result, prior to 2015, the military programming laws of the Fifth Republic were rarely respected, except for example during the financial crisis in 2010 when the fall in GDP, in the denominator, caused this ratio to rise again on a one-off basis. However, the 2014-2019 LPM seems to have marked a change, particularly after the invasion of Crimea and the attacks of 2015, as these annuities are now respected[24].

Today, France plans to go beyond the increases provided in the LPM by 2030 and to further increase its defence effort, while the European Commission presented a plan in March 2025 to encourage EU Member States to increase their spending by 1.5 percentage points of GDP (compared with the 2021 level, which was then 1.5% of GDP) over the next five years.

For France, we have to go back to 1970 to find a defence effort reaching 3.5% of GDP, and to 1962 for a level of 5%. Moreover, such increases have never occurred in France since the beginning of the Fifth Republic.

What measure and what content for military spending?

Beyond the GDP-based targets, such large-scale additional efforts in France and Europe call for a reflection on the nature of defence spending and the role of European cooperation to optimise this spending.

23. In the absence of available projections for defence spending outside the 'defence mission', we assume that it will grow at the same rate as nominal GDP between 2025 and 2030 (see Appendix).
24. D. Christophe (2023), 'Histoire des Lois de programmation militaire (LPM)', *Les Cahiers de la Revue Défense Nationale*.

A target as a percentage of GDP for NATO members is a recent standard, first set in 2006 and confirmed at the 2014 Newport Summit, which gave the organisation's members the goal of reaching 2% by 2024[25]. While such a target offers the advantage of providing a simple indicator that is universally applicable and adjusted to the size and wealth of each country, and has thus established itself as a mobilising compass, this steering tool nonetheless has serious limitations. Indeed, to guarantee a country's security, it is not so much defence spending as a proportion of GDP that is decisive, but rather the volume of equipment and the number of personnel required, as well as their translation into budgetary terms. Moreover, GDP can fluctuate for reasons unrelated to defence needs, whereas military planning requires stability and predictability. Pursuing a target expressed as a percentage of GDP could even prove counterproductive, by encouraging certain countries to include peripheral spending in their defence budget, or even to overpay or overcalibrate equipment and services. Against a backdrop of significant increases in defence spending, it seems essential to shift the focus from a GDP-based benchmark to actual long-term capability needs without losing the mobilising effect of this well-established indicator.

That is why the European Commission has begun to promote a debate between Member States on the most urgent equipment investments to prioritise[26]. Indeed, if rearming Europe simply means increasing national military spending without coordination or a common strategy, it would increase fragmentation and duplication of efforts[27]. This is why the White Paper for European defence has already identified priority areas[28]. However, the method of collaboration and the definition of priority equipment must be based on a defence doctrine. The answer could lie in a *strategic review-type process*[29] at European level, to be linked with national exercises of the same type.

This process of reflection – currently underway in France – is a prerequisite, as increasing budgets to 3.5% or 5% would represent a colossal effort. Such an increase cannot be an end in itself but rather a means to achieve clearly defined strategic objectives. In France and Europe, defence doctrine must guide the level and composition of military spending. If the American ally were to withdraw, for example, we would have to favour army models that compensate for this withdrawal, by focusing on the logistical organisation or command intelligence. And if we consider that Russia will remain the main threat to Europe, recent analyses suggest that it is necessary to increase the number of European troops by 300,000 and to step up tank production[30].

While steering by GDP alone is therefore debatable, the figure of 3.5% nevertheless seems consistent with the available estimates of what would be required to ensure European security on a more autonomous basis. A 2019 study estimated that the total cost of the equipment needed to fill Europe's defence capability deficiencies would be between $288 and $357 billion, in current (2019) terms[31], or between €330 and €405 billion in 2025: this means an additional defence effort of around 1.8 point or 2 points of European GDP for equipment, not counting personnel or maintenance.

Beyond the budgetary question, what are the constraints and challenges for rearmament?

A significant increase in spending by 2030 will not automatically translate into a change in the army model adapted to the new geopolitical situation.

As far as human resources are concerned, recruitment remains a crucial issue[32]. In the years to come, the number of young people of armed forces age is expected to increase between 2025 and 2035, due to the "mini baby boom" of the 2000s, after reaching a low around 2020. But from a qualitative point of view, several obstacles could slow down recruitment: more financially attractive civilian careers, the specific constraints of military life perceived as deterrents, and a weakening of the link between the army and the nation, which could reduce vocations[33]. The ability to increase the real defence effort thus depends

25. North Atlantic Treaty Organisation (NATO) (2014), 'Wales Summit Declaration - Item 14', 5 September.
26. European Commission (2025), *White Paper for European Defence. Readiness 2030*, March.
27. F. Santopinto (2025), '*The ReArm Europe Plan: Squaring the circle between integration and national sovereignty* ', *Analyses*, IRIS, 12 March.
28. These include air and missile defence, artillery systems, munitions and missiles, drones and anti-drone systems, EU-wide troop movement corridors and electronic warfare.
29. In France, the National Strategic Review provides an overview of the national and international defence and security environment, and identifies the strategic, operational and capability challenges for the years ahead. The last one was published in 2022 and an update was requested by the French President on 20 January 2025. This leads to financial planning for each equipment.
30. A. Burilkov and G. W. Wolff (2025), 'L'armée européenne: combien de divisions? Maps, Figures, key figures', *Le Grand Continent*, 16 March.
31. D. Barrie, B. Barry, L. Béraud-Sudreau, H. Boyd, N. Childs and B. Giegerich (2019) 'Defending Europe: scenario-based capability requirements for NATO's European members', IISS report, April.
32. In full-time equivalents (FTE). See Haut Comité d'évaluation de la condition militaire (2024), *Annual Review of the Military - 18th report*, December.
33. V. Lopez and M.-A. Carlotti (2024), *Pour rendre l'armée plus attractive : retenir, attirer, réunir*, information report, Senate, October.

not only on budgetary decisions but also on the social and cultural mobilisations of the society as a whole[34].

On the industrial side, securing supply chains is a strategic challenge for defence companies. Nearly six out of ten materials used in the defence technological and industrial base are critical, i.e. essential and potentially subject to export restrictions by supplier countries[35]. In addition, the internationalisation of defence industrial groups has led to deeply interwoven production chains across France, other European countries, and the United States. The industrial strategies of recent decades have been modelled on military alliances and may need to be reconsidered to increase our strategic autonomy[36].

In addition, beyond the value and supply chains, a rapid rearmament of France - especially if coordinated with the rest of Europe - could come up against supply constraints if manufacturers cannot increase their production at the same rate. They are already facing recruitment pressures in many areas (engineers, skilled workers, IT specialists, etc.), which could be exacerbated by a sharp rise in demand and competition from other sectors. These supply constraints, combined with strong demand, could lead to an increase in the price of equipment, thereby limiting the impact of increased public spending.

FRENCH PUBLIC FINANCES BETWEEN NOW AND 2030: RECONCILING FISCAL CONSOLIDATION AND NEW PRIORITIES

A more precarious budgetary situation than that of our neighbours

At the end of 2024, France's budgetary situation had deteriorated, leaving it less room for manoeuvre than its European partners: a public deficit of 5.8% of GDP (the highest in the EU), public debt at 113% of GDP (the third highest after Greece and Italy), public spending representing 57.1% of GDP (the highest in the EU) and revenues at 51.3% of GDP (explained by the highest rate of taxes and social security contributions in the EU despite the tax cuts of recent years[37]).

As far as spending is concerned, the latest comparable data available indicates that in 2023, French public spending at 57% of GDP was significantly higher than in Germany (48.4%) or the European average (49%). An analysis by function shows that France spends more than its neighbours on several key items, notably pensions (excluding survivors' pensions) at 13.1% of GDP, or 2.7 percentage points higher than the EU average, and health at 8.9% of GDP compared with the EU average of 7.3%[38].

In terms of defence, France still spends slightly more as a share of GDP than most other European countries. It is estimated that if France had spent the same proportion of GDP on defence since 1995 as Germany, its public debt would, all other things being equal, be around 17 percentage points of GDP lower than the current debt, and would therefore be below the 100% of GDP threshold[39].

Over the long term, France has also seen its spending grow faster than its neighbours. Between 2001 and 2023, French public spending increased by 5 percentage points of GDP, compared to 0.7 points in Germany. This increase is mainly due to a faster rise in pension spending (+2.7 points in France compared with +0.2 in Germany), a less significant decline in debt servicing costs (-1.3 points in France compared with -2.2 in Germany) and increased support for businesses (+1.9 points in France compared with +0.7 in Germany). On the other hand, Germany increased its spending on education (+0.4 points) more than France (-0.6 points).

The rearmament effort must not overshadow our other priorities

To stabilise its debt and ensure its medium-term sustainability, France has committed to restoring its public finances, with a structural adjustment of more than 5 percentage points of GDP between 2025 and 2031 in its Medium-Term Budgetary and Structural Plan (MTSP)[40] submitted to the European Commission in October 2024, and in the progress report sent in April 2025[41].

34. M.Harfi and S. Bronsard (2025), 'Service national : construire un nouveau modèle français (et européen)', *Note Flash*, n°1, France Stratégie/HCP, May.
35. Observatoire économique de la défense (2020), 'Dépendance stratégique aux matériaux critiques de la BITD française', *Ecodef*, no. 143, Ministry of the Armed Forces, January.
36. S. Moura (2021), 'La fragmentation mondiale des chaînes de production en biens militaires de la France', *Ecodef*, no. 175, Ministry of the Armed Forces, February.
37. The 2018-2023 period was marked by major tax cuts, the impact of which is estimated by the Cour des Comptes at €62 billion in 2023, or 2.2 percentage points of GDP. Cour des comptes (2024), *La situation et les perspectives des finances publiques*, report, July.
38. Details of other categories of spending are available in section 5 of the Appendix.
39. This figure is an order of magnitude which does not take into account the effects of reduced recourse to debt (which would increase this figure) and the macroeconomic knock-on effects of military spending on GDP (which would probably reduce it). See details in the Appendix.
40. As part of the new European budgetary rules introduced in 2024, France submitted an initial Medium-Term Structural Plan (MTSP) in October 2024 to the European Commission, which is monitored annually via a progress report, the last of which dates from 16 April 2025.
41. Directorate General of the Treasury (2025), 'Publication du rapport d'avancement annuel 2025', Ministry of the Economy, Finance and Industrial and Digital Sovereignty, 16 April.

This trajectory takes into account the effects of an ageing population, the rising cost of debt, and an increase in defence spending up to 2030, in line with the 2023 Military Programming Law, but not beyond. The trajectory is also consistent for the pension part with the projections of the Cour des Comptes updated by the general secretariat of the Conseil d'Orientation des Retraites (COR)[42] and with the recent European report on ageing[43], which also makes projections of education, sickness and long-term care spending up to 2070. In their central scenarios, these bodies conclude that by 2030 this spending will be stable compared with 2024, as a share of GDP. Finally, the cost of interest on the debt is set to rise gradually from 2.1% of GDP in 2024 to 3.3% of GDP in 2030 according to the MTSP.

However, the trajectory submitted to the European Commission does not account for the additional investment needs – estimated at around 1 percentage point of GDP - required to meet our climate commitments. In their report on the economic impact of climate action, Jean Pisani-Ferry and Selma Mahfouz[44] thus estimated that this additional investment spending would be around €66 billion each year on average between now and 2030, half of which would be for the public sector, i.e. around 1 percentage point of GDP[45].

Finally, to improve productivity, other forms of spending may be also necessary. For example, in education, if we add up the estimated needs across all levels – from nursery to higher education –, the effort required to reach the level of the best-performing countries could represent up to 1.4 percentage points of GDP[46]. Similarly, the Commission on Artificial Intelligence has proposed an action plan for technological investment aimed at disseminating AI, which would represent around €5 billion a year over the next five years[47], or around 0.2 percentage points of GDP in 2025.

A major fiscal consolidation effort between now and 2030

Trade-offs concerning this spending will have to be made within a very tight budgetary framework. France has notified the European Commission of a primary structural balance target of 1.1% by 2030, corresponding to a total deficit of 2.2% of GDP, and a debt of 116% of GDP. This should result in a reduction in spending as a on the order of 3% of GDP. Over this period, this spending could only increase by an average of 1.7% per year in value terms (growth well below nominal GDP growth of 2.8% on average), i.e. €30 billion per year in current terms (or 0.1% in volume terms, i.e. €2 billion per year in constant 2024 terms)[48], which is already a very ambitious adjustment given past performance.

The flexibility in the application of European rules for defence spending decided in March 2025[49] could, in theory, allow France to finance its defence effort through a higher-than-planned deficit. Nevertheless, room for manoeuvre remains limited, as postponing our adjustment yet again could seriously damage our financial credibility. Indeed, maintaining our structural primary deficit at its current level (-3.2%) would automatically cause our debt to rise to 134% of GDP by 2030, instead of the 116% forecast (see Table 3 next page).

If, in addition, France were to gradually increase defence spending to 3.5% of GDP by 2030[50] (instead of the 2.3% consistent with the LPM, which targets 2% for the defence mission alone), and allocate an additional 1% of GDP to the ecological transition (to meet the need for additional public investment in decarbonisation), this would push the deficit to around 9.3% of GDP in 2030 and public debt to 142%. This mechanical increase would not be offset by a favourable economic multiplier for defence spending[51].

42. Cour des Comptes (2025), *Situation financière et perspectives du système de retraites*, communication to the Prime Minister, Cour des Comptes, February.
43. Economic Policy Committee - Ageing Working Group (2024), *2024 Ageing Report: Economic and budgetary projections for EU Member States (2022-2070)*, European Commission, May.
44. J. Pisani-Ferry and S. Mahfouz (2023), *Les incidences économiques de l'action climat*, France Stratégie, December.
45. The multi-annual strategy for financing the ecological transition and national energy policy (SPAFTE) provides for an increase in financing for the transition in the coming years, but this is deemed insufficient by the organisation I4CE to meet our commitments: see H. Hainaut, M. Ledez, M. Douillet and S. Métayer (2024), 'Financement de la transition: quelles marges de manœuvre autour du besoin de financement public', I4CE, July; and also C. Batut and J. Kaiser (2025), 'Climat contre budget: quelle trajectoire est soutenable?', Institut Avant-Garde, March.
46. D. Agacinski, M. Harfi and S. T. Ly (2016), 'Quelle stratégie pour l'éducation?', *Enjeux 2017-2027 bulletin*, France Stratégie, June.
47. Artificial Intelligence Commission (2024), *IA: notre ambition pour la France*, report, March.
48. The MTSP does not explicitly mention how this objective is to be achieved in terms of the spending/revenue split. We assume that the revenue/GDP ratio is kept constant from 2025 onwards, which is consistent with the government's stated intention not to increase taxes and social security contributions as a proportion of GDP over the next few years.
49. See the European Commission communication of 18 March 2025. The main advantage of making the rules more flexible would be that in the event of a sudden rise in French interest rates, the absence of any breach of European rules would allow the ECB to intervene by using its *Transmission Protection Instrument* (TPI) asset purchase programme, with the Commission's green light. See for example on this point: L. Pench (2024), '*Dilemmas for the EU in deficit-financing of defence expenditure and maintenance of fiscal discipline*', *Working Paper* 03/2025, Bruegel.
50. By increasing our spending each year in a linear fashion to reach 3.5% in 2035. See details of the method used in the Appendix.
51. These estimates do not take into account the positive macroeconomic effects on GDP (and therefore on revenues) of additional defence spending, which could have a higher multiplier than other public spending: see for example E. Ilzetski (2025), Guns and Growth: The Economic Consequences of Defense Buildups, Kiel Report, February. They do not take into account in the other direction a possible rise in interest rates linked to higher debt, which would increase the deficit.

Table 3 – Public finance projections for different scenarios

		Without adjustment (constant primary structural deficit)	With adjustment as provided for in the MTSP (excluding additional spending)
Without additional spending (MTSP scenario)	Public balance in 2030	-7,1% GDP	-2,2% GDP
	Public debt in 2030	133,5% GDP	116,4% GDP
With additional spending: defence target of 3.5% of GDP in 2030, +1% per year for the ecological transition	Public balance in 2030	-9,3% GDP	-4,4% GDP
	Public debt in 2030	141,6% GDP	124,9% GDP

MTSP = Medium-term structural budget plan

Interpretation: without adjustment of the primary balance, the public deficit would rise to 7.1% of GDP in 2030 and public debt to 133.5% of GDP. With the adjustment notified to the European Commission, the public deficit and debt would fall to 2.2% and 116.4% of GDP respectively in 2030. Without further adjustment, additional spending on defence and the ecological transition would increase the deficit by 2.2 percentage points of GDP and public debt by more than 8 points by 2030.

Source: France Stratégie from MTSP (2024), Annual progress report (2025), Directorate General of the Treasury; Insee

Even if other spending were to develop in line with the MTSP, the deficit would still be 4.4% of GDP and the public debt around 125% in 2030, which would be far from the stated objectives, out of line with other European countries and unsustainable in itself.

HOW CAN WE FINANCE OUR REARMAMENT WITHIN FIVE YEARS?

If we want to increase our defence effort by 2030 while remaining within the framework of the currently planned fiscal trajectory(which is already ambitious and subject to the vagaries of the international context, particularly trade), we will have to make very strict choices in managing public finances.

Indeed, as Table 4 illustrates, the amounts implied by the targets mentioned as a percentage of GDP appear particularly high when these targets are expressed in euros, whether in value terms (current euros) or in volume terms (2024 euros). A target of 3.5% of GDP would mean a doubling in the value of defence spending compared with 2024, while a target of €100 billion – or almost 3% of GDP – would already represent an increase of 70%.

This section outlines the various possible levers and quantifies them, in order to inform the debate in a concrete and practical way. Despite the previously discussed limitations of using GDP-based targets, we illustrate, for informative purposes, the use of these levers to achieve a target

Table 4 – Projections of defence spending in France in various scenarios

	2024	2030			
Defence spending as % of GDP	**2,0%**	**2,3% (cohérent avec la LPM)**	**2,9 %**	**3,5%**	**5,0%**
Value, in current €bn	**59**	80	100	120	172
Volume, in 2024 €bn	**59**	73	91	110	157

Interpretation: in 2030, the LPM would increase military spending to €80 billion in current terms (or €74 billion adjusted for inflation), or 2.3% of GDP. A defence spending target of 3.5% of GDP in 2030 would take defence spending to €120 billion in current terms (or €110 billion adjusted for inflation).

Source: France Stratégie, MTSP (2024), Annual progress report (2025), Directorate General of the Treasury

of 3.5% of GDP while increasing transition-related expenditure by one point of GDP (summarized in five options in Table 5 below)[52]. We have chosen to include these additional transition-related expenditures in the scenarios presented here, as they are essential to meeting our climate commitments - whether global (2015 Paris Agreement), European (EU Regulation 2021/1119) or national (2019 Energy-Climate Law). Unlike the other important priorities mentioned above, these commitments are from now on the result of legal obligations[53].

Table 5 – Financing options for additional defence spending and for the ecological transition

		Without additional spending on defence or the ecological transition (MTSP scenario)	Options for financing additional spending: target of 3.5% of GDP (€120bn) for military spending in 2030, +1% of GDP to be spent on the ecological transition from 2025 onwards					
			Compliance with the public balance notified to the European Commission					
		Without consolidation	Consolidation through spending	**OPTION 1 :** financing by controlling spending	**OPTION 2 :** financing through tax increases	**OPTION 3 :** financing by an increase in the employment rate (+4.7 points or 1.9 million jobs in 2030)	**OPTION 4 :** mixed financing, one quarter European debt €450bn), a quarter increase in employment (+1.2 points or +500,000 jobs in 2030), a quarter controlled spending, a quarter tax increase	**OPTION 5 :** mixed financing, one third European debt (+€600bn), one third increase in employment (+1.6 pts or +600,000 jobs in 2030), one third controlled spending
Public balance in 2030		-7,1% GDP	-2,2% GDP					
Public debt in 2030		133,5% GDP	116,4% GDP					
Average increase in spending per year, excluding additional spending, 2025-2030	% in value	3,2%/year	1,7%/year	0,9 %/year	1,7%/year		1,5 %/year	1,4%/year
	€bn	€59bn/year	€30bn/year	€15bn/year	€30bn/year		€26/year	€25bn/year
	% in volume	1,6 %/year	0,1%/year	-0,7%/year	0,1%/year		-0,1%/year	-0,1%/year
	2024€bn	€28bn/year	€2bn/year	€-12bn/year	€2bn/year		€-1bn/year	€-3bn/year
Average annual revenue growth, 2025-2030	% in value	2,8%/year			3,7%/year		3,2 %/year	3,1%/year
	€bn	46 Md€/year			€61bn/year		€54bn/year	€51bn/year
	% in volume	1,2 %/year			2,1 %/year		1,7 %/year	1,5 %/year
	2024€bn	19 Md€/year			€33bn/year		€26bn/year	€24bn/year

Note: for options 3,4 and 5, the revenue growth includes the gains from increasing the employment rate. Details and scenarios are available in the Appendix (section 7) and the methodology and assumptions are explained in the Appendix (section 6).

Interpretation: with additional spending on defence and the ecological transition, compliance with the public finance trajectories notified to the European Commission obliges: (option 1) other expenditure to only increase by an average of 0.9% per year by 2030, i.e. 15 billion current euros per year (-0.7% per year in volume, i.e. -12 billion 2024 euros); or (option 2) revenues to grow by an average of 3.7% per year by 2030, i.e. 61 billion current per year (2.1% per year in volume, i.e. 33 billion 2024 euros).

Source: France Stratégie from MTSP (2024), Annual progress report (2025), Directorate General of the Treasury; Insee and HCFiPS and Directorate General of the Treasury

52. Details of our scenarios and underlying assumptions are available in Table A5 of the Appendix, while our methodology and the assumptions used are available in Section 6 of the Appendix.
53. Nevertheless, a scenario with no additional transition expenditure is available in Table A5 of the Appendix.

A first lever would be to offset the increase in priority spending - primarily defence - by controlling other spending (option 1 in Table 5). Respecting the target notified to the European Commission by 2030 while increasing our defence spending to 3.5% of GDP and adding green transition spending would then require us limiting the average annual growth in other public spending on average between 2025 and 2030 to 0.9%, i.e. +€15 billion in current terms per year (i.e. -0.7% in volume terms and -€12 billion per year in constant 2024 terms). Such efforts would be completely unprecedented. In current euros, total spending has grown by an average of 3.2% per year between 2001 and 2023 (and by 1.6% in volume terms), and since 1959 it has grown by less than 0.9% in value terms in only two years, 2015 and 2018, and by less than 0.7% in volume terms in only one year, 2023, due to an inflation of over 5%.

Achieving such savings would require a highly ambitious and in-depth spending review. Moreover, if we factor in the priorities discussed in the previous section (education, research, investment in AI, etc.) for which spending should either rise as a share of GDP or at least be maintained, and which are not accounted for in our calculations, then the required reduction in other spending would need to be even more drastic[54]. At this level, this would inevitably affect the amounts allocated to social benefits (i.e. around €530 billion, with total social spending that represents around half of public spending)[55] and public sector wages (around €350 billion).

As a second possible lever, an increase in taxes and social security contributions is sometimes mentioned in the debate to finance rearmament (option 2 in Table 5). To meet our deficit and debt target for 2030, nominal public revenues would need to grow by an average of 3.7% per year in current euros between 2025 and 2030, or by an average of €61 billion per in current euros over the next five years (i.e. +2.1% in volume terms and +€33 billion in constant terms). Each year, this would mean an additional €15 billion in revenue compared to a scenario in which revenues grow only in line with economic activity and inflation.

To give a striking example, increasing the standard rate of VAT by one percentage point would bring in – all other things being equal, not counting for negative effects on consumption – around 8 billion in revenue per year[56]. Financing rearmament through taxation would therefore require increasing VAT rate by nearly 2 percentage points each year for five years, i.e. almost 10 percentage points in total!

To give another point of reference, assuming legal obstacles can be overcome, the proposed law introducing a minimum tax of 2% on the wealth of the "ultra-rich" would yield between €15 and €25 billion per year[57]. Meeting the required financing effort would imply implementing new measures of this magnitude every year for five years. Tax rises of this magnitude would have negative effects on economic activity and could ultimately affect revenues. To mitigate these adverse effects, reforms could be introduced to tax spending ("niches") deemed least effective. In 2024, for example, Auclert *et al.* of the Conseil d'analyse économique (Council of Economic Analysis) listed a series of major tax spendings, but even the sum of additional revenue generated (around +€17.5 billion in current terms each year) would still be far from sufficient to meet the needs discussed here[58]. Financing the entire defence effort through taxation would therefore amount to a massive fiscal shock, with significant consequences for business activity.

A third lever would be to implement structural reforms aimed at improving France's growth potential, and thus reducing the structural deficit (mainly by broadening the revenue base, but possibly also by reducing spending). France's employment rate remains particularly low,

54. From a macroeconomic point of view, this would mainly involve a redistribution of spending, which would not significantly alter the results of the macroeconomic simulation carried out for the MTSP. The effects of macroeconomic closure should therefore remain marginal (without taking into account the difference in the multiplier between defence spending and controlled spending, which could be positive according to the Kiel Institute).
55. According to Insee, by way of illustration, a 5% cut in the RSA (tax credits), family allowance or housing benefit would each result in a gain for public finances of around €800 million, and €1 billion for *the prime d'activité* (in-work benefit). Sources: Insee, 2016 tax and social security Revenue survey (updated 2018); Insee-Drees-Cnaf, 2018 Ines model.
56. According to the FIPECO website, a 1 percentage point increase would bring in around €8.2 billion for the standard rate (20%), €1.6 billion for the reduced rate of 10%, €2.3 billion for the reduced rate of 5.5% and €0.6 billion for the super-reduced rate of 2.1%, i.e. almost €13 billion if all rates were increased. See FIPECO (2024), 'La taxe sur la valeur ajoutée', April.
57. Report on behalf of the committee on finance, the general economy and budgetary control on the draft law introducing a minimum tax of 2% on the wealth of the ultra-rich (no. 768). See page 36: "The economists interviewed by the rapporteur estimate that the expected return on the measure could be between €15 and €25 billion, representing a contribution of between 0.6% and 0.9% of GDP".
58. A. Auclert, T. Philippon and X. Ragot (2024) 'Quelle trajectoire pour les finances publiques françaises?', *Note du CAE*, no. 82, July. In particular, they are proposing to abolish niches in inheritance tax, to reform the research tax credit, to better target exemptions from employer contributions, and to refocus apprenticeship subsidies on young people with few qualifications.

Table 6 – Employment rates in 2024 in various European countries

Country		France*	EU-27	Germany	Italy	Spain*	The Netherlands	Poland
15-64 year-olds by gender	Total	69,0%	70,8%	77,4%	62,2%	66,1%	82,3%	72,5%
	Men	71,6%	75,4%	80,8%	71,1%	70,5%	85,7%	77,8%
	Women	66,4%	66,2%	74,0%	53,3%	61,6%	78,9%	67,2%
15-64 year-olds by qualification	Low	38,5%	46,3%	54,8%	44,9%	52,2%	68,7%	21,3 %
	Medium	68,7%	73,0%	81,7%	67,2%	62,2%	83,4%	72,0 %
	High	85,7%	86,5%	87,9%	82,2%	82,4%	89,9%	90,9 %
Total by age bracket	15-24 years old	34,6%	35,0%	51,0%	19,7%	24,9%	76,0%	28,5%
	25-59 years old	82,2%	81,6%	85,0%	73,6%	77,4%	86,1%	85,3%
	55-64 years old	60,4%	65,2%	75,2%	59,0%	61,1%	75,3 %	59,0%

* Spain and France include people on short-time working or temporarily laid off.

Interpretation: in 2024, 71.6% of men aged between 15 and 64 were employed in France.

Notes: the diploma level uses the ISCED (International Standard Classification of Education) standard, which measures a person's level of education according to the most advanced training programme they have fully completed and which is validated by a certification of qualification recognised by the country's education authorities or by an official body with equivalent legitimacy. The low level (ISCED 0-2) goes from no diploma to secondary school, the medium level (ISCED 3-4) from sixth form college to post-baccalaureate excluding higher education, and the high level (ISCED 5-8) from bachelor's degree to doctorate.

Source: EU-LFS (Labor force survey), Eurostat based on national accounting national institutes

especially among young people, low-skilled workers, older workers, and women, when compared with rates observed in Germany, the Netherlands, or even—in some categories—Poland and the European average(see Table 6)[59].

To fully finance an increase in defence spending to 3.5% of GDP (and our additional needs for the green transition), i.e. an increase in spending of 2.2 percentage points of GDP in 2030, we would need to increase our employment rate by 4.7 points in five years, i.e. an increase of around 1.9 million jobs. By way of comparison, if we use the simulations carried out to measure the expected effects of the 2023 pension reform[60], this should eventually raise the employment rate by no more than 0.6 points, i.e. almost eight times less than what would be needed here.

In the past, it took France two decades, between 2002 and 2022, to achieve a comparable rise in the employment rate. Germany, by contrast, managed to increase its unemployment rate by 6 percentage points in just five

59. The Conseil d'analyse économique also stresses that the low employment rate in France is particularly due to the underemployment of young people and seniors (in particular young people "neither in employment nor in education or training" and seniors aged 60 and over). See A. Bozio, J. Ferreira, C. Landais, A.Lapeyre, M. Modena and M. Molaro (2025) 'Objectif plein emploi: pourquoi et comment?', *CAE, Focus*, no. 110, March. According to the authors, France has caught up in the 55-59 age bracket, but still has a low employment rate around the age of 60, which was more than 10 points lower than in Germany in the 60-64 age bracket in 2023.
60. See the *Report on the objectives and effects of the draft pension reform*, January 2023. However, this figure should be interpreted with caution. Indeed, the 60-64 age bracket is highly heterogeneous in terms of health conditions, career paths, access to training and ability to continue working. While the 2010 reform had a positive impact on the employment rate of 55-59 year olds, the 2023 pension reform could have a more modest effect on the employment of the oldest seniors. What's more, after the age of 65, deteriorating health increases the cost of staying in work, both significantly and in different ways.

years, between 2004 and 2009, notably thanks to the "Hartz reforms". However, this progress came with consequences that are sometimes unfavourable for workers and for the economy as a whole: widespread use of part-time work, proliferation of mini-jobs, increased labour market segmentation, and wage moderation[61]. More recently, the Netherlands[62] also succeeded in increasing its employment rate by 6 points between 2017 and 2022, largely by relying in particular on a high prevalence of part-time work, particularly among young people.

All in all, financing the effort by using just one lever - be it spending control, tax increases or reforms aimed at increasing the employment rate and thus public revenue - seems hardly credible, given that the scale (and speed) of the use of each of these levers would be substantial and unprecedented. It therefore seems essential to combine several levers, which is an essential political choice.

A further option would be to finance part of this effort at European level[63] via a common EU debt.

If, for example, a quarter of the increase in the French effort were financed at EU level, this would represent a debt programme of around €450 billion in current terms for the EU as a whole over five years (including €70 billion for France)[64]. This would not only alleviate the effort at the national level but would also be justified from a theoretical point of view by the fact that security displays main characteristics of a European public good[65]. However, for this to make financial sense - and not simply act as a mechanism for transferring to deferring the burden over time - the EU would need to establish new own resources to cover interest payments and repay the debt in a single end-of-term payment. Otherwise, Member States would have to repay it through national contributions, limiting the benefits of joint issuance to the interest rate differential between national borrowing costs and those of the EU—which are currently only slightly below France's rates[66]. It would also be necessary to convince our partners to raise money at European level, in particular Germany (whose new coalition agreement does not envisage this mutualised debt), and to remove the legal and institutional obstacles that the construction of the recovery plan in the face of Covid ("Next Generation EU") had to overcome, including the modification of the decision on own resources, which requires unanimity and ratification by all Member States[67].

If we mobilise the lever of joint European financing and combine several of the levers discussed above (options 4 and 5 in Table 5), the orders of magnitude appear less daunting. For example, a target of 3.5% of GDP devoted to defence (and 1% for the green transition) could be achieved with a quarter of the effort borne at European level (with the help of a programme worth €450 billion in current terms over five years), a quarter by controlling spending (by virtually freezing other spending in volume terms, at -0.1% per annum), a quarter by targeted fiscal efforts (limited to +0.5 percentage points of GDP over five years) and a quarter by increasing the employment rate (+1.2 points or +500,000 jobs in five years, equivalent to double the last pension reform). These figures are still very ambitious, but seem more achievable than when only one lever is activated. If we rule out any tax increase, another option would be to divide the efforts into three, between controlling spending, increasing the employment rate and European financing (option 5 in Table 5).

Finally, we carried out similar simulations with a defence spending target of 5% of GDP, and the efforts that this would imply in terms of controlling spending or other levers would be titanic (the detailed results are available in section 6 of the appendix[68]). For example, if this were to be achieved through savings, this would mean reducing other public spending (excluding defence and ecological

61. For more details on the reforms implemented and their effects, see the Directorate General of the Treasury (2013), 'Réformes Hartz : quels effets sur le marché du travail allemand?', *Trésor-Éco* no. 110, March.
62. See, for example, the Council Recommendation on the 2023 National Reform Programme of the Netherlands and delivering a Council opinion on the 2023 Stability Programme of the Netherlands.
63. For the time being, the European dimension of defence financing, although it has increased in recent years, remains marginal, at around €7 billion a year for all programmes combined. See A. Steinbach, G. Wolff and J. Zettelmeyer (2025), 'The governance and funding of European rearmament', *Policy Brief*, no. 15, Bruegel.
64. An alternative - and more logical - way of deciding on the size of a debt programme at European level would be to aim for an additional defence effort at EU level. If this effort were to amount to 1.5% of GDP by 2030, as recommended by the Commission, this would cumulatively represent 4.5 percentage points of average annual GDP for the EU between 2025 and 2030 (rising from just under 2% of GDP in 2024 to 3.5% of GDP in 2030, assuming linear growth as a percentage of GDP). If the EU were to finance half of this (i.e. 2.25 percentage points of GDP), this would represent a programme worth €480 billion (assuming nominal growth in EU GDP of 4% per year), including an envelope of €75 billion for France, determined by its weight in EU GDP, which would gradually decrease from 16% in 2025 to 15% in 2030 (calculations based on AMECO data). This method would lead to a result fairly similar to ours where, to simplify, the EU would bear a quarter of the additional defence and ecological transition spending for France (2.1 percentage points of average annual French GDP over the period, or €70 billion), for a programme of €450 billion at EU level (with the same assumptions).
65. G. Claeys and A. Steinbach (2024) 'A conceptual framework for the identification and governance of European public goods', *Working Paper* 14/2024, Bruegel.
66. 'EU Investor Presentation-Investing in EU-Bonds & EU-Bills', 30 March 2025.
67. See S. Grund and A. Steinbach (2023), 'European Union debt financing: leeway and barriers from a legal perspective', *Working Paper* 15/2023, Bruegel.
68. Appendix available on the France Stratégie website.

transition) by 1.3% per year in volume terms for five years, an effort France has never made since the start of the Fifth Republic[69]. This suggests that, given the current state of our public finances, devoting 5% of GDP to our defence would represent an almost unattainable effort (for a given economic and social model). Moreover, this effort has rarely been made by countries that were not directly involved in an armed conflict (see Figure 1).

CONCLUSION

In France, as elsewhere in Europe, a major defence effort will be required in the years ahead. To be credible, sustainable and acceptable, this effort will have to be coordinated with other societal priorities, such as preserving the social model, advancing the ecological transition, and investing in education and knowledge. For France in particular, it must also be compatible with restoring sound public finances, which is itself a pillar of national sovereignty.

Three key lessons can already be drawn from this note.

Firstly, we need to reassess the needs and content of defence spending, as part of the national strategic review. A spending effort approaching 3.5% of GDP by 2030 would represent a doubling of the French defence budget in nominal terms (and an increase of around 70% for an effort of 3% of GDP). Such growth would be unprecedented since the post-war period and therefore requires an in-depth assessment of needs and precise targeting and prioritisation, rather than a focus on reaching the highest possible share of GDP, no matter how mobilising that tare may be.

Secondly, it is essential to combine financing methods. This effort cannot rely on a single source – whether control of other public spending, increases in taxes and social security contributions, improvements in the employment rate, or recourse to European financing - because the scale of this challenge would be too considerable. To support large-scale rearmament, several levers will need to be activated: savings and reforms will be necessary. The precise distribution of the effort will have to be the subject of a democratic debate.

Finally, in all these respects, the key to the problem lies with Europe. This is true in financial terms: beyond the project presented by the President of the European Commission, Ursula von der Leyen, "ReArm Europe", which is modest in scope but sends out a positive signal, more ambitious and radical solutions must be considered. A European loan, enabling not only joint financing but also joint acquisitions and industrial programmes, is an idea that is gaining ground. An amount close to €500 billion, as suggested here, would remain well below (around half) the effort granted during the Covid crisis in 2020 and would greatly facilitate national efforts, with the EU's overall debt level remaining moderate and sustainable.

This applies equally to the industrial dimension: the current situation should encourage Europeans to overcome national fragmentation in this area, and reduce costs by avoiding redundancies and generating economies of scale. To reduce costs, it will be essential to define and acquire new equipment jointly, entrusted to European industrialists, working in cooperation and/or through more integrated structures. From planning to production, a new European model must be invented. The mistakes made in the past[70], in various sectors, with a "geo-return"[71] guaranteeing neither the best costs nor the best quality, should encourage us to build another model, based undoubtedly on more assertive industrial specialisation.

69. Calculations based on historical public finance data published by Insee, for which the series begins in 1959.
70. J. Droff (2023) in 'L'efficacité des programmes d'armement en coopération'. In a 2018 assessment, the Cour des Comptes drew up a mixed assessment of the six joint programmes that had finally been launched: see Cour des Comptes (2018), 'La coopération européenne en matière d'armement', summary, public report.
71. European budget negotiations are indeed often dominated by the logic of "fair return", where Member States design European programmes in an attempt to maximise what they will receive on their territory.

Lastly, this also applies to governance. A new form of coordination needs to be invented, one that respects national prerogatives in an area that is essentially sovereign, to coordinate efforts between European countries. If we do not intend to solely rely on an indicator such as the share of GDP devoted to defence (e.g. 3.5%), this cooperation could be anchored in a strategic review at European level, coordinated with national strategic reviews to ensure that the needs of the EU as a whole are taken into account, and to avoid duplication of effort. This work would make it possible to draw up a Europe-wide 'military programming document' , bringing together the precise commitments of each Member State. This document would serve as a basis for annual public monitoring at European level, encouraging each State to respect its commitments. In short, it would be a matter of putting in place a 'security and defence pact', in the same way as there is a stability and growth pact for the budget.

At the crossroads of this political and industrial organisation, a principle of European preference in defence procurement must be established by the Member States to strengthen Europe's strategic autonomy. Another guiding metric reflecting this paradigm shift could be defined as the 'European 1%', i.e. a minimum effort of 1% of the GDP of each State devoted to the purchase of European equipment (produced in the EU), by 2030[73]. This "1%" could include the United Kingdom, as part of a strengthened security partnership, which seems more necessary and relevant than ever.

72. This document would not be binding in the legislative sense, but would operate through social pressure between peers.
73. Assuming that 3.5% of GDP is spent on defence, with around half of that on equipment - in order in particular to close the gap between Europe and the United States in this area - the 'European 1%' means that, in the long term, the majority of equipment purchased by countries would be produced in the European Union (including the United Kingdom where appropriate).

FIND THE LATEST NEWS FROM FRANCE STRAtégie:

www.strategie.gouv.fr

@strategie_Gouv

france-strategie

francestrategie

@FranceStrategie_

StrategieGouv

HAUT-COMMISSARIAT AU PLAN
Liberté
Égalité
Fraternité

FRANCE STRATÉGIE
ÉVALUER. ANTICIPER. DÉBATTRE. PROPOSER.

Publication Director/Editor: **Clément Beaune, commissaire général** - Editorial Secretary's Office: **Cédric Audenis, commissaire général adjoint** - Editorial Secretary's Office: **Gladys Caré, Valérie Senné** - Legal filing: **may 2025** - N° ISSN : **2556-6059** - Press Contact: **Head of the Publishing-Communication-Events Department, 01 42 75 61 37, matthias.lefur@strategie.gouv.fr**

FRANCE STRATÉGIE – 20, AVENUE DE SÉGUR – TSA 90725 – 75334 PARIS CEDEX 07 TÉL. +(33)1 42 75 60 00