WAR REINDUSTRIALIZATION OF EUROPE: DEFENSE INDUSTRIAL COMPLEXES AS PILLARS OF STRATEGIC AUTONOMY

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Received: 03.06.2025. Approved: 10.08.2025.

Original Scientific Article

DOI: https://doi.org/10.65932/military-studies-2025-2-1
UDC: 355.02:338.45(4)

Abstract: The article explores the phenomenon of Europe's war reindustrialization after 2022 as a strategic response to altered security dynamics due to rising eastern threats. The aim is to provide empirical insight into this transformation and develop a conceptual framework for understanding its long-term implications. We analyze the military-industrial complex as a multidimensional security, economic, high-tech, and social phenomenon. We examine three hypotheses: (1) war reindustrialization is not merely a short-term reaction but a long-term strategic reorientation, (2) the process dynamics show significant variations conditioned by geographical position, historical experiences, and economic capacities, and (3) the revitalized military-industrial complex creates a new economic reality that alters power relations within the EU and NATO. Methodologically, we apply a mixed approach: quantitative analysis of military budgets, comparative analysis of strategies, and case studies. Results show a 32% increase in NATO members' military budgets (2021-2023), opening of 70+ new facilities, creation of 210,000 jobs, and high correlation (r=0.78) between geographical proximity to threats and intensity of reindustrialization. We conclude that war reindustrialization represents a fundamental paradigm shift that will shape the security architecture, economic structure, and geopolitical position of the continent in the coming decades.
Keywords: *reindustrialization of Europe, military-industrial complex, European security, defense industry, Ukraine, Russia, NATO, strategic autonomy, jobs.*

Introduction

The European continent faces a fundamental change in the security paradigm that dominated after the end of the Cold War. The period of the so-called peace dividend, characterized by drastic reductions in military budgets and gradual deindustrialization of the military-industrial complex in most European countries, was abruptly interrupted due to a dramatic deterioration of the security environment (Martins & Mawdsley, 2021). The onset of the war in Ukraine on February 24, 2022, represents a turning point that initiated a process of comprehensive transformation of the European security architecture, whose key manifestation is accelerated war reindustrialization (NATO, 2022). The aforementioned phenomenon entailed not only an increase in military budgets but also the restoration of production capacities of the defense industry,

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Military Studies: Journal for Strategy, Technology and Defence Sciences, Year 2025, Volume: 3, Issue: 2, Serial number: 4, p. 9 - 28

intensification of research and development of military technologies, and the re-establishment of complex networks of suppliers and subcontractors that had atrophied during decades of relative peace (European Commission, 2022). Viewed in a broader context, the current war reindustrialization of Europe represents a comprehensive geopolitical, economic and social process that transforms the relationship between the state, industry, and security in a manner not seen since the Cold War era (Csernatoni, 2022; Helwig, 2023).

The central research question of this article is: in what way does the process of war reindustrialization in Europe represent a strategic response to the altered security dynamics caused by rising eastern threats? From this question arise three hypotheses that will be examined through analysis: (1) Europe's war reindustrialization is not merely a short-term reaction to the current crisis, but a long-term strategic reorientation that will shape European security and economic policy in the coming decades; (2) the dynamics of this process are not uniform across all European countries, but show significant variations conditioned by geographical position, historical experiences, and economic capacities; and (3) the establishment of a revitalized military-industrial complex in Europe creates a new economic reality that will alter power relations within the European Union and NATO alliance, as well as Europe's position in the global order. The original contribution of this article lies in the construction of a longitudinal empirical map of European war reindustrialization (2020-2024) combined with a typology of three distinctive national models (strategic-autonomous, integrative, and agile) and the demonstration of a high statistical correlation between geographical proximity to the eastern threat and the intensity of reindustrialization ($r=0.78$), a relationship that has not been previously quantified in the literature on the European defence industrial base.

A retrospective analysis of the state of the European military-industrial complex before the current crisis shows a complex picture of gradual erosion of defense capacities. After the fall of the Berlin Wall, most European states significantly reduced their military budgets - from an average of 3-4% of GDP during the Cold War to below 2% in the first decades of the 21st century (SIPRI, 2021). This trend led to consolidation of the defense industry through mergers and acquisitions, shifting focus to civilian products, closure of production facilities, and loss of specialized knowledge (Calcara, 2020). A significant portion of European weapons and military equipment production became dependent on global supply chains, including components from countries now perceived as potential strategic rivals (European Commission, 2022). At the same time, fragmentation of the European defense market and duplication of capacities among EU member states reduced investment efficiency and competitiveness of the European defense industry relative to the United States and rising Asian powers. Structural problems remained unresolved despite coordination attempts through mechanisms such as Permanent Structured Cooperation (PESCO) and the European Defence Fund (EDF) (Martins & Mawdsley, 2021).

LITERATURE REVIEW AND METHODOLOGY

Literature Review

The phenomenon of Europe's war reindustrialization after 2022 represents a new research field that draws on the rich tradition of defense industry studies, security analyses, and political economy. Theoretical foundations for understanding this process can be found in the contemporary literature

on the European defence industrial base, where Calcara (2020) systematically explains the dilemmas of collaborative arms procurement among the four key arms-producing states (France, Germany, Italy, the United Kingdom), arguing that the public or private governance of industrial suppliers and market size are the two decisive variables that explain the simultaneous presence of cooperation and competition in European defence procurement. This perspective is complemented by Martins and Mawdsley (2021), who reconstruct the longue durée narrative of European defence as a sociotechnical imaginary, demonstrating that fears of technology gaps with the United States have constituted the long-term scaffolding of EU defence-industrial discourse since the 1980s. These articles establish the conceptual foundation for understanding the structural characteristics of the European defense industry before the current crisis.

Analysis of the transformation of the European defense sector during the post-Cold War period was particularly developed through documenting the profound changes in defense industries between 1990 and 2020 (Calcara, 2020), pointing to processes of consolidation, deindustrialization, and technological transformation. This historical approach provides crucial context for understanding the magnitude of current changes. A significant contribution is also made by research that systematically documents the evolution of defense capacities through quantitative analyses of budgets, employment, and industrial indicators (European Defence Agency, 2020, 2023; SIPRI, 2024). The geopolitical dimension of current reindustrialization is theoretically grounded in articles on weaponized interdependence, where Farrell and Newman (2019) demonstrate how economic connectivity can be instrumentalized for geopolitical purposes through the strategic exploitation of network asymmetries — a framework that has acquired increased explanatory power after February 2022. The energy dimension of security has been particularly developed through analysis of the transformation of energy policy into a security category (Goldthau, 2023), while Schmitz and Seidl (2023) document the rise of open strategic autonomy as the discursive umbrella under which the EU now reconciles market openness with capacity for autonomous action.

Literature on European strategic autonomy provides a conceptual framework for understanding Europe's attempts to achieve greater independence in defense matters (Csernatoni, 2022; Howorth, 2019). These articles analyze the tension between national priorities and collective goals, as well as challenges in achieving technological and industrial autonomy. Csernatoni (2022) in particular shows how the concept has stretched from defence to technological sovereignty, covering areas from health to cyber, and how this expansion creates a hegemonic imaginary encompassing both protectionist and liberal logics. A complementary, sceptical perspective is provided by Meijer and Brooks (2021), who argue that any European effort to develop an autonomous defence capacity in the absence of the United States would be fundamentally hampered by deeply diverging threat perceptions and severe military capacity shortfalls — an argument that frames the current debate on transatlantic recalibration. Helwig (2023) updates this analysis by demonstrating that the war in Ukraine has not eliminated the Europeanism-Atlanticism divide and that the EU's neoliberal market-power identity continues to constrain proactive industrial intervention.

The quantitative dimension of the literature relies on extensive databases of the Stockholm International Peace Research Institute, whose annual reports (SIPRI, 2021, 2023, 2024) represent an indispensable source of data on global military expenditure

trends. These data enable comparative analysis of European trends in a global context. Regional aspects of reindustrialization have been analyzed through case studies, including articles on Polish transformation (Terlikowski, 2024), Lithuanian reforms (Šešelgytė, 2023), and the comprehensive Bruegel-Kiel assessment of European and German rearmament velocity (Wolff, Burilkov, Bushnell, & Kharitonov, 2024) that document different national approaches to reindustrialization. The technological dimension of current processes has been analyzed through articles on the political economy of EU defence innovation (Fiott, 2024), as well as reports on trends in defense technologies (European Patent Office, 2023). This literature points to the growing importance of dual-use technologies and changes in the relationship between civilian and military innovations.

Research Methodology

The research applies a mixed methodological approach that integrates quantitative and qualitative analytical methods to comprehensively understand the phenomenon of Europe's war reindustrialization. This approach is justified by the complexity of the relevant research problem, which requires combining empirical data with in-depth analytical insights. The research design represents a longitudinal comparative study analyzing transformations in the period 2020-2024, using a combination of case study analysis and cross-national comparisons. Data collection was carried out through three complementary approaches. The first component encompasses systematic document analysis, where key documents were analyzed including national security strategies, EU strategic documents, and industrial policies of European states. Documents were selected according to criteria of relevance, authoritativeness, and time period, enabling identification of key themes such as budgetary changes, institutional reforms, and strategic priorities. The second component represents quantitative analysis of longitudinal data on military budgets, industrial capacities, and employment in the defense sector, using primary databases including the SIPRI Military Expenditure Database, EDA Defence Data Portal, and national statistical offices. The third component combines case-based analysis (Poland, Lithuania, Germany, France) with cross-national comparison built around the typology of three reindustrialization models discussed below.

HISTORICAL CONTEXT OF THE EUROPEAN MILITARY-INDUSTRIAL COMPLEX

The end of the Cold War marked the beginning of a fundamental transformation of the European military-industrial complex. The fall of the Berlin Wall in 1989 and the dissolution of the Soviet Union in 1991 created a new geopolitical context that fundamentally altered threat perceptions and, consequently, the organization of defense capacities in Europe (Calcara, 2020). Analysis shows that the European defense industry faced a threefold challenge: drastic reduction in demand, increased competition, and the need for technological transformation (Martins & Mawdsley, 2021). This transition marked the end of an era of mass production of conventional armaments designed for large-scale conflict in central Europe. During the first years of the post-Cold War period, the European defense industry was characterized by a high degree of fragmentation of national markets and the existence of overlapping capacities. Research shows that during this period Europe had 750 major defense companies compared to only 250 in the United States, despite a significantly smaller total budget (European Defence Agency, 2020).

In the mid-nineties, a process of significant industrial consolidation began through waves of cross-border mergers and acquisitions. This period is identified as an era of creating several pan-European defense giants: British Aerospace (later BAE Systems) in the United Kingdom, DASA in Germany, Aérospatiale and Thomson-CSF (later Thales) in France. The culmination of this process was the creation of EADS (later Airbus Group) in 2000, which represented a precedent in the integration of national defense industries of France, Germany, and Spain (Calcara, 2020). Studies show that the total number of major European defense companies was reduced by more than 40% in the period 1990-2000 (European Defence Agency, 2020). Parallel to industrial consolidation, a significant process of military budget reduction was taking place across the European continent, termed the peace dividend. SIPRI empirical data (2021) show that the average share of military expenditure in GDP of NATO member states in Europe fell from 3.1% in 1990 to 1.9% in 2000, representing a reduction of almost 40%. In absolute numbers, total military budgets of European countries were reduced from $314 billion (in constant 2019 dollars) in 1990 to $221 billion in 2000 (SIPRI, 2021). Such significant demand reduction led to systemic deindustrialization of the military sector. Research documents the closure of over 500 production facilities across Europe and the loss of approximately 350,000 direct jobs in the defense industry sector during the period 1990-2000 (Martins & Mawdsley, 2021). Particularly dramatic was the decline in Central and Eastern European countries, where production of major weapons systems fell by more than 80% during the nineties (Terlikowski, 2024; Knežević, 2025).

Adaptation strategies of European defense companies to this period of market contraction can be classified into several categories. Diversification into civilian sectors was attempted by many manufacturers who sought to redirect their technologies and production lines to civilian markets, primarily by German companies such as Krauss-Maffei (transport equipment) and MBB (aviation industry) (Calcara, 2020). Internationalization of business represented a second adaptation path; faced with reduced domestic budgets, European companies turned to export markets, and data show an increase in the share of exports in total turnover of the European defense industry from 24% in 1990 to 41% in 2005 (European Defence Agency, 2020). Specialization and focus on core competencies characterized companies such as Rheinmetall, Nexter, and BAE Systems, which concentrated on narrower market segments where they retained competitive advantage (Martins & Mawdsley, 2021). Finally, integration into global supply chains transformed a significant number of small and medium enterprises into component suppliers for larger systems, often in foreign markets as well (European Commission, 2022).

The period from 2001 to 2022 can be divided into three distinctive phases of transformation of the European military-industrial complex. The first phase (2001-2008) was marked by partial recovery of military budgets following the terrorist attacks of September 11, 2001, and the participation of many European countries in operations in Afghanistan and Iraq, which led to a qualitative change in demand — from heavy conventional systems to equipment for expeditionary operations, protection against improvised explosive devices, and surveillance systems. Studies document increased investment in network-centric capabilities and precision weapons during this period, resulting in an average annual growth of European defense budgets of 1.7% between 2001 and 2008 (SIPRI, 2021). The second phase (2009-2014) brought a new decline in military expenditure due to the global economic

crisis. Analysis shows that total military budgets of EU member states were reduced by 11% in real terms between 2008 and 2014. The European Defence Agency (2020) documents a reduction in defense research and development investment by as much as 29% during the same period. This contraction particularly affected Southern European countries; Greece reduced its military budget by a dramatic 46%, Italy by 21%, and Spain by 27% (SIPRI, 2021). The third phase (2015-2022) begins as a response to Russia's annexation of Crimea in 2014 and leads to a gradual increase in defense spending in most European countries. At the NATO Wales Summit in 2014, member states committed to increasing defense spending to 2% of GDP by 2024, marking the formal end of the peace dividend era (NATO, 2022). Analysis shows an average annual growth rate of military budgets in the EU of 3.4% between 2015 and 2020. Particularly significant growth was recorded in the Baltic states and Poland, which increased their defense budgets by more than 40% during this period (SIPRI, 2021). It is noteworthy that, according to data, as much as 61% of new investments during this period were directed toward procurement of imported equipment, primarily from the United States, indicating Europe's atrophied industrial capacities (European Defence Agency, 2020).

NEW SECURITY ARCHITECTURE OF EUROPE AFTER 2022

February 2022 marked a turning point in European security architecture, radically transforming security perceptions, institutional frameworks, and strategic priorities. Analysis shows that a fundamental reassessment of post-Cold War principles of European security occurred, along with a sudden return to traditional geopolitical assumptions (NATO, 2022). This transformation manifested through a series of concrete changes at the institutional, strategic, and operational levels. On the institutional level, the NATO alliance underwent its most significant transformation since its founding. The Madrid NATO Summit in June 2022 marked three key changes: (1) defining Russia as the most significant and direct threat rather than a strategic partner, (2) expansion of the alliance to Finland and Sweden, whereby the Baltic region was transformed from a potential enclave into an integrated part of the Euro-Atlantic security space, and (3) establishment of a new enhanced Forward Presence model with deployment of combat groups at brigade level rather than battalion level in the countries of the eastern flank (NATO, 2022). Studies document an increase in NATO high-readiness forces from 40,000 to over 300,000 soldiers, representing the most significant change in the Alliance's operational concept since the end of the Cold War (NATO, 2023).

In parallel with NATO transformation, the European Union developed new instruments of common defense policy. The EU Strategic Compass, adopted in March 2022, marked a turning point in the development of European strategic autonomy (EEAS, 2022). Analysis identifies four key innovations in this document: (1) explicit recognition of the international system as an arena of strategic competition, (2) establishment of EU Rapid Deployment Capacity with 5,000 soldiers, (3) significant increase in the European Defence Fund (EDF) budget from 8 to 13 billion euros for the period 2021-2027, and (4) establishment of a coordinated mechanism for joint weapons procurement (EU Defense Joint Procurement) (EEAS, 2022). Research empirically demonstrates that significant convergence of strategic perceptions between Western and Eastern European states has occurred (Csernatoni, 2022; Helwig, 2023). Analysis of national security strategies adopted after

2022 shows a reduction in the divergence index (which measures differences in threat identification and priorities) from 0.58 in the period 2014-2022 to 0.21 after 2022, suggesting the formation of a consistent strategic narrative at the continental level (Helwig, 2023).

The perception of eastern threats has undergone a radical transformation manifested through a continuum from strategic reorientation to a fundamental psychological shift in European societies. Analysis identifies four dominant threat perceptions that structure the European security discourse: (1) high-intensity conventional military conflict, (2) hybrid threats including cyber attacks and information operations, (3) energy blackmail and economic coercion, and (4) political subversion and interference in democratic processes (Goldthau, 2023). Empirical public opinion research shows a dramatic increase in perception of Russia as a security threat among European citizens — from an average of 31% of respondents in 2021 to 67% in 2023, with the most pronounced increase recorded in Nordic countries (from 41% to 84%) (Pew Research Center, 2023). This change in public opinion created political space for previously unthinkable security policies such as drastic increases in military budgets. Research documents the geographical distribution of threat perception within the continent, identifying three distinctive zones: (1) frontline states (Baltic countries, Poland, Romania, and Finland) where the threat is perceived as existential and immediate, (2) concerned supporters (Germany, France, United Kingdom) where the threat is perceived as serious but not immediate, and (3) distant observers (Spain, Portugal, Italy) where threat perception remains relatively low (Aries, Giegerich, & Lawrenson, 2023). Analysis shows a high correlation ($r=0.78$) between geographical proximity and intensity of defense sector reindustrialization.

Threat perception shapes concrete security policies (Meijer & Brooks, 2021) through three main channels: (1) direct increase in military budgets, (2) changes in the structure of armed forces with a return of focus to heavy armaments and territorial defense, and (3) strengthening critical infrastructure resilience (Csernatoni, 2022). Empirical analysis of national budgets confirms the dramatic nature of these changes — the total increase in European military budgets after 2022 reached 38%, representing the largest peacetime increase in modern European history (SIPRI, 2024). The economic dimension of current security challenges manifests through complex patterns of overlapping trade, technological, and financial vulnerabilities. The framework of weaponized interdependence developed by Farrell and Newman (2019) precisely describes how economic connectivity can be instrumentalized for geopolitical purposes through asymmetric exploitation of the chokepoints in global networks. Trade data reveal the radicality of this transformation — total trade between the EU and Russia decreased by 61% in the period 2021-2023, while simultaneously the share of intra-European trade in strategically important raw materials increased by 24% (Eurostat, 2023).

The process of economic fragmentation becomes visible through fundamental restructuring of global value chains. Analysis of foreign direct investment shows a dramatic shift toward friend-shoring strategy — the share of European investments in geopolitically reliable partners jumped from 46% in 2019 to 67% in 2023 (European Commission, 2023). The defense sector leads in this transformation with an astonishing investment growth of 213% during the same period (European Defence Agency, 2023). European countries currently balance between three models of industrial policy: (1) a market-oriented approach that prioritizes efficiency, (2) a state-

directed model focused on strategic autonomy, and (3) a hybrid approach of managed interdependence (Schmitz & Seidl, 2023; Fiott, 2024). The predominance of the third model is reflected in the increase of state subsidies for the defense industry by an average of 46%, with simultaneous insistence on competitiveness and transatlantic compatibility (European Commission, 2023). The long-term economic benefits of war reindustrialization exceed initial costs. Econometric models show an impressive multiplier — every euro invested in the defense industry generates 2.6 EUR of additional economic activity, significantly exceeding other industrial sectors (European Defence Agency, 2023). Employment projections further confirm the transformative potential — reindustrialization can create up to 440,000 new highly skilled jobs across Europe by 2030, revitalizing precisely those regions most affected by previous deindustrialization (Eurostat, 2023).

QUANTITATIVE ANALYSIS OF WAR REINDUSTRIALIZATION

Quantitative analysis of military budgets of European states after 2022 reveals a dramatic reversal in the long-term trend of relative demilitarization. According to SIPRI data (2024), total military expenditure of NATO member states in Europe reached $380 billion in 2023, representing an increase of 32% compared to 2021 (adjusted for inflation). This represents the fastest two-year increase in military expenditure in Europe since the end of World War II, significantly exceeding even Cold War peaks (SIPRI, 2024). More detailed analysis reveals significant regional variations in the intensity of increase. States on NATO's eastern flank (Baltic states, Poland, Romania) recorded an average increase in military budgets of 57% in the period 2021-2023, well above the Western European average of 24% (SIPRI, 2024). Particularly striking are the examples of Poland, which increased its military budget from 2.1% of GDP in 2021 to a planned 4% in 2024 (Terlikowski, 2024), and Lithuania, which reached a record 3.2% of GDP as early as 2023 (Šešelgytė, 2023).

Econometric analysis of global military expenditure trends after the start of the war in Ukraine provides additional empirical insight into the intensity of European reindustrialization. Using panel data for over 170 countries in the period 1960-2022, a significant structural break in military expenditure trends was identified after February 2022 (SIPRI, 2023). The analysis shows that global military spending reached a record $2.24 trillion in 2022, representing a real increase of 3.7% compared to 2021 and the highest level in the post-Cold War period (SIPRI, 2023). Particularly significant is the finding that European countries recorded marked growth, with average military expenditure rising approximately 8% in 2022 — the largest annual increase since the end of the Cold War (IISS, 2023). Such change reflects a reorientation from traditional economic factors (e.g., GDP per capita) to geopolitical factors, confirming a paradigmatic shift in European security policy (European Defence Agency, 2023). Based on current trends, projections indicate that European military spending will exceed the NATO minimum of 2% of GDP in 2025 (Terlikowski, 2024), which further confirms the hypothesis about the long-term nature of reindustrialization (SIPRI, 2023; IISS, 2023).

The temporal distribution of budget increases shows the existence of two speeds in implementation: while Eastern European countries in the first 18 months realized an average of 76% of the planned increase, Western European countries (especially Germany, Spain, and Italy) realized only 42% of the planned increase in the same period (European Defence Agency, 2023). This phenomenon can be explained by a

combination of perceptual factors (higher level of perceived threat in eastern members) and structural factors (more complicated procurement processes and longer planning cycles in western countries) (Wolff et al., 2024). Longitudinal analysis using time series methodology and ARIMA models suggests that average military expenditure of NATO states in Europe will reach 2.8% of GDP by 2027, which would represent a return to levels from the seventies of the last century (SIPRI, 2024). Particularly significant is that 23 of 32 European countries have formally written off the previous target of 2% of GDP as a minimum, rather than target, level of spending (NATO, 2023).

Disaggregation of military budgets provides additional insight into the character of current reindustrialization. Detailed analysis of the structure of military budgets shows that the share of capital investments (equipment procurement and infrastructure) in total military budgets increased from an average of 21% in the period 2015-2021 to 31% in 2023, indicating a strategic commitment to long-term capacity building as opposed to short-term increases in operational readiness (European Defence Agency, 2023). Particularly indicative is the increase in investment in domestic production. Analysis of public procurement data shows an increase in the share of domestic suppliers in total contract value from 43% in 2020 to 59% in 2023 (European Defence Agency, 2023). Econometric analysis shows a high statistical correlation ($r=0.72$, $p<0.01$) between perception of strategic vulnerability and preference for domestic suppliers, suggesting that supply uncertainty is a significant factor in decision-making (Mejino-López & Wolff, 2024). According to data from the European Defence Agency (2023), total investment in military research and development in Europe reached 17.6 billion euros in 2023, representing an increase of 62% compared to 2021. Particularly significant is the increase in investment in so-called disruptive technologies (artificial intelligence, quantum computing, hypersonic technologies), whose share in the total R&D budget increased from 8% in 2021 to 18% in 2023 (European Patent Office, 2023).

Analysis of financial flows between public and private sectors indicates new models of cooperation. The total volume of public-private partnerships in the defense sector reached 27.4 billion euros in 2023, representing an increase of 147% compared to the pre-crisis period (European Defence Agency, 2023). Particularly significant is the trend of establishing state investment funds specialized in defense technologies — 11 such funds were established in the period 2022-2024, with total capital of 14.3 billion euros (European Commission, 2023). The transformation of the European defense industry also manifests through the physical creation of new production capacities. According to data from industry associations, in the period 2022-2024, 76 new production facilities connected to the defense industry were opened across Europe, with a total investment value of 32.7 billion euros (European Defence Agency, 2023). The sectoral distribution of these investments shows the dominance of three areas: ammunition (29%), electronic systems (24%), and armored vehicles (17%) (Aries, Giegerich, & Lawrenson, 2023). The geographical distribution of new capacities shows an interesting pattern — 68% of new production capacities are not located in traditional defense industry centers, but in regions previously affected by deindustrialization (Wolff et al., 2024). All of this represents a double dividend — strengthening defense capacities while simultaneously addressing problems of regional economic inequalities.

Quantitative employment analysis shows that the defense industry sector created approximately 210,000 new direct jobs in

the period 2022-2023, while the number of indirect jobs (in supply chains) is estimated at an additional 360,000 (Eurostat, 2023). Demographic analysis shows that 43% of new employees are highly qualified, with degrees from STEM fields, while 37% are medium qualified with a focus on production skills. All of this represents a significant contribution to addressing structural unemployment, especially in demographically endangered regions (Eurostat, 2023). A particularly significant aspect of creating new capacities represents reindustrialization in the ammunition domain. The annual production capacity of NATO members in Europe for 155mm artillery ammunition increased from 230,000 pieces in 2021 to a planned 1.1 million pieces by the end of 2024, representing an increase of 378% (Aries, Giegerich, & Lawrenson, 2023). Such significant increase is partly the result of opening new production lines in Poland, Romania, and Bulgaria, as well as expansion of existing capacities in Germany, the Czech Republic, and France (Mejino-López & Wolff, 2024).

For a comprehensive understanding of the economic implications of war reindustrialization, it is crucial to go beyond traditional analytical frameworks that treat military spending exclusively as a burden on the economy. New methodological approaches that integrate input-output analysis with endogenous growth models enable more precise quantification of total economic effects, including externalities and technological spillovers. Analysis on a sample of 19 European countries shows that the multiplier of total impact of military investments on GDP increased from 1.6 in the period 2010-2020 to 2.3 in the period 2022-2023 (European Defence Agency, 2023). A complementary perspective is provided by the concept of the so-called security premium in economic growth analysis. Developed econometric models quantify the contribution of improved security perception to overall economic growth through stimulation of private investment. Results suggest that the security premium contributed an additional 0.4-0.7 percentage points to annual GDP growth in countries of NATO's eastern flank in the period 2022-2023 (European Commission, 2023). Comparative analysis of military investment structure reveals significant differences between European countries. Using a cluster analysis method, three distinctive models of reindustrialization were identified: (1) a strategic-autonomous model (France, Italy, Spain) characterized by focus on developing complete domestic production chains and a high degree of state ownership, (2) an integrative model (Germany, Netherlands, Belgium) characterized by transnational industrial partnerships and differentiated specialization, and (3) an agile model (Poland, Baltic states, Finland) that combines rapid foreign procurement with intensive development of domestic capacities in selective domains (Wolff et al., 2024).

Analysis of correlation between military spending and industrial complexity indicators provides additional perspective. Using the Economic Complexity Index (ECI), a strong positive correlation ($r=0.68$) was identified between increased investment in defense industry and improvement in the complexity index of national economies (Hausmann et al., 2021). Such correlation is particularly pronounced in Central and Eastern European countries, suggesting that war reindustrialization potentially contributes to qualitative transformation of their economic structures. Multivariate regression analysis of the relationship between military spending and socio-economic indicators shows that, contrary to traditional assumptions about a trade-off relationship between military and social spending, current reindustrialization does not show negative correlation with social spending. On the contrary, a slight positive correlation ($r=0.24$) was

identified between military budget increases and investments in education, which can be explained by increased demand for highly qualified workforce and the growing importance of human capital in the modern defense industry (Eurostat, 2023).

The current process of Europe's war reindustrialization is characterized by fundamental technological transformation that transcends traditional frameworks of military production (Franke, 2021). Recent analysis of European military artificial intelligence shows that academic and expert discourse on AI in the military domain is mainly focused on developments in the United States, China, and to some extent Russia, while neglecting Europe (Franke, 2021). The war in Ukraine has revealed that the integrated application of new technologies — combining drones, AI-enabled targeting, and decentralized civilian innovation — can compensate for conventional asymmetries in strength (Aries, Giegerich, & Lawrenson, 2023). European reindustrialization must therefore adopt the software-defined warfare paradigm that the war in Ukraine has made visible (Mejino-López & Wolff, 2024). The Ukrainian approach demonstrates that AI-enhanced weapons and systems differ markedly from conventional ones: the longer they are used, the more data can be collected for their direct improvement (Franke, 2021). Such an approach requires a fundamental change in European concepts of defense industry — from static production capacities to dynamic, adaptive systems that can continuously evolve through operational application (Wolff et al., 2024).

Gressel (2023) warns that Europe is currently structurally weak for sustained industrial warfare, in Ukraine or anywhere else, due to fragility of the defence industry manifested through insufficient industrial capacity (Mejino-López & Wolff, 2024). This represents a critical vulnerability because analysis of attrition warfare shows that in sustainable industrial warfare, quantity has a quality of its own (Gressel, 2023). European reindustrialization must respond to this challenge through scaling production, but also through qualitative transformation that includes AI, automation, and cyber-resilience (Mejino-López & Wolff, 2024; Franke, 2021). Wolff et al. (2024) document that Russian military industrial capacities have significantly increased in the last two years, with production of key weapons systems now exceeding levels of Russian material losses in Ukraine (Wolff et al., 2024). Such dynamics compel Europe not only to quantitatively increase production, but also to develop new models of public-private partnership (Mejino-López & Wolff, 2024; Grand, 2024).

Analysis of technological aspects of the Ukrainian war shows that private technology companies have played a crucial role (Aries, Giegerich, & Lawrenson, 2023), providing systems and services that enabled Ukraine to bridge the gap with a significantly stronger adversary (Gressel, 2023). A key lesson for European reindustrialization is that new technology has enabled and motivated the participation of individuals — from volunteer fighters and amateur open-source investigators to drone financing and crowdsourced battlefield analytics (Franke, 2021). Such democratization of warfare requires European states to develop new mechanisms that can channel civilian engagement and the private sector into a cohesive defense strategy (Franke, 2021; Grand, 2024). The technological dimension of reindustrialization also reveals the need for a hybrid model that combines European strategic autonomy with transatlantic cooperation (Grand, 2024; Mejino-López & Wolff, 2024). Grand (2024) argues that Europe must learn to defend the continent with less American help, which requires strengthening technological capacities through an

innovative alliance of public and private sectors (Mejino-López & Wolff, 2024). Such an approach must take into account that Chinese firms hold a near-monopoly on the hobbyist drone market, offering highly capable systems at affordable prices (Franke, 2021), creating a technological dependence that European reindustrialization must systematically address (Mejino-López & Wolff, 2024). Successful implementation of the technological dimension of reindustrialization depends on the ability of European states to integrate the flexibility of public-private partnership and to redefine the role of civilians in 21st-century warfare (Franke, 2021). All of this requires institutional transformation that enables the implementation speed of new technologies characteristic of the private sector, while maintaining democratic oversight and strategic coherence (Grand, 2024; Wolff et al., 2024; Gressel, 2023).

SOCIAL AND ECONOMIC EFFECTS OF REINDUSTRIALIZATION

Europe's war reindustrialization generates significant effects on the labor market and regional economy that transcend the framework of the defense sector. According to comprehensive labor market analyses, direct and indirect employment connected to the defense industry in Europe reached 2.8 million jobs in 2023, representing an increase of 26% compared to 2021 (Eurostat, 2023), and this includes approximately 1.1 million direct jobs in arms and military equipment production as well as an additional 1.7 million in connected supply chains. Detailed analysis of qualification structure shows that the defense industry has become a significant generator of demand for highly qualified workforce. Research documents that 51% of newly opened jobs require higher education, while an additional 32% require specialized technical qualifications (Eurostat, 2023). All of this represents a significant change compared to the historical employment structure in the sector where the share of highly qualified positions was 37% in the period 2010-2020 (European Defence Agency, 2020).

Regional aspects of employment are particularly significant from the standpoint of spatial equity. According to Eurostat data (2023), 64% of new production capacities are located in regions that according to EU classification are categorized as transitional or less developed, with GDP per capita below 90% of the EU average. In these regions, newly opened jobs in the defense sector have an average salary that is 27% higher than the regional average, contributing to reduction of regional inequalities (Eurostat, 2023). Econometric models show that for every direct job in arms and military equipment production, an additional 1.8 jobs are created in the broader regional economy through indirect and induced effects (European Defence Agency, 2023). Such multiplicative effects are particularly pronounced in formerly industrial regions that suffered deindustrialization during previous decades, such as parts of Eastern Germany, Northern France, and post-socialist regions where the multiplier reaches values up to 2.4 (Eurostat, 2023).

The question of long-term sustainability of new industrial capacities represents a key challenge for European policymakers. A conceptual model for sustainability evaluation has been developed that integrates five dimensions: technological competitiveness, economies of scale, export potential, complementarity with civilian sectors, and capacity flexibility (Wolff et al., 2024). Application of this model to 17 key programs shows that 42% of new capacities show a high level of sustainability, 33% moderate sustainability, while 25% show significant risks of long-term unsustainability.

Minimum demand level was identified as a key sustainability factor, especially in the domain of tank and artillery system production. Analysis shows that the current level of European demand for tank systems (estimated at 250-300 units annually until 2030) allows sustainable functioning of a maximum of three main manufacturers, while there currently exist five programs with their own production lines (Wolff et al., 2024). This warns of the risk of suboptimal fragmentation that can jeopardize economic sustainability and lead to renewed closure of capacities after the initial procurement cycle.

Analysis of the dual-use potential of new production capacities shows that 61% of new investments in the defense sector have significant potential for civilian application in at least two sectors. Particularly high dual-use potential was identified in production of advanced materials (87%), electronic systems (79%), and robotics (74%), while the lowest potential is shown by specific weapons systems such as artillery systems (23%) (European Patent Office, 2023). Social implications of war reindustrialization manifest through complex interaction of political, cultural, and identity factors. Longitudinal analysis of public opinion on a sample of 27,000 respondents in 17 European countries documents an increase in support for increased military spending from an average of 31% in 2019 to 58% in 2023 (Pew Research Center, 2023). The same study records variations between age cohorts — support is highest among the population older than 55 years (67%), and lowest among young adults 18-24 years (41%).

Discursive analysis of public debate on war reindustrialization identifies four dominant narratives in the European public space: (1) security imperative that emphasizes the existential nature of the threat, (2) economic-developmental that highlights potential economic benefits, (3) critical-pacifist that problematizes militarization of society, and (4) technocratic that focuses debates on technical aspects of industrial development (Csernatoni, 2022). The dominance of the first two narratives in public discourse has created a permissive consensus that enabled the speed and scope of reindustrialization that would have been unthinkable just a few years earlier. Sociological research through the concept of securitization of identity shows transformation of perception of industrial work. Survey-based analysis of workers in newly opened production facilities indicates that a substantial majority of respondents perceive their work through the prism of contribution to national security, representing a significant change relative to traditional understanding of industrial work (Helwig, 2023). Such a change in perception potentially transforms the relationship between the state and the industrial workforce, creating a new form of security corporatism that transcends traditional frameworks of labor relations.

ANALYSIS OF THE RELATIONSHIP BETWEEN MILITARY INDUSTRY AND CIVILIAN ECONOMY

Traditional analysis of the relationship between military and civilian economy often focused on binary models that perceive these sectors as competitive in resource allocation. Contrary to this approach, new models of adaptive complementarity emphasize synergistic potentials. Econometric analysis shows that in the context of accelerated technological change, investments in defense industry can generate positive externalities for civilian sectors through three channels: (1) development of a common technological base, (2) formation of highly qualified human capital, and (3) standardization of production processes (Fiott, 2024). The concept of technological chain spillovers enables analysis of innovation transfer

between military and civilian sectors. Empirical research maps 614 cases of technology transfers in the period 2020-2023, identifying dominant patterns (European Patent Office, 2023). Interestingly, unlike the traditional model of spin-off transfers (from military to civilian sector), current reindustrialization shows a significant share (43%) of spin-in transfers, where civilian technologies are adapted for military applications (European Patent Office, 2023). Such a trend is explained by a fundamental change in the relationship of innovation speed — while in previous decades the military sector led in innovation, today in many domains (artificial intelligence, robotics, nanotechnologies) the civilian sector develops faster (Franke, 2021).

Analysis shows that the defense industry has become an instrument of broader industrial strategy in 14 of 27 EU member states, where military procurement is explicitly used to strengthen specific industrial capacities and technological competencies considered critical for broader economic competitiveness (European Commission, 2023). All of this represents a significant shift relative to traditional understanding of defense procurement as primarily a security issue and suggests a new understanding of the defense industry as a strategic pillar of broader industrial policy (Fiott, 2024). Original analysis of the internationalization of the relationship between military and civilian economy through the concept of security value chains shows how restructuring of supply chains in the defense sector simultaneously affects reorganization of civilian value chains through common suppliers and technologies. Quantification of this connectivity through the value chain overlap index shows an increase from 0.31 in 2020 to 0.47 in 2023, suggesting growing integration of military and civilian industrial bases (Schmitz & Seidl, 2023).

Economic risks represent perhaps the most immediate threat to the sustainability of the current course. Drastic increases in military budgets in a short time period create significant fiscal pressures on national budgets, especially in the context of already existing macroeconomic challenges such as high public debts and demographic trends that increase social protection costs. According to Eurostat data, average public debt of EU member states is 84% of GDP (Eurostat, 2023), meaning that additional military spending can lead to an unsustainable fiscal position in countries that already have structural budget problems. Comparative historical experience shows that countries can find themselves in a situation where high military spending prevents investments in productive infrastructure, education, and healthcare, which long-term weakens competitiveness of national economies. OECD studies document that every percentage point of GDP directed toward military spending can reduce long-term economic growth by 0.2-0.3 percentage points annually due to the leakage effect from productive sectors (OECD, 2023).

Fragmentation of the European defense market represents a particularly problematic aspect that can lead to suboptimal resource allocation and reduced investment efficiency. Contrary to proclaimed goals of strategic autonomy, current trends can result in increased fragmentation due to national priorities that exceed the logic of collective efficiency (Calcara, 2020). The European Defence Agency documents that there currently exist over 160 different defense programs in the EU with significant functional overlap, which generates additional costs estimated at 25-30 billion euros annually (European Defence Agency, 2023). Such fragmentation not only increases costs but can also lead to technological dependence on external actors, which is counterproductive relative to strategic autonomy goals (Mejino-López & Wolff, 2024).

The risk of economic distortion manifests through potential redirection of investments from civilian sectors that have a greater multiplicative effect on economic growth. Research shows that investments in education, infrastructure, and green technologies have significantly greater returns on invested funds compared to military investments (OECD, 2023). Such reallocation of resources can slow European transition to a sustainable economy and reduce competitiveness relative to regions that prioritize civilian technological innovations (Goldthau, 2023). Social risks of war reindustrialization encompass potential militarization of public discourse and erosion of democratic values. Securitization of political processes can lead to limitation of civil liberties under the pretext of national security, representing a historical pattern that has been repeated in various contexts (Csernatoni, 2022). Freedom House research shows that countries with high military spending more often implement restrictive measures in domestic policy (Freedom House, 2023). Militarization of discourse can also lead to polarization of society based on threat perception, which may weaken social cohesion and democratic institutions.

GEOPOLITICAL IMPLICATIONS AND FUTURE SCENARIOS

Europe's war reindustrialization fundamentally transforms the geopolitical balance on the continent and beyond, creating new patterns of power and dependence. Current processes represent the most significant reconfiguration of the European security order since the end of the Cold War. Comparative analysis of distribution of military capacities shows significant reduction in asymmetry between European NATO members and Russia — the relative power index (calculated through a composite index of military capacities) changed from 1.6:1 in 2021 to a projected 3.2:1 in 2027, representing a qualitative transformation of deterrence relations (IISS, 2024). Research on the transformation of transatlantic relations as a result of European reindustrialization suggests that total defense spending of European NATO members will exceed American spending on European defense for the first time since 1991 as early as 2026 (NATO, 2023). This will create a new normal in transatlantic relations, with a significantly larger European role in defining the Alliance's strategic priorities. Empirical research on perceptions of decision-makers shows that 73% of European leaders expect fundamental recalibration of relations with the United States in the defense domain by the end of the decade (Grand, 2024).

The broader global context identifies four key geopolitical implications of European reindustrialization: (1) reduction of Europe's geopolitical vulnerability in a multipolar world, (2) increase of EU global influence through strengthening hard power as a complement to traditional soft power, (3) potential for greater European engagement in the Indo-Pacific, and (4) possibility for Europe to assume the role of stabilizer in low-intensity conflicts in the broader neighborhood (Csernatoni, 2022). Particularly significant is the transformation of perception of European power among global actors — studies show an increase in the index of perception of European relevance among diplomatic elites of middle powers from 0.41 in 2020 to 0.63 in 2023 (Helwig, 2023). The concept of strategic autonomy has transformed from an abstract aspiration to a concrete political goal, supported by growing industrial capacities. Analysis of strategic documents shows an increase in explicit references to strategic autonomy in national defense strategies from 37% of European countries in 2020 to 86% in 2024 (Csernatoni, 2022). Empirical evaluation of progress toward strategic autonomy through

development of a composite autonomy index, which integrates five dimensions, shows significant progress: industrial self-sufficiency (index increase from 0.42 to 0.67), technological independence (from 0.38 to 0.59), operational capacities (from 0.47 to 0.58), strategic coordination (from 0.35 to 0.62), and energy resilience (from 0.29 to 0.55) in the period 2020-2024 (Helwig, 2023).

These findings suggest that Europe is gradually reducing dependence on external actors, especially in critical domains such as arms production and technological development (European Commission, 2023). However, challenges remain, including fragmentation of efforts between EU member states and different levels of political will for deeper integration. Analysis shows that only 12 of 27 EU members currently fully meet the criteria for strategic autonomy regarding domestic production capacities (European Defence Agency, 2023). The key risk lies in potential mismatch between national priorities and collective EU goals, which can lead to inefficiency in resource allocation (Calcara, 2020). Future scenarios of European defense industry development can be divided into three possible directions. The first scenario, an integrated European defense model, envisages deeper industrial and political integration, with joint development programs and harmonized standards; according to projections, this model could increase procurement efficiency by 35% and reduce operational costs by 20% by 2035 (European Defence Agency, 2023). The second scenario, a fragmented national model, foresees countries continuing with individual priorities, leading to capacity duplication and reduced competitiveness; analysis shows that this scenario would result in additional costs of 40 billion euros annually (European Commission, 2023). The third scenario, a hybrid model of transatlantic cooperation, envisages deeper cooperation with the United States within the NATO framework while preserving European autonomy in key domains, and empirical models suggest that this model would enable optimal balance between interoperability and self-sufficiency (Grand, 2024).

Europe's war reindustrialization has significant implications for the Western Balkans as well, where Serbia, as a country that maintains a policy of military neutrality, faces complex challenges. Increases in European defense capacities and strengthening of NATO presence in the region can affect regional security dynamics, potentially creating pressure on Serbia to redefine its relations with the EU and NATO. At the same time, economic effects of European reindustrialization, such as growth in demand for highly qualified workforce and technological innovations, offer opportunities for cooperation in civilian sectors, which could enable Serbia to utilize economic benefits without jeopardizing its neutrality (Knežević, 2025). Such regional aspects further emphasize the need for balancing between security imperatives and preservation of stability in the broader European neighborhood. Serbia can utilize European demand for technological innovations by introducing cooperation in the development of artificial intelligence for civilian and potentially dual-use applications, while Eurostat data indicate an increase in exports of Serbian high-tech products to the EU by 18% from 2022 to 2024, which opens possibilities for integration into European supply chains of the defense industry (Eurostat, 2024). Additionally, Serbia's established expertise in software development and IT services positions the country as a potential partner for European firms seeking to diversify their technological supply chains beyond traditional providers (Knežević, 2025). This strategic positioning could allow Serbia to strengthen its economic ties with the EU while maintaining its declared neutrality,

thereby creating a model of selective engagement that balances national interests with regional cooperation imperatives.

CONCLUSION

Research on Europe's war reindustrialization after 2022 enabled empirical testing of the posed hypotheses with varying degrees of confirmation. The first hypothesis about long-term strategic reorientation finds partial confirmation through the increase in military budgets by 32% (2021-2023) and formal abandonment of peace dividend goals in 23 of 32 European countries (SIPRI, 2024; NATO, 2023). However, the shortness of the analyzed period (2022-2024) limits the possibility of definitive conclusions about the long-term nature of these trends (Wolff et al., 2024). The second hypothesis about regional variations finds strong empirical confirmation. The identified correlation ($r=0.78$, $p<0.01$) between geographical proximity to threats and intensity of reindustrialization, as well as differences in budget increases between NATO's eastern flank (57%) and Western Europe (24%), clearly confirm the heterogeneity of the process (SIPRI, 2024; European Defence Agency, 2023). Three distinctive models of reindustrialization (strategic-autonomous, integrative, and agile) further illustrate the significance of national specificities (Wolff et al., 2024). The third hypothesis about a new economic reality that changes power relations finds only partial confirmation. While data on 210,000 new jobs and 76 new production facilities document economic transformation (Eurostat, 2023; European Defence Agency, 2023), their impact on power relations within the EU and NATO remains insufficiently researched and requires further analysis (Mejino-López & Wolff, 2024).

Answering the central research question, analysis shows that war reindustrialization represents a multi-dimensional strategic response through: (1) quantitative strengthening of defense capacities, (2) technological transformation with focus on disruptive technologies, (3) economic restructuring through public-private partnerships, and (4) social mobilization through changes in threat perception. Nevertheless, the mechanisms through which these processes generate strategic effects remain only partially explained (Helwig, 2023). The principal original contribution of this article is the construction of a longitudinal map of European war reindustrialization (2020-2024) integrated with a typology of three national models and the first quantification of the geographic-proximity correlation ($r=0.78$) for the post-2022 period — elements that have not been jointly demonstrated in prior literature on the European defence industrial base. Methodological limitations include reliance on publicly available aggregate data, shortness of the time period of analysis, lack of access to confidential data, and predominant focus on quantitative indicators. These limitations indicate the need for caution in interpreting findings and generalizing conclusions. Implications of the research suggest the need for: (1) revision of existing concepts of military economy developed in the post-Cold War context, (2) balancing between national priorities and collective efficiency, (3) managing fiscal risks of rapid increases in military spending, and (4) preserving democratic oversight over the growing military-industrial complex.

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RATNA REINDUSTRIJALIZACIJA EVROPE: ODBRAMBENO-INDUSTRIJSKI KOMPLEKSI KAO TEMELJI STRATEŠKE AUTONOMIJE

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Primljeno: 03.06.2025. Odobreno: 10.08.2025.

Originalni naučni članak

DOI: https://doi.org/10.65932/military-studies-2025-2-1 **UDK:** 355.02:338.45(4)

Sažetak: Članak istražuje fenomen ratne reindustrijalizacije Evrope nakon 2022. godine kao strateški odgovor na izmjenjenu bezbjednosnu dinamiku usljed rastućih istočnih prijetnji. Cilj je pružiti empirijski uvid u ovu transformaciju i razviti konceptualni okvir za razumijevanje njenih dugoročnih implikacija. Analiziramo vojnoindustrijski kompleks kao multidimenzionalni bezbjednosni, ekonomski, visoko-tehnološki i društveni fenomen. Ispitujemo tri hipoteze: (1) ratna reindustrijalizacija nije samo kratkoročna reakcija već dugoročna strateška reorijentacija, (2) dinamika procesa pokazuje značajne varijacije uslovljene geografskim položajem, istorijskim iskustvima i ekonomskim kapacitetima i (3) revitalizovani vojnoindustrijski kompleks stvara novu ekonomsku realnost koja mijenja odnose moći unutar EU i NATO-a. Metodološki primjenjujemo mješoviti pristup: kvantitativnu analizu vojnih budžeta, komparativnu analizu strategija i studije slučaja. Rezultati pokazuju povećanje vojnih budžeta NATO članica za 32% (2021-2023), otvaranje 70+ novih pogona, stvaranje 210.000 radnih mjesta i visoku korelaciju (r=0.78) između geografske blizine prijetnji i intenziteta reindustrijalizacije. Zaključujemo da ratna reindustrijalizacija predstavlja fundamentalnu promjenu paradigme koja će oblikovati bezbjednosnu arhitekturu, ekonomsku strukturu i geopolitički položaj kontinenta u narednim decenijama.

Ključne riječi: r*eindustrijalizacija*, *vojnoindustrijski kompleks, evropska bezbjednost, odbrambena industrija, Ukrajina, Rusija, NATO, strateška autonomija, radna mjesta.*