Competing for the Same Budget: EU and NATO Drone Policies

28 JULY 2026

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Drone and Counter-Drone Industrial Policy in the EU and NATO

On the 3rd of July 2026, the European Commission proposed five new large-scale collaborative defence projects, known as the European Defence Projects of Common Interest (EDPCIs) under the European Defence Industry Programme (EDIP) (European Commission, 2026e). The objectives are to strengthen Europe's industrial capacities and to jointly develop key military capabilities. Similarly, during the Ankara Summit, on the 7th and 8th of July 2026, NATO Allies committed to boosting defence industrial production, marking a transition from investment to industrial delivery (NATO, 2026a). Among other projects, two focused on drone capabilities. However, the temporal proximity of the two initiatives raises questions: Are Brussels and NATO building complementary layers of a common drone effort, or quietly duplicating one another? This question echoes an ongoing debate in the security and defence forum: the EU's role in European security. As the EU takes a stronger stance by leveraging industrial policy and NATO requires a more active role from European countries, how can European countries make these efforts complementary?

Since Russia's full invasion of Ukraine in 2022, the EU has realised its deficiencies in security and defence, a matter that has typically been delegated to Member States or NATO. Since then, the EU has launched several initiatives to strengthen its position in this domain. These projects span from political frameworks, such as the Strategic Compass in 2022, to financial measures such as the European Defence Fund (EDF). There have also been more operational initiatives, including the EDIS, to sustain defence industrial development, and the White Paper on Defence (Readiness 2030) as an operational roadmap to achieve military capabilities and make the political and strategic objectives set in the Strategic Compass actionable (European Commission, 2025; European Commission, 2024; EEAS, 2022; European Commission, n.d.). The last project launched in this regard is the EDPCIs, which refer to "collaborative industrial projects aimed at reinforcing the competitiveness" of the EU industrial base, and concurrently contribute to the development of Member States' military capabilities (European Commission, 2026f, p. 1). Specifically, the five projects received €325m of EDIP funding and include the Drone and Counter Drone European Resolve (DECODER), Integrated Maritime and Seabed Defence (IMSD), SPACE, EU Federated Integrated Air and Missile Defence, including Early Warning (EU-FIAMD) and Eastern Flank Watch (EFW) (European Commission, 2026f, pp. 3-5).

Similarly, NATO has long relied on the American contribution; however, recently, Trump has been explicit about the necessity for European countries to take charge of their own security (Earlenger, 2026). The Secretary General of NATO, Mark Rutte, admitted that Trump was right in that regard, and that the sustainability of the Alliance depends on whether European countries can match US defence spending (Mecleary, 2026). However, defence spending alone is not enough. To that end, ensuring the defence industry can deliver the required capability is essential, and the Ankara Summit focuses on this objective. The Alliance committed more than $50 million to new procurements, to expanding collective manufacturing capacity, and to working with industry to accelerate innovation (NATO, 2026d). To sustain the defence industry, NATO has launched two initiatives: the NATO Front Door for Industry, a single entry point for the defence industry seeking information on procurement opportunities and collaborative projects, and the NATO Engine, which connects available manufacturing capabilities and fosters collaborative projects across the Alliance (Gavilan, 2026). Moreover, the Alliance has committed $40 billion to the Drone Edge initiative, which aims to increase manufacturing of counter-drone capabilities and to increase training capacity for drone operators (NATO, 2026d).

The entanglement of the two agendas is clearly evident in the case of drones. Within four days, both the EU and NATO moved to institutionalise drone and counter-drone capabilities. The EU, through the European Defence Project of Common Interest (DECODER), and NATO, through the

Drone Edge. Considering drones as a converging agenda, the comparison will focus on capability, specifically examining what each initiative targets, which industries should benefit from it, and how the money flows.

As stated in the DECODER initiative factsheet, the objective is to provide "European Armed Forces with modern, adaptable, scalable and interoperable drone and counter-drone systems operating across all domains" (European Commission, 2026a). The initiative thus targets the development domain at the industrial level, as well as joint procurement. The objective is also to promote European interoperability at different levels, industrial capacity, joint procurement, and, subsequently, operational interoperability on the battlefield. NATO's Drone Edge initiative, instead, focuses on counter-drone capabilities and on enhancing industrial production and procurement, including on the national level (NATO, 2026b). The programme also includes training drone operators under NATO Flight Training Europe, with a target of five times as many current operators by the end of 2027 (NATO, 2026b). In this case, the overlap regards specifically counter-drone capabilities and, at the industrial level, drone production and procurement.

The money flow provides a more representative picture for answering the question, despite the two organisations' funding logic differing fundamentally. NATO is funded through direct and indirect contributions from its member states. Indirect contributions represent the majority of the funding and account for the forces and capabilities that member states fund, donate, and voluntarily commit to the Alliance activities from their national budgets; direct contributions, instead, are payments into NATO's common budgets, made according to an agreed cost-share formula (NATO, 2026). Regarding the Drone Edge initiative, NATO has invested over $40 billion (NATO, 2026b). In practical terms, this means that national defence budgets will use the vast majority of the money. Conversely, the EU financial architecture rests on the Multiannual Financial Framework (MFF), which allocates money to legally established programmes (European Commission, n.d.). The MFF allocated €1.5 billion for the European Defence Industrial Programme (EDIP) for 2026-2027 (European Commission, 2026c). Among those, €325 million is allocated to EDPCIs (Martin, 2026). However, this money supports only the establishment and initial deployment of the programmes, and the underlying investment must come from the participating states themselves, with DECODER expecting to receive only €3.5-5 billion by 2033 under the EDPCIs legal framework (European Commission, 2026g). In practical terms, this means that the countries participating in the programme must allocate funds from their national defence budgets.

While capabilities are partially overlapping and money may be a competing source, the only clear divergence seems to lie in the industrial beneficiaries. Although none of the initiatives has had any contracts or beneficiaries established, it has been decided who will be eligible. Regard-

ing NATO's Drone Edge, the new machinery set up in Ankara will facilitate the marketplace. The new NATO Engine framework makes this logic explicit by connecting manufacturing capacity across European, Canadian, and US companies (Gavilan, 2026; NATO, 2026c). As mentioned above, Drone Edge itself names no supplier and sets no nationality conditions: its marketplace will reward whoever sells counter-drones the fastest (NATO, 2026b).

Table 1. Comparative table of DECODER and Drone Edge across capability targets, money and industrial beneficiaries.

Based on the analysis, the two drone industrial initiatives partially overlap in capability targets, with counter-drone capabilities being the only overlapping output. Industrial beneficiaries could not be established, but the underlying logic seems quite different: NATO is prioritising fast delivery regardless of where manufacturing takes place, while the EU prioritises defence-industrial development and cooperation based in the EU, at the expense of slower delivery. Regarding financing, some issues arise: both initiatives seem to compete for the same national budgets. Overall, the two new industrial agendas announced by the EU and NATO in July 2026 are narrow in scope. Still, there is partial overlap in capability targets, full overlap in the resources that fund them, and divergent logic about who benefits.

EU-NATO relations have been guided by Madeleine Albright's three D's (no transatlantic decoupling, no duplication, no discrimination of non-EU NATO allies) (Anghel & Damen, 2025). Despite not representing completely overlapping industrial agendas, the two frameworks draw on the same finite resource, national defence budgets, which are already stretched by NATO's own spending targets. They are now being asked to co-finance EU industrial projects that promise no immediate return. This tension reflects the EU's new posture in European security. In the current security environment, the EU is taking a stronger stance in security and defence by leveraging industrial capacity and interoperability through instruments such as the EDPCIs. At the same time, NATO's own declaration now describes European Allies as security contributors expected to shoulder more (NATO, 2026d). The same states, therefore, seem to be asked simultaneously to fund an EU industrial project that protects but does not deliver quickly, and NATO channels that deliver but do not build anything that Europe controls.

Anghel and Damen (2025) explored the question of EU-NATO relations in the context of more EU security sovereignty. An option explored in an eventual EU industrial pillar within NATO would "enhance EU capacity but does not threaten NATO" (Anghel & Damen, 2025, p.6). The scenario suggests that a European preference policy will be difficult given US priorities, and that cooperation rather than competition between the EU and US defence industries would be preferable. This option would, nonetheless, undermine the policy the EU is currently prioritising: the "build European"

logic. A solution could fall between the logic of just retour, in which contracts are allocated roughly in proportion to agreed contributions, and the alternatives of awarding them entirely on open competition or reserving them for the EU industry. Applied to NATO-organised demand, this would mean EU industry is guaranteed a defined share of NATO's marketplace rather than competing for all of it or none of it. At the same time, this solution is not costless since this logic has historically raised costs and rewarded political bargaining over merit, which is the same logic NATO's open marketplace was designed to avoid (Gros, 2026). A potential solution could be to establish contracts through both, rather than one of the two.

The brief examined whether the EDPCIs and NATO's Ankara drone-industrial agenda are complementary or competing, and found that capabilities and funding are quite overlapping. At the same time, the logic behind the beneficiaries differs. When looking at the broader context, however, there is still considerable ambiguity about how the EU and NATO will (or will not) collaborate in the context of European collective security. The EU's industrial ambition and NATO's demand for greater European responsibility are converging faster than defence policy analysis can determine how NATO and the EU can complement each other to create a resilient and efficient European industrial complex.

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