ANALYTICAL NOTE

The European defence market: opportunities for the Ukrainian defence industry and export conditions

NATO countries' defence spending, potential for Ukrainian manufacturers, and Cabinet of Ministers Resolution No. 875 compared with partner-country practices

AUGUST 2026

INTRODUCTION

New export regulations and the European market for Ukrainian manufacturers

On 1 July 2026, the Cabinet of Ministers of Ukraine, by Resolution No. 875, introduced a special procedure for international transfers of military and dual-use goods. This represents a significant simplification for Ukrainian manufacturers: the resolution established a special procedure for accessing foreign markets and removed some administrative restrictions. In particular, manufacturers of goods and holders of technology rights who are executing state defence contracts or are included in the register of contractors no longer need to obtain separate authorisation from the Cabinet of Ministers to export.

At the same time, the new regulations retain a number of restrictions that may reduce the competitiveness of Ukrainian companies. These include the amount of the permit fee and the requirement to pay it in advance, as well as the incomplete regulation of exports of ancillary services and certain transactions relating to contract manufacturing and joint development projects.

The significance of these restrictions is growing particularly now, as the European defence market is expanding rapidly. Since the outbreak of full-scale war, NATO countries – particularly European allies – have significantly increased their defence spending and procurement of arms and military equipment. In Europe, multi-year procurement programmes are already being drawn up and domestic production capacity is being expanded. Consequently, there are significant opportunities for new suppliers, but competition will intensify over time.

For the Ukrainian defence industry, this presents a real but time-limited window of opportunity. The ability to capitalise on it will depend on the competitiveness of Ukrainian companies, their ability to enter into partnerships and access foreign markets, and on how clear, swift and affordable the state's export procedures prove to be.

CHAPTER 1

The European market

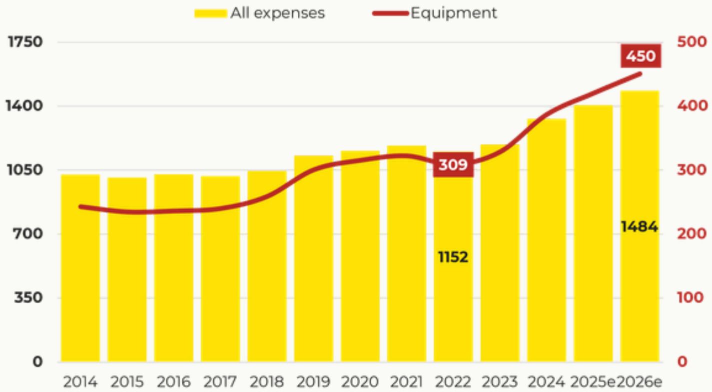
1.1. The Hague Commitment: a new spending benchmark

At the NATO summit in The Hague in 2025, the allies committed to allocating 5 per cent of GDP annually to defence and defence- and security-related expenditure by 2035. The commitment has two components: at least 3.5 per cent of GDP for core defence needs and up to 1.5 per cent of GDP for defence and security-related expenditure. The second category may include the protection of critical infrastructure and networks, civil preparedness and resilience, innovation, and the development of the defence industrial base.

1.2. Trends in defence spending, 2022–2026

For NATO as a whole, core defence expenditure has risen from $1,152 billion in 2022 to an expected $1,484 billion in 2026. Expenditure on major armaments and military equipment, including related research and development, has risen from $309 billion to $450 billion.

NATO countries spending on defence and equipment, $ bn



1 484

NATO'S CORE DEFENCE EXPENDITURE, $ BILLION, 2026

450

OF WHICH ON WEAPONS AND EQUIPMENT, $ BILLION

×2.3

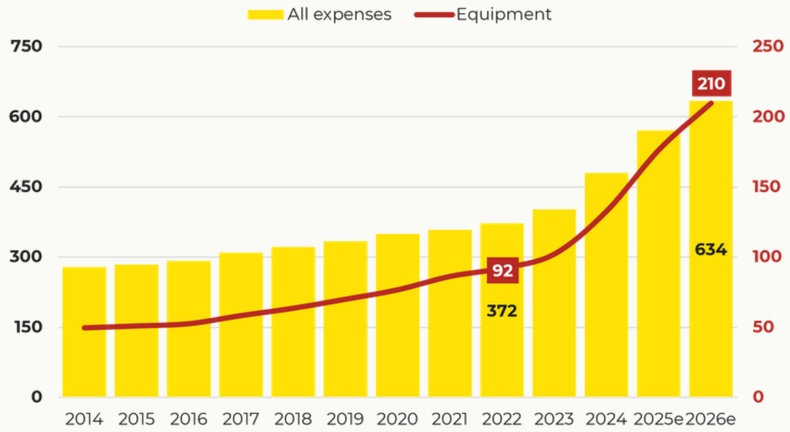
INCREASE IN SPENDING BY EUROPEAN ALLIES AND CANADA ON WEAPONS AND EQUIPMENT, 2022–2026

+70%

GROWTH IN CORE DEFENCE EXPENDITURE BY EUROPEAN ALLIES AND CANADA, 2022–2026

Over the same period, European allies and Canada increased their core defence expenditure from $372 billion to $634 billion, a rise of 70 per cent. Spending on weapons and equipment rose from $92 billion to $210 billion — a 2.3-fold increase.

NATO countries (excl. US) spending on defence and equipment, $ bn



634

CORE DEFENCE EXPENDITURE OF EUROPEAN ALLIES AND CANADA, $ BILLION, 2026

210

OF WHICH ON WEAPONS AND EQUIPMENT, $ BILLION

Note: The figures for 2025–2026 are NATO estimates. The monetary figures have been adjusted to 2021 prices to eliminate the impact of inflation and allow for accurate comparisons over time.

The main growth is taking place amongst European allies and Canada. By way of comparison, the US core defence expenditure for 2022–2026 is set to rise by approximately 9 per cent — from $780 billion to $850 billion. Consequently, the US remains NATO's largest single defence market, but growth rates are significantly higher amongst the other allies.

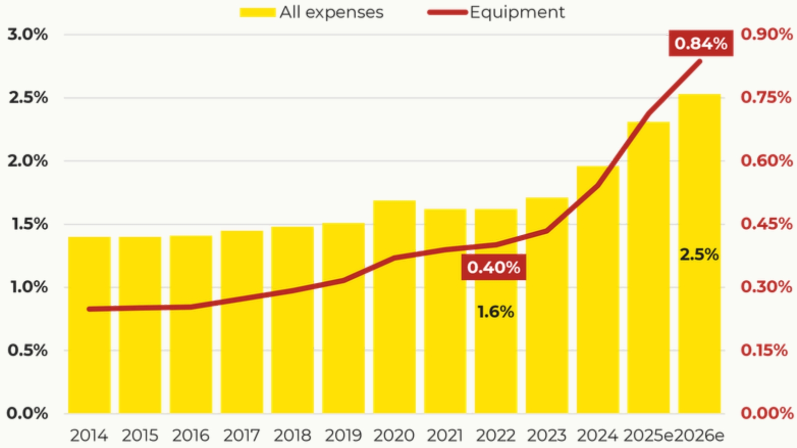
1.3. Expenditure on armaments and equipment: the structure of demand

For defence industry manufacturers, the most relevant part of defence budgets is expenditure on major armaments and military equipment. Among European allies and Canada, this segment is growing significantly faster than defence expenditure as a whole.

INDICATOR – EUROPEAN ALLIES AND CANADA	2022	2026E	CHANGE
Core defence expenditure, $bn	372	634	**+70%**
of which on armaments and equipment, $bn	92	210	**+128%**
The proportion of armaments and equipment in core defence expenditure:	24.8%	33.1%	**×1.3**
Core defence expenditure, % of GDP	1.62%	2.53%	**×1.6**
Expenditure on armaments and equipment, % of GDP	0.40%	0.84%	**×2.1**

As a result, not only is the overall size of defence budgets increasing, but so too is the proportion of funding that most directly drives demand for defence industry products and new developments. In 2026, weapons and equipment will account for around a third of the core defence expenditure of European allies and Canada, compared with approximately a quarter in 2022.

NATO countries (excl. US) spending on defence, % of GDP



2.53%

MAIN DEFENCE EXPENDITURE OF EUROPEAN ALLIES AND CANADA, % OF GDP, 2026

0.84%

EXPENDITURE ON WEAPONS AND EQUIPMENT, % OF GDP, 2026

Note: Figures for 2026 are NATO estimates. The proportion of expenditure on armaments and military equipment and its share of GDP are calculated by the WBU based on NATO data. The 'NATO equipment expenditure' category includes major armaments and military equipment, as well as related research and development.

1.4. Frontline countries: faster growth

It is worth singling out five NATO countries that share a border with Russia or Belarus: Finland, Estonia, Latvia, Lithuania and Poland. Their defence spending is growing significantly faster than that of the group of European allies and Canada as a whole. Between 2022 and 2026, their core defence expenditure will rise from $24.4 bn to $53.2 bn — a 2.2-fold increase. Spending on armaments and equipment will rise from $7.9 bn to $27.3 bn, a 3.5-fold increase. The share of spending on armaments and equipment in their core defence expenditure will rise from 32% to 51%.

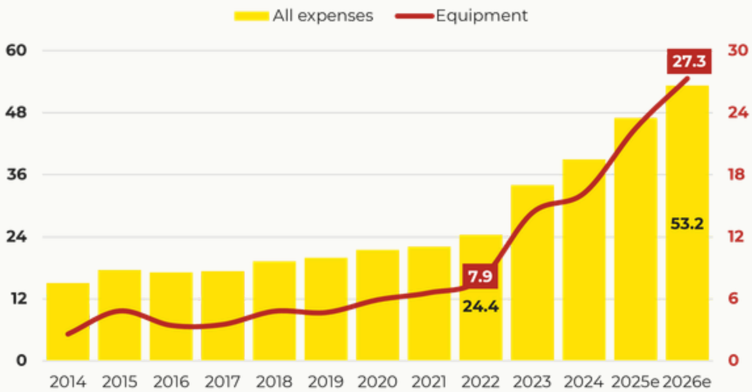
53.2

CORE DEFENCE EXPENDITURE OF FRONTLINE COUNTRIES, $ BILLION, 2026

27.3

OF WHICH ON WEAPONS AND EQUIPMENT, $ BILLION

Defence and equipment spending, NATO states bordering Russia or Belarus, $bn*



*excluding Norway

FFour out of five countries in this group are already spending more than the Hague benchmark of 3.5% of GDP on core defence needs, which allies are expected to reach by 2035. Lithuania is allocating 5.33% of GDP, Estonia 5.10%, Latvia 4.92% and Poland 4.68%. In Finland, this figure stands at 2.65% of GDP. These figures do not include additional expenditure of up to 1.5% of GDP on infrastructure, resilience and other defence- and security-related areas.

×3.5

GROWTH IN NATO FRONTLINE COUNTRIES' EXPENDITURE ON ARMAMENTS AND EQUIPMENT, 2022–2026

+143%

GROWTH IN IMPORTS OF MAJOR ARMS BY EUROPEAN NATO MEMBERS, 2021–2025 COMPARED WITH 2016–2020

+852%

GROWTH IN POLAND'S IMPORTS OF MAJOR ARMS, 2021–2025 COMPARED WITH 2016–2020

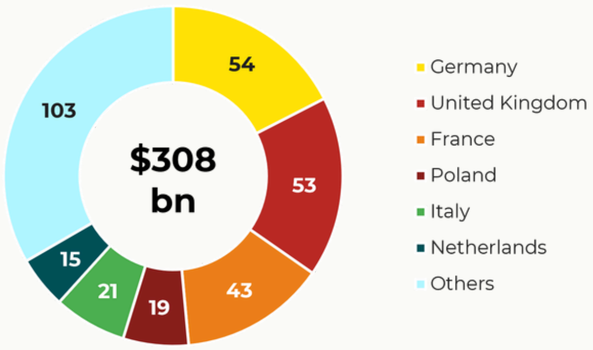
The rise in arms imports also points to high demand for foreign suppliers. According to SIPRI, the volume of major arms imports by European NATO members in 2021–2025 was 143 per cent higher than in 2016–2020. Poland's imports grew particularly rapidly — by 852 per cent between the two five-year periods. A significant proportion of this demand is already being met by foreign suppliers, confirming that there is room in the European market for Ukrainian companies as well.

For this group of countries, it is not only the scale of procurement that matters, but also the nature of demand. The Russian threat has a direct impact on their defence planning, which is why Ukraine's experience of modern warfare is particularly relevant to them. Combat use, a rapid cycle of improvement and experience in countering Russian systems could give Ukrainian manufacturers a competitive advantage.

1.5. Projections up to 2035

Provided the target level of 3.5 per cent of GDP for core defence needs is met, European NATO members' expenditure on armaments and equipment in 2035 could amount to around $308 billion. This is approximately 47 per cent higher than the expected level for 2026 and 3.3 times the 2022 level.

European NATO equipment spending forecast, 2035, $bn*



*provided that the target of 3.5% of GDP for core defense spending is met

308

WBU FORECAST OF EXPENDITURE ON WEAPONS AND EQUIPMENT, $ BILLION, 2035

+47%

COMPARED WITH THE EXPECTED 2026 LEVEL

Note: WBU scenario-based estimate. The calculation assumes that European NATO members will reach core defence expenditure of 3.5% of GDP by 2035 and that the share of expenditure on armaments and equipment will remain at the 2026 level. The real GDP forecast is based on the IMF World Economic Outlook up to 2031 and the long-term forecast in the OECD Economic Outlook 117 for 2032–2035. All monetary figures are adjusted to 2021 prices to exclude the impact of inflation and allow for accurate comparisons over time.

The divergence of the defence sector from overall economic trends can be assessed by comparing the cumulative growth in expenditure on armaments and military equipment with real GDP over the same period.

According to WBU calculations, between 2022 and 2035, the real GDP of European NATO members will grow by approximately 19 per cent, whilst spending on armaments and equipment will increase 3.3-fold, or by approximately 232 per cent. Thus, the cumulative increase in expenditure on arms and equipment is approximately **12 times** the increase in real GDP over the same period.

$308 billion

EXPENDITURE BY EUROPEAN NATO MEMBERS ON WEAPONS AND EQUIPMENT IN 2035

×12

RATIO OF GROWTH IN EXPENDITURE ON WEAPONS AND EQUIPMENT TO GROWTH IN REAL GDP, 2022–2035

For NATO as a whole, the corresponding ratio is around 4.2, whilst for the US it is 1.5. Between 2026 and 2035, the figure for European NATO members is set to remain at around 4.0, compared with 1.6 in the US.

This figure is a calculated WBU indicator and is not an official NATO metric. At the same time, it reveals a clear trend: spending on armaments and equipment in Europe is growing significantly faster than the economy as a whole. This growth is driven not only by economic dynamics but also by the allies' political commitments to increase defence spending.

Therefore, the European defence market in 2022–2035 is characterised by several trends that are important for assessing Ukraine's export potential. Defence budgets are growing rapidly, whilst spending on weapons and equipment is increasing even faster. It is this segment that most directly shapes the market for defence industry manufacturers.

This presents the Ukrainian defence industry with significant opportunities to enter the European market in the coming years. Countries on NATO's eastern and north-eastern flanks are showing particularly strong growth. They are increasing their defence spending at a faster rate, allocating a larger proportion of it to weapons and equipment, and actively boosting imports. The Russian threat directly influences their defence planning; therefore, combat use, a rapid cycle of improvement and experience in countering Russian systems could be a key competitive advantage for Ukrainian manufacturers.

At the same time, European countries are actively expanding their own production capacities and have a wide choice of suppliers. Therefore, the competitiveness of Ukrainian companies will depend not only on product specifications and combat experience, but also on the conditions governing access to external markets — in particular, the cost, speed and predictability of export procedures.

CHAPTER 2

Export procedure and market access

2.1. New export procedure

To assess the new mechanism, it is important to take into account the conditions under which Ukrainian manufacturers have been operating since the outbreak of full-scale war. Ukraine has effectively restricted the commercial export of arms and other military goods, focusing production on the needs of the Defence Forces. Formal state export control procedures remained in place, but opportunities for commercial exports remained extremely limited.

This has prompted some companies to seek alternative models for entering international markets — setting up entities or production facilities abroad, localising certain operations and developing partnerships with foreign manufacturers.

On 1 July 2026, Cabinet of Ministers Resolution No. 875 introduced a special procedure for international transfers of military and dual-use goods. It remains in force throughout the period of martial law and for six months following its termination or cancellation, and supplements the existing export control system. Resolutions No. 1807 and No. 86 continue to apply insofar as they do not conflict with the new Procedure.

The special procedure covers certain categories of military goods, dual-use goods and technologies. For goods, it applies to exports with a value of UAH 15 million or more; this threshold does not apply to components and sub-assemblies.

One of the key changes is the removal of the requirement for separate export authorisation from the Cabinet of Ministers for manufacturers of goods and holders of technology rights who are executing state defence contracts and/or are included in the register of contractors. The basic requirements remain in place: registration of the entity with the State Export Control Service and identification of the specific goods.

The special procedure applies only to countries on the Ministry of Foreign Affairs' list. Separately, the Ministry of Defence draws up a list of critical goods and technologies, the export of which could threaten Ukraine's defence capability and national security. Both lists are updated quarterly and endorsed by the Interdepartmental Commission on Export Control. Transactions that do not meet the conditions of the special procedure are carried out in accordance with the general export control procedure.

2.2. Fees for export permits

In Ukraine, a fee is charged for the processing and issuance of a permit: 30 per cent for components and 20 per cent for finished products and technologies, as well as for the transfer to third countries of products manufactured using the transferred technologies. Payment must be made before the application is accepted for consideration: applications will not be considered without proof of payment.

20–30%

FEE FOR THE PROCESSING AND ISSUANCE OF A PERMIT IN UKRAINE, % OF TRANSACTION VALUE, PAYABLE IN ADVANCE

10 000

ADDITIONAL FEE IN GERMANY FOR TRANSACTIONS WORTH OVER €100 MILLION

1000

LICENCE FEE FOR A SPECIFIC OPERATION IN THE CZECH REPUBLIC, CZK

For comparison, the financial conditions governing export controls in the United Kingdom, the Czech Republic, Germany and France have been examined. None of these countries applies a model similar to that in Ukraine — namely, an advance payment equivalent to a proportion of the value of the goods or licensed production as a condition for considering an application.

No licence fees. In the UK, the standard strategic export control system does not involve any fees for the issue of an export licence. A company's main costs relate to meeting compliance requirements, keeping records and undergoing inspections.

Fixed administrative fee. In the Czech Republic, the amount of the fee does not depend on the value of the contract. A permit to engage in foreign trade in military goods costs 20,000 koruna, whilst a licence for a specific transaction costs 1,000 koruna. Licences for exhibitions, demonstrations, promotional activities and free samples are exempt from the fee. If a permit or licence cannot be issued, the relevant fee is not charged.

A fixed fee with a cap on the transaction value. In Germany, the amount is determined by a schedule of fees depending on the type of decision, rather than as a percentage of the contract value. However, the fee may not exceed 2 per cent of the value of the goods or services. For transactions worth up to 5,000 euros, it is generally not charged, whilst for transactions exceeding 100 million euros, 10,000 euros is added to the base amount. Separate rules apply to technologies and software if their value cannot be objectively determined.

A separate mechanism for the recovery of state funding. In France, financial obligations relating to state-funded defence research and development are separate from export licence fees. The Act of 16 August 2026 introduced a statutory royalty mechanism for products whose development was funded by the state. The amount of the royalty must take into account the proportion of state investment and may not exceed the amount of that investment, adjusted for inflation. The obligation to pay arises upon receipt of the first payment from the customer.

A comparison reveals a fundamental difference in the very structure of the payment. In the Czech Republic, the system involves fixed administrative fees; in Germany, a tariff based on a specific administrative decision with a cap; and in France, the recovery of a portion of state funding applies only to developments created with public funding. None of these mechanisms requires an advance payment of 20–30 per cent of the value of the goods or licensed production as a condition for considering an export application.

2.3. Differences in the financial model

The Ukrainian model differs from the international practices discussed not only in terms of the amount of the payment. The differences also relate to its legal basis, the basis for calculation and the time of payment.

Legal basis. As part of a series of expert discussions organised by the WBU whilst working on the development of the defence sector, the issue of the legal nature of the payment was raised in light of Article 92 of the Constitution of Ukraine, under which taxes and levies are established by law. Government representatives explained that this is an administrative fee for the issue of a permit, rather than a tax or levy. For a definitive legal assessment, this issue requires a separate legal analysis. In the European countries examined, such payments have a clearly defined regulatory framework.

Basis for calculation. For the export of technology, the fee is not calculated on the basis of actual revenue or royalties. The basis is the quantity of goods whose production is provided for under the licence to use the technology, and the procurement prices of public-sector customers. If there have been no relevant purchases in the last six months, an expert valuation of the cost is used.

By way of comparison, the French mechanism links royalties to the state's contribution to the development of a specific product. The amount of the royalty must take into account the proportion of state investment and may not exceed the amount of that investment, adjusted for inflation. In other words, the state recoups its own contribution rather than receiving a percentage of potential production volumes. None of the models considered here uses a fee similar to the Ukrainian one, calculated as a percentage of the total volume of future production provided for under the licence.

Time of payment. Unlike the European models discussed, in Ukraine payment is made even before a decision is taken to issue a permit: proof of payment is included in the application package. For the export of goods worth UAH 100 million, this means that UAH 20–30 million must be paid before the application is considered, unless the company has received a corresponding advance payment from the customer.

In the Czech Republic, the fee is not payable if the relevant authorisation or licence cannot be issued. The French Act of 2026 stipulates that royalties become payable only after the producer has received the first payment from the client. Ukrainian legislation does not currently provide for a specific procedure for refunds in the event of a refusal to grant a permit, or its suspension or revocation.

2.4. Time limits for consideration and tacit consent

Resolution No. 875 sets the maximum time limit for the State Service of Export Control of Ukraine (SSEC of Ukraine) to consider an application at 30 calendar days. At the same time, the principle of tacit consent applies to inter-agency approvals: if the relevant authority does not provide a response within the specified time limit, the transfer is deemed to have been approved by default. For the Ministry of Defence, the time limit is 20 calendar days for goods and 10 for technologies; for the Security Service of Ukraine (SBU) and intelligence agencies, it is 15 days. In standard cases, a permit is issued following inter-agency coordination without consideration by the Interdepartmental Commission on Export Control.

30 days

MAXIMUM TIME LIMIT FOR CONSIDERING AN SSEC OF UKRAINE APPLICATION — MORE AMBITIOUS THAN THE ARRANGEMENTS IN MOST OF THE COUNTRIES EXAMINED

Tacit consent

FAILURE TO RESPOND WITHIN THE SPECIFIED TIME LIMIT SHALL BE DEEMED TO CONSTITUTE ACCEPTANCE

In the Czech Republic, the law sets a time limit of up to 60 days for foreign trade authorisations and licences for specific transactions outside the EU, and 30 days for individual and global licences for transfers within the EU. However, the time limit may be suspended whilst mandatory opinions from other authorities are being obtained.

In the UK, there is no statutory maximum processing time for a standard individual licence, but the ECJU aims to process 70 per cent of applications within 20 working days and 99 per cent within 60 working days. In 2025, around half of the applications were completed within the first 20 working days: 51 per cent in the SPIRE system and 53 per cent in the new LITE system.

In Germany, the processing times for individual applications varied significantly depending on the workload and the complexity of the applications. The median processing time for individual licences for military goods rose from 18 working days in 2021 to 66 in 2023, but had fallen to around 30 working days by the end of 2024. In France, the average processing time for export licence applications is around 45 days.

Against this backdrop, the 30-calendar-day maximum processing time and the automatic approval in the event of delayed inter-agency responses are a competitive advantage of the Ukrainian procedure — provided that the established deadlines are adhered to in practice.

At the same time, the faster procedure does not eliminate the risks that remain with the exporter once the permit has been issued. Tacit consent does not make the permit final. If, after it has been issued, information comes to light regarding inaccurate data, sanctions-related restrictions or the risk of the goods being used for purposes other than those stated, the permit may be suspended or revoked.

For certain breaches of export control legislation, the law provides for a fine amounting to 100 per cent of the value of the goods that were the subject of the transfer. If the breach has caused harm to Ukraine's national interests or has resulted in a breach of international obligations, the fine may amount to 150 per cent. The relevant legislation also stipulates that, in certain cases, the state shall not be liable for losses incurred by the exporter as a result of the suspension or revocation of a permit.

2.5. Preparing to obtain a permit

The 30-day period laid down in the resolution relates to the consideration of the application by the State Service of Export Control of Ukraine (SSEC of Ukraine), but does not cover the company's entire preparation for the international transfer.

Before submitting an application, the company must be registered as an entity involved in international transfers, and the relevant goods or technology must be identified in the export control system. For a specific transaction, it is also necessary to prepare a contract or other document setting out the intention to transfer, documents relating to the foreign counterparty, state guarantees from the importing country, determine the value and pay the prescribed fee.

The export of technology does not necessarily involve its physical removal from the country. The law also classifies the disclosure of controlled technology to a foreign national or a stateless person as an export. Therefore, the transfer of technical documentation, software code, data or other controlled technological information may require a permit even without the physical movement of goods across the border.

In the context of technology transfer, this highlights the importance of the basis for calculating the fee. This is determined on the basis of the volume of future production specified in the licence, rather than the actual value of the technology transfer or the income received. Consequently, a financial burden may arise even before the project begins to generate revenue.

2.6 Other forms of market entry

Ukrainian companies' entry into foreign markets is not limited to the direct export of finished products. Other models may include joint ventures, licensed production or contract manufacturing, joint development and direct investment in a Ukrainian company.

With regard to technology transfer, Resolution No. 875 primarily provides for a licensing model — without the transfer of exclusive property rights. The sale of technology or the transfer of such rights requires separate consideration by the Interdepartmental Commission on Export Control.

When transferring technology, the importing state must ensure that:

- production only in the quantities and on the terms set out in the contract;
- further transfer, re-export or sale — only with the prior written authorisation of the SSEC of Ukraine;
- the provision of information to Ukraine regarding product modifications and improvements.

This approach makes it possible to organise production abroad without fully transferring exclusive rights, whilst maintaining Ukraine's control over subsequent transfers of products and technology.

At the same time, the resolution is better suited to the licensed production of an existing product than to joint R&D projects and complex contract manufacturing arrangements. For such projects, the rights to jointly created intellectual property, software, data, modifications and new products must be determined separately.

In practical terms, the main models for Ukrainian companies' entry into foreign markets can be categorised into four formats:

01 **DIRECT EXPORT**
finished products

02 **LICENSED PRODUCTION**
transfer of technology without the transfer of exclusive rights

03 **JV / CONTRACT MANUFACTURING**
localisation of production and a partnership with a foreign company

04 **JOINT DEVELOPMENT / INVESTMENT**
joint R&D, capital and market access

In partner countries, specific licensing instruments are applied for long-term defence cooperation. In Germany, General Authorisation No. 45 has been in force since February 2026 for certain non-sensitive electronic transfers of software and technology in the military sector, whilst General Authorisation No. 46 applies to transfers of technology and software within the framework of European Defence Fund projects. A separate licensing mechanism has also been announced for participants in officially recognised joint defence projects.

The six states party to the Framework Agreement — the United Kingdom, France, Germany, Italy, Spain and Sweden — use Global Project Licences for joint defence projects. Such a licence may cover a wide range of goods, technologies and software and, as a rule, remains valid for the duration of the project, reducing the need for individual authorisations for each transfer between the project participants.

2.7 Barriers to joint ventures and international partnerships

Setting up a joint venture, localising production or attracting a foreign investor requires going through procedures that go beyond export control itself. The company must resolve issues relating to financing and contributions to the share capital, ensure that rights to the technology are properly documented, and undergo FDI screening, KYC and other compliance procedures.

Foreign exchange regulations. When entering a market by setting up a joint venture abroad, a company faces foreign exchange restrictions which complicate the transfer of funds from Ukraine to form the share capital of the foreign company. At the same time, a special provision has been in place for residents of Defence City since the end of 2025: the NBU may grant a separate authorisation for such a transaction upon application by the Ministry of Defence. The mechanism remains case-by-case and does not guarantee automatic approval.

Rights to technology. A common problem arises when the rights to the technology are not held by the company itself: some of the developments were created by the founders or contractors without a properly documented transfer of property rights. Separate rules apply to developments created with the involvement of military personnel — under certain circumstances, the rights may belong to the state, and the invention may be classified.

FDI screening. In the partner country, the transaction may be subject to foreign investment screening on national security grounds. This risk is particularly high for defence and critical technologies. The duration depends on the jurisdiction and the structure of the transaction; according to estimates put forward during WBU expert discussions, complex reviews can take between two and six months and affect the timing of the transaction's completion.

In June 2026, the EU adopted a revised regulation on FDI screening. It sets out a mandatory minimum list of sensitive sectors for national screening mechanisms, which includes dual-use goods and military equipment. The new rules will apply 18 months after the regulation enters into force.

KYC and compliance. At the same time, banks, investors and financing programmes verify the ownership structure, ultimate beneficial owners, sources of funds, sanctions risks and the company's track record. These procedures do not replace FDI screening and may be carried out separately from it.

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up to 6 months

FDI SCREENING MAY TAKE

18 months

UNTIL THE UPDATED EU FDI SCREENING RULES START TO APPLY

2.8. The European approach to simplifying procedures

In 2025, the European Commission proposed a package of changes to simplify the regulation of the defence industry. Among other things, it provides for the wider use of general authorisations and a reduction in the number of transactions requiring separate individual approval, particularly within the framework of joint EU defence projects and programmes. The legislative process regarding these changes is ongoing.

Although these rules primarily concern transfers between EU Member States and are not a direct equivalent of the Ukrainian system, the general direction is indicative: fewer individual authorisations for standard and recurring transactions, more general authorisations, and the digitisation of procedures. Resolution No. 875 is partly in line with this approach, in particular through the 30-day processing period, tacit consent and the option to submit documents electronically.

The European approach

MORE GENERAL AUTHORISATIONS → FEWER INDIVIDUAL DECISIONS → DIGITAL SUBMISSION

Ukrainian model

30 DAYS + TACIT CONSENT → SIMPLIFICATION OF THE PROCEDURE PAYMENT OF 20–30% BEFORE THE APPLICATION IS CONSIDERED → BARRIER

At the same time, the financial model of the Ukrainian procedure differs significantly from the European practices examined. No equivalent was identified in any of the countries analysed to a payment of 20–30 per cent that is based on the value of the goods or licensed production and is payable prior to consideration of the application.

Thus, Resolution No. 875 contains modern elements of procedural simplification; however, the financial conditions may create an additional barrier for Ukrainian manufacturers. In a highly competitive market, the cost, speed and predictability of the export procedure directly affect companies' ability to capitalise on the growth in European demand.

CONCLUSION

Key findings for the Ukrainian defence industry

The European defence market is entering a period of long-term growth. The defence budgets of European allies are increasing, whilst spending on armaments and equipment is rising even faster. According to a WBU scenario-based estimate, by 2035, spending by European NATO members on weapons and equipment could reach around **$308 billion — 3.3 times the 2022 level** This highlights the scale of the market, a share of which Ukrainian manufacturers could also compete for. Frontline NATO countries are particularly promising markets, where combat use, a rapid cycle of improvement and experience in countering Russian systems could provide a significant competitive advantage for Ukrainian products. At the same time, this window of opportunity is not open-ended: European countries are simultaneously building up their own production capacities and expanding their range of suppliers.

Resolution No. 875 significantly simplifies Ukrainian manufacturers' access to this market, but certain elements of the new mechanism may hinder its practical implementation. The maximum 30-day processing period, tacit consent, simplified inter-agency coordination and digitisation are in line with the general European trend towards streamlining procedures. However, the advance payment of **20–30 per cent** for the processing and issuance of a permit has no equivalent among the European models examined and may create a significant financial burden, particularly in the context of technology transfer and large-scale contracts.

Further improvements to the export control system should maintain the speed and necessary level of state control, whilst making access to foreign markets economically viable and better suited to international cooperation. This applies not only to direct exports, but also to joint ventures, licensed and contract manufacturing, and joint R&D projects. A review of financial terms, clearer regulation of joint development projects and wider use of general and project-specific authorisations could help Ukrainian companies not only to sell individual products, but also to establish a foothold in European production and technology chains.

SOURCES:

NATO, the IMF, the OECD, SIPRI, the Cabinet of Ministers of Ukraine, the Verkhovna Rada of Ukraine, the National Bank of Ukraine, the European Commission, the Council of the EU, ECJU / GOV.UK (United Kingdom), BAFA and the Deutscher Bundestag (Germany), the Ministry of Industry and Trade / Public Administration Portal (Czech Republic), DGA and Légifrance (France).