How does the shift of Ukraine's conflict into a border war with Eastern Europe reshape the geopolitical accountability and resource allocation structures of the European Union's collective security governance?

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Executive Summary

The shift of Ukraine's conflict into a border war with Eastern Europe has both catalyzed significant structural reforms in the European Union's collective security governance and exacerbated internal divisions, leading to a nuanced reshaping of geopolitical accountability and resource allocation structures. Evidence suggests that while frontline Eastern European states have gained substantial political leverage, driving a "geopolitical awakening" and increasing defense spending, the persistence of unanimity rules and divergent national interests continues to fragment decision-making and delay unified action on critical financial mechanisms.

Key Findings

Elevated Geopolitical Accountability for Frontline States

The conflict has fundamentally restructured EU geopolitical accountability by elevating the political leverage of Eastern and Central European states, particularly Poland and the Baltic states, which have filled a power vacuum left by Western EU members [1]. These nations now drive the EU's "geopolitical awakening," advocating for stringent sanctions and faster decision-making, viewing Ukrainian security as integral to their own [1, 8, 10]. Simultaneously, formal institutional oversight mechanisms, such as the European Peace Facility (EPF) and European Commission audits, have been established to manage funds and ensure effective use, despite politicized internal decision-making [4, 5, 6].

Fragmented Governance and Delayed Action

Despite the increased influence of Eastern European states, their elevated strategic weight also creates competing power centers that fragment collective governance and delay unified action. Geopolitical unity within the EU shows divergence, with some member states prioritizing trade relations with Russia while Eastern and Central European states advocate for stringent sanctions [2]. Pro-Russia sentiment in Hungary, Slovakia, and Bulgaria has led to official refusals of arms deliveries to Ukraine [1]. This fragmentation has made decision-making on funding allocations politicized and slow [4]. For instance, Germany argued that smaller member states provided outdated equipment while claiming reimbursement, and the EU failed to approve a four-year $21.4 billion military assistance fund [4]. An attempt by EU High Representative Kaja Kallas to mobilize $47 billion in fresh military aid in early 2025 also failed due to a lack of member state support [4].

Dynamic Resource Allocation and Defense Industrial Shift

Resource allocation structures have transitioned from static budget ceilings to a dynamic flow of defense spending, aid, and industrial investment. The EU has moved from relying on existing stockpiles to actively financing domestic production, co-production with Ukrainian firms, and procuring weapons directly from Ukraine [4]. European allies increased defense budgets by 20% in 2025, with all NATO allies now exceeding the 2% of GDP target [3]. Poland and the Baltic states have raised their defense spending to 3% of GDP, surpassing the EU-27 aggregate defense expenditure ratio of 1.9% in 2024 by 1.1 percentage points [1, 3, 11]. The EPF's ceiling was increased three times, reaching $19.7 billion by March 2024, to sustain continuous military aid [4]. This spending surge directly correlates with geographic proximity, as military expenditure ratios are inversely proportional to a country's distance from Russia's border [11].

Hybrid Defense Industrial Base

The shift in defense industrial strategy has created a hybrid market, where joint procurement mechanisms are forging a unified industrial base, but divergent national strategies and protectionist tilts simultaneously fragment the market. The EPF has been used to procure weapons and compensate member states, with $19.7 billion approved by March 2024 for joint acquisitions [4]. The focus has shifted toward financing domestic production and co-producing with Ukrainian firms, integrating Eastern European defense industries into the broader EU supply chain [4]. However, resource allocation is heavily skewed by geography, with Eastern and Central European states pursuing independent, aggressive expansion plans, such as Poland's aim to double its armed forces by 2030 [1, 11]. This proximity-driven spending undermines unified economies of scale, as member states prioritize national capability building over collective efficiency [4].

Unanimity Rule Undermines Cohesion but Catalyzes Structural Shifts

The persistence of the unanimity rule and national vetoes actively undermines the cohesion of EU security governance by paralyzing collective financial mechanisms. Decision-making on funding allocations has become politicized and slow [4]. This is evident in the EU's failure to approve a four-year $21.4 billion military assistance fund and the rejection of a five-year $107 billion NATO military fund in favor of one-year pledges [4]. The unanimity rule for the EPF, specifically, caused the failure of the $21.4 billion fund, as diverging national interests blocked the proposal [14, 15].

Despite this friction, these mechanisms have effectively catalyzed a decisive structural shift in resource allocation and geopolitical focus. The conflict triggered a "geopolitical awakening," pushing the EU to combine geopolitics with technocracy [8, 10]. The EU broke previous taboos by using the EPF to procure weapons for a third country at war [8, 10]. The failure of consensus-based mechanisms prompted significant changes in EU financial governance, including the approval of the â‚¬150 billion Security Action for Europe (SAFE) loan program in May 2025 using an emergency clause (Article 122 TFEU) [6, 12]. Additionally, the European Commission invoked the "national escape clause" under the Stability and Growth Pact in March 2025, allowing member states to increase net defense expenditures by up to 1.5% of GDP until 2028 without breaching EU fiscal rules [2, 7, 9]. The EU has also embedded defense spending into its long-term financial framework, and the European Investment Bank (EIB) changed its eligibility rules to finance projects with a primary defense purpose [12, 13]. To sustain this shift, internal EU reforms are deemed necessary to expand qualified majority voting and reduce areas subject to single-member state vetoes [6].

Strengthened Financial Oversight Despite Fragmentation

The institutionalized compensation mechanisms and itemized tracking enforced by member-state reimbursement claims under the European Peace Facility generally strengthen financial oversight, despite the administrative challenges posed by fragmented decision-making. This shift from untracked national donations to institutionalized compensation primarily serves to enhance transparency and audit trails within the EPF.

Lack of Specific Contract Details

The provided research does not contain details about the three largest defense industrial contracts awarded under the European Peace Facility since 2024, nor does it identify the winning companies or the specific equipment types produced [4, 8, 10].

Implications

The reshaping of EU collective security governance implies a more assertive, albeit internally complex, European security posture. The increased political weight and defense spending of Eastern European states will likely continue to drive the EU's strategic agenda, pushing for faster decision-making and deeper integration of defense industries. However, the persistent challenges posed by the unanimity rule and divergent national interests suggest that while the EU can mobilize significant resources in response to crises, achieving truly unified and predictable long-term security governance will require further institutional reforms, such as expanding qualified majority voting. The normalization of defense spending and the creation of new financial instruments like SAFE indicate a permanent shift in the EU's approach to defense, moving beyond ad hoc responses to a more integrated and fiscally supported security framework.

Limitations and Caveats

The research findings present a nuanced picture where both structural changes and persistent challenges coexist, allowing for genuine debate on their relative impact. While significant shifts in resource allocation and accountability are evident, the full long-term effects of these changes, particularly regarding the effectiveness of new financial mechanisms and the resolution of internal political fragmentation, remain to be seen. Specific details on defense industrial contracts awarded under the EPF were not available, limiting a comprehensive understanding of the industrial restructuring.

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