

Fall 2025 - Marcellus Policy Analysis

## Strategic Regionalism and Economic Realism: What NATO Should Learn from the Success of the Bucharest Nine

By Anthony Tokarz

### EXECUTIVE SUMMARY

As the Ukraine war enters its fifth year, Russia's growing momentum requires a reevaluation of transatlantic security. While both American and European leaders had hoped that the war would weaken Russia, the first four years of the conflict suggest that it has weakened Europe's North Atlantic Treaty Organization (NATO) members instead. This weakening takes three main forms: the draining of budgets, which adversely affects the fiscal balance of major states like France; the depletion of military stockpiles, from ammunition to armor to anti-aircraft missiles; and the precarized political standings of leaders who preside over growing discontent among their citizenries. However, some states—most notably, Poland—have bucked this trend, logging both improved military capabilities and robust, sustained economic growth. Analyses of NATO's preparedness for a large-scale confrontation with Russia have tended to focus on NATO as a whole or individual member states. Such analyses are incomplete because they fail to consider the missing layer of regionalism.

Indeed, the economic and military success of Poland since 2022 is intelligible only in the context of its leadership of and participation in the Bucharest Nine (B9) bloc, a grouping of the nine states of NATO's eastern flank in a flexible coalition united by shared security objectives. The B9 generates demonstrable advantages for its members

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and demonstrates its salutary effect on NATO as a whole. Indeed, NATO ought to incorporate regional coalitions modeled on the B9 to improve its defense readiness while reducing its European members' reliance on the United States, which, under the second Trump Administration, has signaled its intent to draw down its troop presence and demand more of its European partners in providing for their defense. The elevation of such regional coalitions would affect a more modular NATO, in which active regional coalitions "plug into" the alliance.

Two concepts allow for a more productive analysis of NATO's force posture and the challenges confronting it in Europe. The first, *strategic regionalism*, calls for treating NATO less like a monolith and more like a collection of distinct regional groups with shared security interests while advocating for greater regional integration around these interests. The second, *economic realism*, applies the assumptions of logic and realism in international relations theory to economic reality. Taken together, these concepts create a framework which policymakers can utilize to understand how security interests interact with economic structures and, consequently, reconceptualize security itself as a supply chain. Following the logic of this framework, NATO ought to support greater regional economic integration of the defense industrial bases of states that share concrete security concerns in order to achieve value-added deterrence. This argument does not seek to lay out a new theory but instead calls attention to the success of existing regional blocs and fleshes out their contributions to NATO's strategic thinking.

## **Review of the Strategic Environment**

### **Military Readiness**

As of January 2026, NATO operates less like an efficient supply chain where every member state, (either within a regional coalition or within NATO as a whole) specializes in producing a component of joint warfare capabilities that it is best suited for, and more like a mosaic of duplicative mini-militaries defined by uncoordinated, duplicative efforts to maintain a broad array of capabilities. As President Trump calls for greater burden-sharing within NATO, a mutual distrust on both sides of the Atlantic contributes to intensifying strain on the alliance. In general, the states closest to

Russia-- such as those of the B9-- comply with, or even run ahead of, Trump's demands while working to deepen their ties to the United States as much as possible. On the contrary, the states farthest from Russia, such as Spain and Portugal, refuse to meet the higher spending targets, citing a lesser need for military capabilities.

The same logic underlies both positions: European leaders evaluate their optimal commitment military spending according to their perceived individual threat from Russia instead of how they can contribute to cross-cutting capabilities across the alliance. Such logic marks a departure from how alliances have functioned throughout time. For instance, the army of Alexander the Great, arguably the most successful European army in history, achieved its successes through combined arms and specialization-driven division of labor. The Macedonian king did not force his subjects to replicate his father's army, but incorporated Cretan archers, Thessalian cavalry, Agrianian skirmishers, and Thracian peltasts, among others. Even Napoleon's Grand Armée leveraged regional specializations, such as Prince Józef Poniatowski's Polish light cavalry, which his core forces could not match in abundance or expertise. Today, Europe's NATO members ought to lean into their differences, traditions, and specializations just as Ukraine has done with drone warfare.

Furthermore, the European Union (EU) faces greater challenges to interoperability than the United States. According to a report presented at the Munich Security Conference in 2017, "while the United States uses a total of 30 types of major weapon systems, European Defence Agency members use 178, presenting major logistical challenges from training to spare parts and interoperability."<sup>1</sup> Although that particular figure emerged several years ago, many recent reports continue to cite it as a defensible upper bound and no recent reports have provided an updated estimate of major weapons systems in use across the European Defense Agency. This suggests that the core issue of proliferation has not improved despite increased defense expenditures across Europe since February 2022. The political incentives of states to support their national champions remain a driving factor in NATO's collective action problem.

### **Economic Resilience**

In war, victory belongs to those who can destroy not

just their enemies' forces but also their ability to continue the fight. Thus, armed forces are a necessary but not sufficient condition of deterrence; national leaders must not only build and maintain a military but also secure the supply chains on which they march. As the adage goes, "an army marches on its stomach." Today, an army's supply lines must extend beyond food to the sustainment of energy, infrastructure, intelligence, surveillance, and reconnaissance (ISR) capabilities.

Europe faces constraints not only in terms of defense spending but also in terms of energy and food. While even the most casual analyst might recognize that Russia exerts influence over Europe thanks to its abundant energy supplies and capacity to deliver it to willing buyers around the world, what is less commonly noted is that Europe also depends on Russia for basic chemical products, such as fertilizer.<sup>2</sup> The EU doubled its imports of Russian fertilizer in the first half of 2023 compared to a year earlier.<sup>3</sup> Russia is the world's largest exporter of fertilizer by revenue, comprising 15.5% of the world's fertilizer exports and exceeding the next largest exporter, Canada, by 50%.<sup>4</sup> Artificial fertilizers are produced from natural gas, of which Russia remains the world's largest producer. The EU possesses a relatively small but disproportionately important and powerful agricultural industry. European farmers do not hesitate to flex their muscle when they feel that the EU does not protect their interests, as evidenced by the widespread farmer protests that roiled Europe in 2023 and 2024. Although the coverage of these protests focused on farmers' opposition to cheap Ukrainian grain imports, which farmers feared would undermine their income, farmer dissatisfaction also boiled over due to the high price of fertilizer imports in the wake of EU sanctions on Russian products. The energy-driven inflation that gripped Europe in 2022 and 2023 also allowed Russian fertilizer producers to gobble up more market share because they are able to produce larger volumes with fewer environmental constraints. At the same time, those higher prices caused Russian fertilizer producers' revenues to soar by seventy percent in 2022.<sup>5</sup> This is another instance in which EU leaders' sincerity only strengthened Russia's hand in the analogical political-economic wrestling match.

Moreover, despite increased defense spending by European members of NATO under pressure from the Trump Administration, these states are less independent

units and more spokes in a wheel whose hub is the United States. In particular, the United States provides capabilities that its European partners cannot match on their own, from command and control (C2) to logistics to advanced intelligence. Regarding the latter capability, Poland has made strides toward providing for its own intelligence gathering by launching military satellites into orbit, employing American space companies.

While military deterrence depends in part on economic resilience, greater investment in the material aspects of deterrence can produce cascading economic effects. At the same time, Russian escalation in hybrid warfare tactics continues to blur the line between military and economic affairs. Even the Faroe Islands, a Danish self-governing in a remote corner of Europe, are looking to add a subsea internet cable for fear of Russian and Chinese cable-cutting vessels.<sup>6</sup> Concern over the reliability of this dual-use technology underscores the need for a forward-looking mechanism to ensure that NATO fortifies every weak link in its architecture.

## **Potential Challenges within NATO**

### **Political Challenges**

The greatest challenge for NATO is one common to any large organization comprised of members with divergent interests: the collective action problem. This dynamic describes the dynamic in which individual members act according to their own self-interest and thus fail to cooperate even when such cooperation might lead to a better mutual outcome for all members. Academic discussions of the collective action problem point out the emergence of special interests, in which small subsets of an organization's members that share common objectives organize themselves to cooperate and concentrate benefits while the larger group bears the costs. Both the collective action problem and the emergence of special interests result from an asymmetry in the sharing of costs and benefits: each member of the special interest group stands to gain a share of large benefits while each member of the collective stands to bear a small fraction of the overall cost, such that the members of the special interest group have a strong incentive to cooperate while the members of the broader collective have a weak incentive to cooperate against them.

Regional groupings such as the B9 states can take advantage of this dynamic for the good of NATO, since they stand to capture much of the value of robust security posture and deterrence, which accrues to NATO as a whole. In the case of the B9, for instance, the alignment of these states on the strategic importance of the Black Sea led NATO to name it an area of strategic importance. Thus, the strong preferences of a special interest group defined by shared security concerns overpowered the weak preferences of NATO as a whole and led to the organization adopting a more proactive posture on the issue, as evinced by a 2016 NATO communique on the topic.<sup>7</sup> Regional coalitions might thus constitute a mechanism for creating, rather than undermining, consensus.

Moreover, the robustness of NATO's deterrence rests in large part on the perceived strength of Article 5, its collective action clause. This pillar of NATO states the following:

“The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.”<sup>8</sup>

Although the text guarantees only that each state takes “such action as it deems necessary,” which does not amount to an ironclad commitment per se, political leaders have, since 1949, worked to establish collective defense as an unshakeable norm. So long as this norm retains the backing of NATO member states, especially its most powerful member, the United States, its deterrent effect will remain credible. Consequently, the abrogation of this norm would weaken the credibility of collective defense and thus undermine its force as a deterrent. As Keir Giles observes in *Who Will Defend Europe?*, “[President Vladimir] Putin and Russia understand that they can't defeat NATO militarily; but they may believe they can defeat NATO politically, by effectively making Article 5 irrelevant.”<sup>9</sup> Thus, a

realist approach to effective collective defense requires NATO member states to regard Article 5 as less of an established guarantee than a conditional promise that all members must secure through their own readiness, such that other member states will consider Article 5 worth invoking. It stands to reason, then, that those states which invest considerable capital, both financial and political, in providing for their own defense will be more likely to benefit from other member states invoking Article 5 on their behalf.

This is the view adumbrated in the second Trump Administration's National Security Strategy (NSS) of November 2025. In it, the Administration laments, “it is far from obvious whether certain European countries will have economies and militaries strong enough to remain reliable allies.”<sup>10</sup> The modularization of NATO through regional coalitions would create a self-reinforcing feedback loop in furtherance of both the economic and military pillars of allied reliability. In contrast to French President Emmanuel Macron's aspirations for “strategic autonomy,” which would require a significant investment of time and capital to build out independent defense industrial supply chains, a modular architecture would support greater specialization in defense production and lighten the load borne by the United States. The NSS states, “We want to support our allies in preserving the freedom and security of Europe, while restoring Europe's civilizational self-confidence and Western identity.”<sup>11</sup> Within this framing, the United States signals a clear willingness to support its allies with the implication that the status quo has fallen short of expectations. Strategic regionalism would allow regional coalitions to lean into American leadership while retaining the partners in these coalitions to maintain their uniqueness and expand self-confidence as valuable components of the broader NATO alliance.

The tight integration shown by the B9 bloc since 2015 indicates that regional coalitions do not signify fragmentation, but rather the crystallization of nodes of alignment that serve to bolster cohesion.

## Procurement Challenges

Decades of underinvestment in defense by NATO's European members (driven in part by optimism about the so-called “end of history” and in part by the inertia of policymakers accustomed to allocating more funding

to healthcare and welfare thanks to the peace dividend) have left their militaries unprepared to provide for their own security. Consequently, they depend on the United States for a variety of capabilities that they would need significant investments of capital, time, and expertise to replicate themselves. For instance, the United States provides intelligence gathering capabilities, both through state-of-the-art geospatial intelligence gathering satellites and intercepts of Russian intelligence. In addition, the United States possesses far superior capabilities in space, electronic, and cyber warfare. Most noticeably, European members of NATO remain under the protection of the American nuclear umbrella. Although France and the United Kingdom possess nuclear capabilities, they lag the United States in terms of quantity and delivery. However, Europe's reliance on the United States extends to basic necessities such as strategic logistics as well.

Costs also figure prominently in national leaders' considerations of how much funding to allocate for defense. The EU suffers from a fragmented defense market and could unlock cost savings by pooling resources to sign joint procurement contracts. Political considerations hamper these efforts, as leaders in one nation object to their taxpayers' contributions going toward other countries' readiness. Strategic regionalism provides an opportunity to split this difference and secure joint contracts on a more limited scale. While taxpayers in the Czech Republic or Slovakia might object to funding German rearmament, whether out of historical grievances or contemporary political considerations, they might prove more amenable to funding Poland's defense buildup, due to their close partnership through the Visegrad Four (V4) bloc as well as the B9. Whatever reservations national leaders might have, however, regional coalitions at least provide a platform for risk sharing and cost diffusion that eludes individual member states. Even a regional power as formidable as France, with a robust military culture and sea/air nuclear dyad, is discovering that it cannot generate enough momentum to build deterrence against Russia on its own.<sup>12</sup>

The EU's dependence on American power in the military and financial realms speaks to a perennial European anxiety: whether the continent's states can extricate themselves from great power rivalry and secure their independence of action in the face of pressure. In other words, this means whether they can secure their

sovereignty without depending on guarantees from any other state. On April 26th, 2024, the President of France, Emmanuel Macron, delivered a dour speech at the Sorbonne on this topic, intoning, "we have delegated everything that is strategic: our energy to Russia, our security — not France, but several of our partners — to the United States and equally critical perspectives to China. We must take them back."<sup>13</sup> Macron thus identified two key issues that undermine the efficacy of EU defense policy: Russia's leverage over Europe's energy security and America's leverage over Europe's physical security. To address the former, the EU must reevaluate its environmental policy objectives, typified by the Green New Deal. To address the latter, it must produce more materiel.

The EU announced in March 2024 that it would fail to meet its goal of providing one million artillery shells to Ukraine, due to depleted stockpiles and enervated defense production capabilities. This resulted in part from the insistence of certain EU member states, such as France, to provide only defense goods produced within the EU. In the past, when other member states acquired defense goods from countries outside the EU— such as when Poland acquired billions of euros' worth of defense equipment from South Korea— it raised the ire of those states that traditionally lead European defense manufacturing. The Czech Republic sought to obviate the challenges posed by the EU's limited production capacities by bringing together a group of like-minded states to purchase materiel produced outside the EU.

When the EU declared that it would not manage to fulfill its stated commitment of supplying one million artillery rounds to Ukraine by March 2024, Czech President Petr Pavel proposed that EU member states join together in acquiring the difference from abroad. He hoped that by pooling the resources of multiple member states, the group would possess greater bargaining power with defense contractors in various countries to secure more goods for a lower price. Yet the state of the EU's defense sector remains suboptimal: it lacks the industrial capacity to supply its own needs, not to mention Ukraine's on top of that, but also the political will to raise taxes or reduce entitlements to fund higher defense outlays. The third option, issuing more public debt, appears unlikely due growing levels of debt within the EU and heightened concerns about the sustainability of that debt.

## Doctrinal Challenges

The power of the American military, the strongest not only in NATO but also the world, stems as much from doctrine as production capacity and size. After setbacks in Vietnam and challenges at the operational level in Iran during the Carter Administration and Grenada during the Reagan Administration, the United States embarked on an ambitious set of reforms under the Goldwater-Nichols Act of 1986. The Goldwater-Nichols reforms prioritized joint operations, handing power over the service chiefs to the Chairman of the Joint Chiefs of Staff and streamlining the chain of command so that it flows from the President to the Secretary of Defense (since 2025, the Secretary of War) to combatant commanders.

In Europe, no reforms have unified command, doctrine, and acquisition across services and states. Because of the often contentious relationship between the European Commission and national leaders, reforms have happened slowly, if at all, and resulted in a fragmentation of standards and operational procedures across the armed forces of Europe. Individual member states' overriding sensitivity to sovereignty has constrained institutional overhaul and perpetuated limitations from procurement to interoperability to joint operations. Consequently, NATO lacks integrated commands and common doctrine and cannot compel reform, however necessary. This in turn smothers the effectiveness of EU coordination mechanisms. For instance, Permanent Structured Cooperation (PESCO) calls for voluntary, project-based cooperation but produces uneven results. By the same token, the European Defense Fund (EDF) funds joint research and development efforts but cannot compel consolidation. Finally, the Military Planning and Conduct Capability (MPCC) falls short of constituting an integrated joint command and applies only to low-level missions. Most importantly, industrial protectionism causes each EU NATO member state to protect and promote its national champions, which results in fragmented procurement and the proliferation of weapons systems that impede interoperability. In a memorable phrase, Katzenstein notes, "the diversity in policies and politics within and across the various subregions of Europe points to the softness of the institutionalized effects of European integration."<sup>14</sup> At the end of the day, the provision of Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance

(C4ISR) by the United States, within its Joint All-Domain Command and Control (JADC2) architecture with cloud and artificial intelligence capabilities, holds the disparate militaries of NATO together.

## Lessons from the Bucharest Nine

The Bucharest Nine bloc represents a prototype for effective regional integration in service of shared NATO objectives. The B9 states have succeeded in aligning the strategy of NATO's twenty-seven members around their shared security objectives thanks to their shared threat perception, concrete local initiatives, and unified messaging. Taken together, these factors concentrate NATO on policies that enhance preparedness and contribute to effective deterrence. The United States has involved itself with the B9 at the individual level, as evinced by its investment in building up the Mihail Kogălniceanu airbase in Romania, and through high-level policy engagements, as shown by U.S. President Joe Biden's attendance at the B9 annual summits in 2021, albeit virtually, and in-person in 2023.

B9 provides a workable and replicable framework for reducing American military burdens without abandoning important security commitments. Indeed, B9 is a prototype for modularization, an approach to rebalancing American security commitments that splits the difference between "strategic autonomy," which carries ideological baggage, and withdrawal, which evokes isolationism at a time of mounting geopolitical uncertainty. It resembles the unrealized Intermarium (Polish: Międzymorze) initiative of Józef Piłsudski, the father of Polish independence and inveterate antagonist to Russia. Piłsudski envisioned an alliance of states between the Adriatic, Baltic, and Black Seas working together to contain Russia.

Since its formation in 2015, the Bucharest Nine group has succeeded in aligning NATO's force posture and strategic thinking with the security priorities of its members. For instance, NATO documents now focus on the Black Sea as a key theater for NATO's defense and engagement with Russia. Moreover, after 2022, NATO established forward-deployed battle groups in Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia as part of its Enhanced Forward Presence (eFP) program. The most significant of these, Germany's Lithuanian Brigade, dovetails with broader

German investment in the Baltic States through firms such as Rheinmetall.

B9 is thus the most successful and geopolitically important of the “mini-lateral” alliances in Europe, which also include the Visegrád Four (V4, comprising Poland, Czechia, Slovakia, and Hungary), the Adriatic Charter (A5, comprising Albania, Croatia, North Macedonia, Bosnia and Herzegovina, and Montenegro), and the Nord-Baltic Eight (NB8, comprising Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden). Respectively, these are focused on cultural and political issues, joining NATO, and providing a regional platform to discuss economic and political concerns. Moreover, B9 multiplies its impact through the Three Seas Initiative (3SI), which has an explicit economic focus centered on transport, energy and digital services.

The importance of the B9 bloc to the future is two-fold. First, B9 should continue to lead by example in urging NATO to invest in defense and update its strategic thinking in line with emerging threats. Second, B9 must translate the success of NATO partners, such as the United States and Turkey, into replicable action plans across the rest of the alliance. In general, the B9 states enjoy good relations with both the U.S. and Turkey and can provide diplomatic cover for broader European engagement with these powers. More specifically, both powers feature frequent state intervention on behalf of their defense sectors to create coherence and deliver outcomes, while the EU’s NATO members tend toward fragmentation.

## **Revitalizing the B9’s Defense Industrial Base**

### **Value-Added Militarization**

There exist three levels of defense procurement: importing materiel, producing it locally through joint ventures with foreign suppliers, and producing it locally through a national firm. Direct imports have the advantage of time but capture none of the value of production. Joint ventures capture some of the value of production by developing local expertise and generating investment from suppliers. Fully integrated domestic production by national firms capture all the value of production. Across the B9 states, defense procurement

occurs, for the most part, in the middle tier as local firms partner with allied countries, most notably the United States and Republic of Korea, to boost output. In the short term, this marks an improvement over direct imports, which were more common before Russia’s 2014 annexation of Crimea. In the long term, however, the B9 states would better provide for their defense and contribute more to NATO’s overall readiness by domesticating production.

As of 2025, the B9 states depend in large part for imports of defense equipment from other states. For instance, Kang Hoon-sik, the Chief of Staff to South Korea’s president, cited deals with Poland and Estonia, among others, as indicative of South Korea’s growing importance as an international arms exporter.<sup>15</sup> South Korea’s emergence as a major player in the international defense market reflects the growing demand among NATO’s European members and their willingness to spend large amounts of money to meet it as much as Korea’s capacity to deliver the necessary materials. Nonetheless, as importers, the B9 states do not capture the value of their investments in defense.

The South Korean government has recognized this fact and begun to outline plans for greater foreign direct investment in its customer countries to secure the durability of this relationship. One vector for such investment is Hanwha, one of South Korea’s largest conglomerates that specializes in defense through specialized subsidiaries. For instance, the Chunmoo deal will be executed by a consortium of firms including “WB Electronics, an affiliate of the WB Group, Poland’s largest defence company” as part of an effort to boost local production.<sup>16</sup> The integration of foreign firms into local production networks thus marks an improvement over direct exports, but B9 members would better provide for their own security by building up their own firms, as Turkey has done. Defense readiness is not a function of possessing materiel alone, but also of local expertise and underlying economic growth to support its application in defense innovation. As the Ukraine war has shown, production is a necessary but not sufficient condition of success; innovation on the battlefield and in factory output remains indispensable.

While funding, production capacity, and local expertise are essential to NATO’s readiness, the most important-- and scarcest-- factor is time. For instance, the Chunmoo consortium will begin deliveries in 2030, three

years after the 2027 target delineated by the Trump administration. In summary, value-added militarization will deliver better long-term outcomes than prestige procurement for political effect.

## Economic Realism

The United States enjoys two advantages over its NATO partners in the EU. First, the United States possesses massive, liquid, integrated capital markets while EU capital markets remain splintered and less attractive to investors. Second, the United States is the world's largest arms exporter by a substantial margin and thus maintains formidable production capacity.<sup>17</sup> For European nations to share more of the burden of collective security, they must coordinate on both fronts. As Kidd and Farry noted in *Breaking Defense*, citing Czechia's leadership in artillery shell procurement and Romania's initiative to boost the EU's critical mineral production capabilities, "The underlying lesson is one of industrial integration: Deliveries accelerate when allies coordinate financing, standards, and logistics."<sup>18</sup> Frontline countries like Lithuania have benefited from the precarity of their geographic position in attracting investment from defense major defense conglomerates. The German defense giant Rheinmetall's new propellant factory in Lithuania provides a case study for this dynamic.<sup>19</sup> As the Baltic states lean into the need for greater readiness and increase their defense spending accordingly, their seriousness about deterrence has begun to crowd in capital from abroad and contribute to their emergence as key nodes in the eastern flank's defense industrial base.

At the same time, however, the Baltic states' pivot toward defense spending attests to the veracity of Morawiecki's new impossible trinity. In effect, Morawiecki argues, the EU can choose only two of the following spending priorities: the European Green Deal, defense spending, welfare and innovation investments. The EU has not acknowledged the tradeoffs and so attempted to pursue each of the three separate lines of effort and thus, due to lack of focus, failed to achieve the goals of any. The threat of Russian aggression in the Baltics has dampened both investor and tourist enthusiasm, while sanctions on Russian exporters have decimated cross-border trade and contributed to persistent energy-driven inflation.<sup>20</sup> The Baltics thus face the thorny challenge of absorbing the economic fallout that results from their political decisions. Moreover, as economic activity slows, some

parties might feel tempted to undermine regional unity for a chance at private enrichment. Agathe Demarais, the chief geo-economist for the European Council on Foreign Relations, describes in her book, *Backfire*, how sanctions create a cat-and-mouse dynamic in which the targets of sanctions develop increasingly wily and sophisticated methods of obviating sanctions that prompt the sanctioning parties to widen their targets and embroil more parties outside of the target countries in the process, thus deepening the economic fallout. Without targeted and sustained investments in key industries like energy and defense, they will remain dependent on trade with larger neighbors who primarily consume services rather than goods.

Moreover, NATO's European members cannot boost spending *per se*; instead, they must ensure that the money they spend on defense contributes as much to long-term defense industrial capacity as to their 5% of GDP quota. Despite their demonstrable lack of readiness, the states that belong to both NATO and the EU, can look to a fellow European member of NATO for inspiration. Indeed, Turkey has built a robust defensive posture while capturing many of the benefits of its defense investments for national champions such as Baykar Defense. The early success of Turkey's defense sector follows the logic of import-substituting industrialization, followed by a pivot to export-oriented industrialization to sustain growth. Between 2004 and 2022, Turkey's dependence on foreign military imports fell from 80 percent to 20 percent due to sustained domestic investment and industrial policy favoring domestic production.<sup>21</sup> While a critic might note that Turkey would spend more on foreign imports had the United States authorized the sale of its F-35 and Patriot missile systems, the fact remains that Turkey built up its domestic defense industry, led by national champion Baykar, and found a ready market in regional partners such as the Gulf states and Azerbaijan. The latter used these to great effect during the Second Nagorno-Karabakh War in 2020 and its conquest of Artsakh in 2023. Turkey shares many of the same defense architecture, such as integration into NATO, and constraints—fiscal, geographic, and demographic—as its neighbors across the Dardanelles. The success of its defense-industrial policy presents a roadmap for the rest of Europe to adopt, provided it has the will.

The rise of Turkey's domestic defense sector mirrors the path that South Korea took. In October 2025,

President Donald Trump praised South Korea as “a precious friend and ally of the United States” and even celebrated that “the Korean people have created an economic miracle.”<sup>22</sup> However, South Korea’s industrial might stems from a deliberate and replicable set of policy decisions made by its former President Park Chung Hee, who took power in 1961 in a coup against a government criticized for its, “indecisiveness, incompetence, and lack of planning.”<sup>23</sup> He proceeded to lead as a developmental dictator who first promoted import-substituting industrialization, defined by import restrictions to build up basic industries and infrastructure, before pivoting to export-oriented industrialization, leveraging those nascent industries to achieve growth through exports.

In the first phase, “the government envisioned state investment to build up heavy and chemical industries to increase national security and end the country’s dependence on U.S. aid and foreign sources of supply.”<sup>24</sup> South Korea’s predicament in the 1960s thus bears similarity to the state of Europe today (to say nothing of war-battered Ukraine) at least in terms of dependence on American military aid and equipment imports. As South Korea pivoted to an export-led growth model, it established a powerful export committee and tasked it with helping businesses resolve export challenges. “Officials would discuss various export promotion policies, including reducing red tape and improving infrastructure to facilitate exports, and report on whether export targets were being met.”<sup>25</sup> By contrast, the European Commission, famed for promoting a regulation-led economic model, has proven lax to cut red tape and promote heavy industry due to environmental concerns.

## **Economic Constraints**

Poland’s former Prime Minister, Mateusz Morawiecki, put the EU’s dilemma in clear terms in a *Politico* op-ed, writing, “Europe has imposed an impossible triad of ambitions on itself: Its policymakers want to maintain the most generous social policies and investments in new technologies and innovation; they want to expand defense capabilities; and they want the European Green Deal.”<sup>26</sup> Thus far, the European Union has failed to make these tradeoffs, to the detriment of its NATO members. For instance, according to *The Wall Street Journal*, “Average electricity prices for heavy industries in the European Union remain roughly twice

those in the [United States] and 50% above China.”<sup>27</sup> The heavy industry required for the production of arms and ancillary products depends on significant energy consumption. The EU’s policies have created higher costs manufacturers and so dampened output. While the EU has, since 2022, implemented various programs and allocating funding for defense, this further strains already precarious national budgets and requires deficit spending. The elimination of regulations intended to promote cheap energy would support the EU’s defense investment efforts, but this would impose a political cost on policymakers in Brussels and in some national capitals.

Furthermore, as Tomas Godliauskas, Lithuania’s Vice-Minister of National Defence, said at the German-Baltic Defense Industry Conference in Vilnius in November 2025, the EU may have allocated 150 billion euros in funding for its Security Action for Europe program, but it will need time to disburse them to member states, who will then also need time to spend them. The introduction of reporting and regulatory requirements thus introduces obstacles to defense spending at every stage and serves to produce elongated timelines out of sync with American expectations. Such delays reflect the omnipresence of an overzealous regulatory state in the EU, which now seeks to mandate higher defense production. As a result, the European defense sector does not respond to a clear, organic demand signal rooted in the market. Despite advances in defense industrial base revitalization, the EU’s NATO members remain exposed to the risk of overproduction, since demand for materiel such as artillery shells and drones depends on the objectives of the European Commission, which expects a continuation of the Ukraine war. Should Presidents Trump and Putin negotiate a resolution acceptable to the Ukrainian president, the EU’s artificial demand would leave its NATO members with a surplus of material with no clear buyer.

In addition, European Commission President Ursula von der Leyen’s proposal for a €150 billion rearmament plan sparked controversy because it favored loans over grants. This financial arrangement aroused consternation from among member states who argued that direct funding would better support defense-industrial buildup under the severe fiscal constraints which the war has engendered across the EU. In early 2025, France, Italy, and Spain objected to the EU Commission’s proposal for a €150 billion loan program for rearmament, citing

concern over unsustainable debt levels.<sup>28</sup> These states would have preferred to see the EU issue defense bonds. While the EU went on to issue bonds to fund its SAFE program, the SAFE funds are still disbursed to member states in the form of loans.<sup>29</sup> This means that only those states with the stable budgets to support defense spending— a decreasing number— or those states whose perceived risk of military confrontation overrides their concerns over the state of their fiscal health— such as Poland<sup>30</sup>— will avail themselves of the funding mechanism.

The EU's NATO members should also extract lessons from the economic policy of Russia. The state of the Russian economy since Putin launched the full-scale invasion of Ukraine further underscores the need for economic policies that not only support war production but also maintain public morale. Since 2022 and the swift imposition of sanctions across most of the Russian economy, Putin has succeeded in shifting his country's economy to a war footing. There also exists a more macabre reason for the resilience in the Russian economy: the incapacitation and death of thousands of soldiers has transferred funds from the capital to the provinces, where it has boosted the purchasing power of the bereaved.<sup>31</sup> As the war drains funds out of Moscow and into the provinces, it has an effect that resembles the policy proposals of many a populist party, which often urge greater support for the common man. This stands in contrast to Europe's citizenries, which increasingly feel the strain of sanctions, higher national debt passed through in the form of higher taxes, and reduced investor sentiment. Defense spending pushed by European elites without popular support will prove unsustainable in the long run.

## **Operationalizing Strategic Regionalism and Economic Realism**

The Ukraine war is driving NATO investment in its eastern flank, which validates the B9's operating premise that regional integration contributes to deterrence. General Mike Keller, Deputy Commander of the NATO Security Assistance and Training for Ukraine (NSATU), confirmed plans to build a second NATO logistics hub in Romania to complement the one operating in Rzeszów, Poland, to double its capacity to supply Ukraine.<sup>32</sup> However, broader NATO-wide infrastructure upgrades remain unaddressed. For instance, Europe currently

faces rail gauge mismatches that can delay military transport by as much as 45 days. It is not enough for the EU to celebrate the free movement of labor, capital, goods and services; rather, it must take concrete action toward building physical infrastructure that allows for the efficient transport of defense forces as well. Such policies fall under the evocative catch-all phrase of "military Schengen," which evokes a powerful and aspirational image of what defense readiness looks like in practice. While achieving this across the European continent might prove too difficult for political reasons, regional integration presents a more accessible starting point. Furthermore, the progress of mid-scale projects such as Rail Baltica and the Adriatic Express, connecting Poland to Croatia, not only demonstrate regional capacity but allow regional coalitions to build and scale expertise. It is also worth noting the Baltic States took the important step of decoupling from the Russian energy grid and joining the Continental European Synchronous Area (CESA) in 2025.<sup>33</sup>

In addition to military and energy infrastructure, NATO's regional coalitions should support digital infrastructure. Following Russia's hack of Estonia in response to the removal of a Soviet statue in 2007, the three Baltic states established bilateral and trilateral mechanisms for information sharing, coordinated incident response protocols, and joint training.<sup>34</sup> The EU must also invest in the security and survivability of its internet architecture, especially subsea internet cables. Some member states have identified this risk and begun to act on it. For instance, Denmark plans to build another internet cable between itself and Greenland, even routing the connection through the remote Faroe Islands. As noted in a *Financial Times* article, "The Arctic's remoteness and sparse population make it vulnerable to the kind of hybrid threats seen across Europe in recent months — from sabotage of Baltic Sea internet and electricity cables to airspace violations. While the region has so far avoided high-profile incidents, officials suspect some attacks may have occurred unnoticed."<sup>35</sup> This cannot continue if NATO's European members wish to keep the Americans in and the Russians out, to paraphrase the famous dictum of Hastings Ismay, the first secretary general of NATO.

## **Conclusion**

Strategic regionalism and economic realism have

made the B9 a politically influential leader on defense issues within NATO. For the United States to realize its vision of rebalanced burden-sharing within the alliance, it ought to promote and encourage intra-alliance groupings based on shared interests and complementary capabilities. This process, the “modularization of NATO,” will render the alliance as a whole more agile, resilient, and responsive to on-the-ground needs as they emerge. Consequently, if European partners can produce more security for themselves, the United States will better afford focus its attention and resources on competing with China. In schema, enhanced by strategic regionalism, economic realism, and value-added deterrence and fortified by the example of the Bucharest Nine states, the United States would become not only provider of security but also an orchestrator of integration and interoperability.

President Trump’s second term follows a unique, commercial logic: just like an expanding business pursuing vertical integration, the United States seeks reliable suppliers of security. As the tactical extraction of dictator Nicolas Maduro from Venezuela demonstrated, President Trump has shown a willingness to acquire or create new partners. While he and Secretary of War Pete Hegseth have praised individual partners like Poland, they are likely to show the same alacrity to abandon subpar performers. A more modular NATO would mitigate that risk, but this will require policy entrepreneurship. The Bucharest Nine states have demonstrated a unique talent for such policy entrepreneurship, as well as the tenacity to reify it in NATO doctrine. European states ought to celebrate its success and implement its lessons for their own security as well as for the improvement and longevity of NATO.

For NATO to boost its defense capabilities and the credibility of its deterrence, it must evolve into a flexible network of regional coalitions, co-produced arsenals, and integrated industrial corridors. Otherwise, it runs the risk of confirming the criticisms in the 2025 National Security Strategy’s assessment of Europe’s depleted capabilities and outdated strategic vision.

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