Defense and Military Spending: Giorgetti Aims to Reach 2% of GDP Without Activating the Clause

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The Minister of Economy Giancarlo Giorgetti stated in Warsaw, on the sidelines of the informal Ecofin, that Italy intends to reach the goal of 2% of GDP in defense spending "without activating the national safeguard clause" provided by the new European Stability Pact. This clause, designed to support countries that need to increase defense investments without incurring sanctions for excessive deficits, is one of the tools put on the table by the European Commission along with the Readiness 2030 plan.

Readiness 2030 is the rearmament strategy proposed by the Union to strengthen the military capabilities of member states. It is based on increasing national expenditures and includes two pillars: the use of the safeguard clause and access to funding from the European SAFE (Supportive Anti-Fragile Environment) instrument, which offers loans of 150 billion euros. On this latter, Giorgetti commented: "Some details are still missing, so we cannot make a definitive assessment".

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Waiting for NATO for an Informed Decision

Giorgetti emphasized that every decision should be made after the NATO summit in June, where a possible new military spending target, likely 3.5% of GDP, will be discussed. "**It is important to strengthen European defense within the Atlantic Alliance**", said the minister, adding that it is necessary to act with "**cool-headedness, rationality, and without the frenzy that often leads to wrong choices**".

Italy's cautious approach fits into a complex European context, where very different sensitivities and economic situations coexist. While countries like Germany can rely on a wide budget margin, Italy must maintain a balance between financial discipline and international obligations. Giorgetti reiterated: "We have the commitment to respect a budget discipline that rewards us greatly, and at the same time to respect international commitments".

Meanwhile, the European Commission clarified, through Commissioner Valdis Dombrovskis, that the end-of-April deadline for submitting the request to activate the national clause is not mandatory, but serves to prepare recommendations by July. Even a subsequent request will be considered valid. However, the invitation is to move in a coordinated manner, to strengthen common political action.

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Towards a European Defense Market?

During the informal meeting in Warsaw, the economy ministers also examined a document from the think tank Bruegel entitled "The Governance and Financing of European Rearmament". The authors propose the creation of a **European Defense Mechanism** (EDM), also open to non-EU countries like the United Kingdom and Norway. This tool would centralize purchases and financing, creating a single defense market and maintaining ownership of military materials until actual use. The goal is to optimize operational effectiveness, favoring synergies and reducing costs.

Giorgetti did not directly comment on Bruegel's proposal but highlighted the need to also mobilize private capital to support the European defense industry: "It is important to stimulate not only demand but also supply, supporting the industrial sector". He also reminded that public spending is not the only tool available and that Europe must consider the economic differences among its members.

Tariffs, China, and Economic Prospects

On the international front, Giorgetti expressed concern about the course of the trade war between China, the United States, and the European Union. He explained that "not only Trump's tariffs but also implicit or explicit ones like Chinese dumping policies are very harmful to the Italian economy and industry". In this scenario, he emphasized that Europe must find an autonomous position: "Some go to China and some go to Washington, but Europe risks being crushed in the middle".

In case of a worsening international economic situation, Giorgetti did not rule out the activation of the general safeguard clause provided by Article 25 of the Stability Pact, already used in 2020 during the pandemic: "If the trade war degenerates into an economic crisis, it will be natural to reactivate the clause".

Finally, the minister commented with satisfaction on the upgrade of Italy's rating to BBB+ by Standard & Poor's, calling it "a recognition of the government's seriousness". The governor of the Bank of Italy Fabio Panetta also emphasized how this improvement paves the way for further progress, while warning that "the weakness of the euro area is more persistent than expected".

The debate on defense spending, between European clauses and budget constraints, will continue in the coming months, awaiting a decisive clarification at the NATO summit in June.

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