

NATO's turning point: the 2025 summit's impact on European defence stocks

Published 19 June 2025

Aneeka Gupta

Director, Macroeconomic Research, WisdomTree Europe

Key Takeaways

- NATO's 2025 Summit is expected to target a major defence spending surge across Europe.
- Brussels is considering linking future EU funding to defence effort, prioritizing countries with clear military pipelines

The upcoming NATO Summit in The Hague (24-26 June 2025) is poised to be a pivotal moment for European defence strategy and the defence industry. The geopolitical backdrop could hardly be more charged as NATO gathers for its pivotal 2025 summit. Russia's protracted war in Ukraine, Middle East tensions and growing security concerns in the Indo-Pacific have all forced Europe to re-examine its long-standing dependence on the United States for defence. With discussions centred around significantly increasing defence spending and enhancing European military capabilities, the summit's outcomes could have profound implications for European defence companies.

The summit agenda: From spending to sovereignty

What began as a symbolic 2% of GDP target has morphed into a hard-nosed push toward 5%, with 3.5% earmarked for core defence and 1.5% for adjacent capabilities such as cyber security and infrastructure. NATO Secretary-General Mark Rutte unveiled this new framework ahead of the leaders' summit, describing it as a "huge leap forward" and vital to strengthening deterrence across the alliance.

This shift is not merely rhetorical. The United States, under President Trump, is pressing allies for clear budgets, timelines, and deliverables. As Ambassador Matthew Whitaker put it: "This is not going to be just a pledge, it's going to be a commitment."

Budget conditionality: Access to EU funds tied to defence effort

Europe is now going beyond political pledges and diplomatic nudges by introducing financial conditionality into the equation. At the heart of this is the €150 billion Strategic Technologies for Europe Platform (STEP) – formerly known as SAFE – which is being positioned as the EU's flagship tool for defence-industrial and technological resilience.

This emerging condition serves as a powerful economic lever, particularly for countries reliant on EU funding but underinvesting in defence. It signals that Brussels expects member states to put skin in the game, both fiscally and industrially.

The implications are profound:

- EU funds will prioritise countries with robust defence pipelines, interoperable systems, and joint procurement strategies.
- States falling behind on NATO obligations may also fall behind in access to the EU's innovation, energy resilience, and cyber defence capital.

This soft form of compliance enforcement – using budget incentives over legal sanctions – is a new frontier in European strategic coordination.

Toward a “buy European” defence architecture

One of the most notable shifts likely to gain traction at the summit is the emergence of a de facto European Defence Industrial Strategy (EDIS). This movement reflects a growing consensus that Europe must become more self-reliant in securing its defence needs, particularly as transatlantic politics grow less predictable. While NATO does not mandate a “Buy European” policy, it does set capability targets (e.g. missile defence, logistics, long-range fires) that member states must meet. As EU countries look to fulfil those targets, some are choosing to source defence solutions from within Europe to support their industrial base and reduce external dependencies, particularly on US systems, amid concerns about future transatlantic reliability.

Discussions are advancing around preferential treatment for European defence manufacturers in joint procurement programs. This would be complemented by measures to streamline cross-border licensing, coordinate export controls, and facilitate aggregated purchasing through vehicles like the European Defence Fund (EDF).

In parallel with increased spending, NATO strongly emphasises interoperability and capability convergence. Secretary-General Mark Rutte has been clear: money alone will not secure Europe's defence posture – what matters is how it's spent and what capacities it creates. The alliance's renewed focus is on delivering tangible capability outcomes, especially in high-priority areas such as air and missile defence, long-range strike, high-mobility logistics, and integrated ISR (intelligence, surveillance, reconnaissance) networks.

Interoperability, logistics, and platform commonality

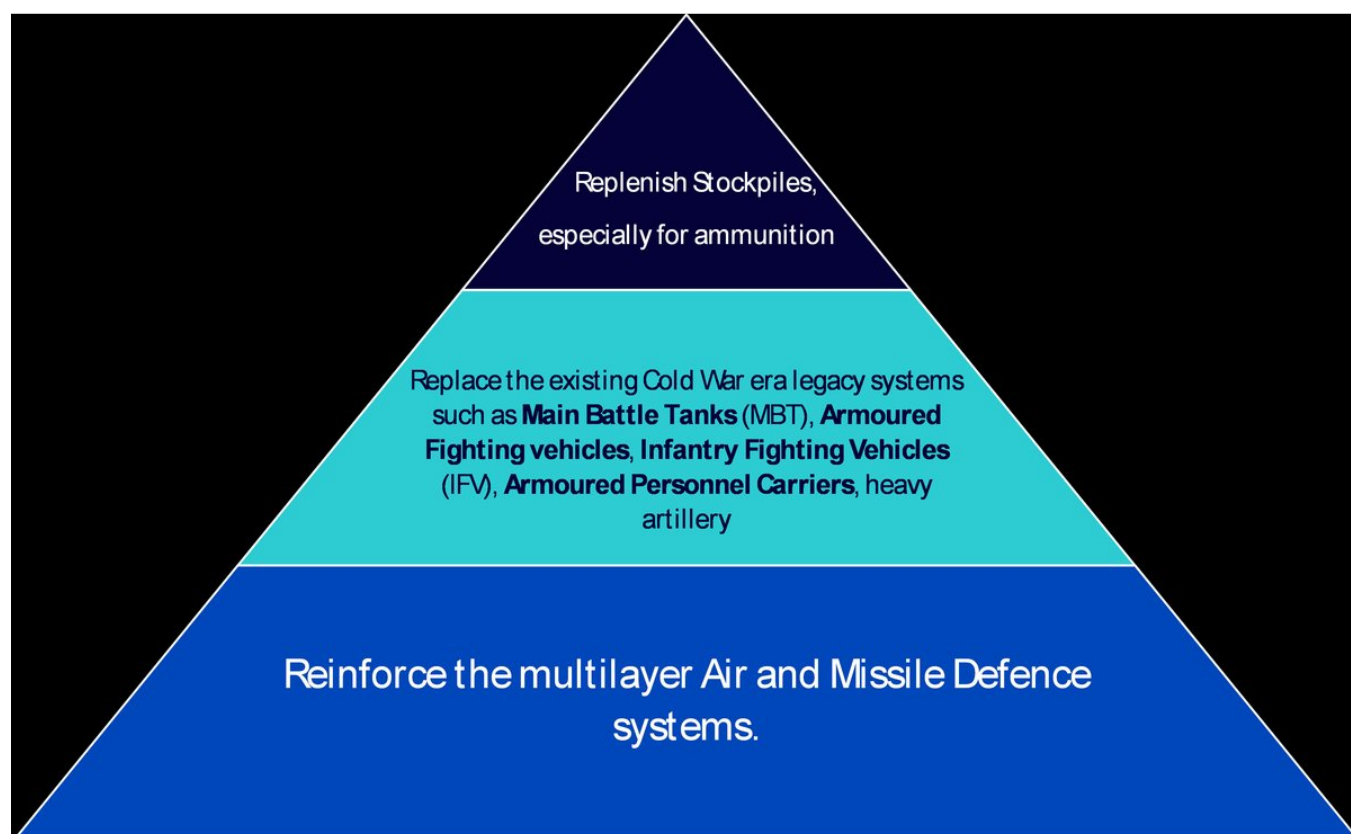
Achieving this will require deeper standardisation across NATO forces, particularly in platform design, data protocols, and logistics systems. The pressure is on manufacturers to offer equipment that can plug into multinational operations from day one. Legacy systems that cannot meet interoperability thresholds may struggle to win future contracts, while original equipment manufacturers that can deliver NATO-compliant, upgradeable, and modular systems stand to benefit most. This dynamic will shape not just procurement but

also R&D strategies, partnerships, and even corporate investment decisions across the European defence landscape.

At WisdomTree, we believe that core defence capabilities – from aerospace systems to munitions platforms – represent the backbone of long-term strategic resilience.

This view is now directly aligned with NATO's spending blueprint, which earmarks 3.5% of the new expected 5% target for core defence functions. This emphasis resonates with the European Defence Agency's analysis, which has consistently identified core defence equipment as the area of greatest underinvestment during peacetime cycles.

Figure 1: European Defence Agency's analysis of defence investment gaps



Source: European Defence Agency as of September 2024

Conclusion

The 2025 NATO Summit will not merely reaffirm transatlantic unity – it will operationalise it. The fusion of NATO pressure with EU financial incentives creates a strategic environment where compliance is rewarded, underperformance has consequences, and defence-industrial policy is moving to the heart of European sovereignty.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. **Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request. This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment. An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks. The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes. This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or

guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements. WisdomTree Issuer ICAV The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer ("WT Prospectus"). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the [relevant EEA Member State](#). [Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares. The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe¼s website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification. Product Comparison This document contains a comparison of financial products contained within the relevant prospectus and/or based on publicly available information, some of which has been prepared by third parties. While such sources are believed to be accurate as at their date of publication, WisdomTree does not warrant, guarantee or otherwise confirm the accuracy or correctness of any information contained herein and any information or opinions related to the products detailed herein may change over time. Any third parties used to source the information in this document make no warranties or claims of any kind relating to such data. Investors should read the prospectus and other applicable offering documents for each product and consider the investment objectives, risks, charges and expenses carefully before investing. Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product\(s\) mentioned herein. The prospectus and the key investor information documents \(KIID\) are available from WisdomTree¼s website <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports> Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority](#)

("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent. For Investors in France: The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto. **For Investors in Malta:** This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority. **For Investors in Monaco:** This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.