# EU plans sharp tariff hikes on Ukraine amid defence funding clashes



As tensions continue to escalate between Ukraine and Russia, the European Union is poised to implement significantly higher tariffs on Ukrainian imports within weeks. This move, confirmed by diplomats speaking to the Financial Times, could severely impact Kyiv’s economy during a critical phase of its struggle against Russian aggression. The timing of this decision raises concerns, as it comes amidst ongoing discussions about the EU's financial support and military aid for Ukraine.

In Brussels, a fierce debate is unfolding regarding the allocation of EU cash for defence, particularly regarding a €150 billion loan scheme designed to bolster military investment among member states. While the initiative aims to enhance Europe’s defence capabilities in response to the prolonged conflict, views on non-EU arms producers' inclusion are causing friction. Influential nations such as France advocate for stringent limits on third-country participation, proposing that no more than 35 per cent of the value of each purchase could involve non-EU entities unless specific defence agreements are established. This proposal has sparked robust opposition from other member states, including Italy, Germany, and Poland, which maintain substantial partnerships with defence contractors from Britain, Turkey, the US, and South Korea.

France's additional restriction, which would further cap the role of third-country subcontractors at 15 per cent of contract value, has drawn concern over its potential to exclude critical defence projects from EU funding. As the EU races to fortify its military production in light of external threats, the need for a balanced approach that accommodates diverse defence industry partnerships has become more pressing. Andrzej Domański, Poland’s finance minister, has expressed optimism about finding a compromise, aiming to unlock these loans and support defence investments crucial for national security.

Simultaneously, the NATO foreign ministers' informal summit in Antalya, Turkey, casts a spotlight on the organisation's funding ambitions amidst mounting pressure from the US. President Trump's administration has notably called for member countries to substantially increase their defence spending, proposing a target of 5 per cent of GDP—significantly higher than the existing goal of 2 per cent. Currently, only Poland approaches this figure, with most NATO allies falling short. The US ambassador to NATO, Matthew Whitaker, underscored the imperative of serious commitment, stating, “Make no mistake, this ministerial is going to be different,” as the discussions shift towards actionable plans.

The anticipated increase in defence spending has raised questions about how member states will calculate their contributions, especially regarding what will qualify as legitimate defence expenditures. Whitaker indicated a willingness to consider broader definitions, allowing costs associated with military mobility, cybersecurity, and defence-related infrastructure to be included—a move that could potentially lead to inflated figures. Such considerations highlight the complexities within NATO as it seeks to enhance its collective security framework while adapting to the nuanced geopolitical landscape.

The pressing unification of Europe’s defence infrastructure amid external threats, combined with the internal challenges posed by differing national interests and economic considerations, underscores a pivotal moment for EU and NATO relations. As events unfold, the ongoing dialogue among member states will be crucial in determining the EU's response to both the immediate economic pressures on Ukraine and the broader objective of achieving a coordinated defence strategy across the continent.

### Reference Map

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## Bibliography

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