

From Production to Procurement: How Europe and Ukraine Are Transforming Defense Supply Chains



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**Briefing of the
Commission on Security and Cooperation in Europe**

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The membership of the OSCE has expanded to 57 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <www.osce.org>.

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The briefing was held from 2 p.m. to 3:07 p.m., Room 2358–C, Rayburn House Office Building, Viktor Olah Sallai, Policy Fellow, Commission on Security and Cooperation in Europe, presiding.

Mr. SALLAI: Good afternoon, everyone. My name is Viktor Olah, and I am a policy fellow at the U.S. Helsinki Commission. I want to thank everyone for joining us for today's briefing on how Europe and Ukraine are transforming defense supply chains.

As Russia's full-scale war against Ukraine enters its fifth year, Kyiv faces an increasingly stark challenge. Ukraine's armed forces are struggling to supply their troops and push back against the relentless violence and destruction inflicted by Moscow.

Yet, at the very same time, Ukraine is home to one of the most innovative and adaptive defense industrial sectors in Europe, an ecosystem that has demonstrated remarkable ingenuity under fire but continues to operate far below its full capacity. Through my colleagues' and I's discussions with Ukrainians, we have learned that what they lack is not ideas or talent but capital, predictability, and scalability.

Over the past years, Europeans, led by Denmark, have pioneered new responses to that challenge. Rather than relying on ad hoc donations and purchases from national stockpiles, the Danish model identified new ways to invest directly in Ukrainian firms. The mechanism empowered Ukrainians to expedite procurement and production of urgently needed systems, from artillery and ammunition to drones and electronic warfare equipment. Many European nations followed suit, including through variations that include joint production with Ukrainian companies.

Today's panel will help us understand how these mechanisms work, what is required to scale them, and how they can be adapted by other allies, including the United States, and what role they might play in securing a peace that lasts.

We have the great pleasure of hearing from three panelists whose expertise spans the operational, industrial, and strategic dimensions of this challenge. Their testimonies illuminate not only how Europe and Ukraine are transforming defense supply chains today but also how these innovations can shape the future security architecture of the continent.

After I introduce them, they will deliver their remarks, and we will continue with questions.

Speaking first, we will have Major General Karsten F. Jensen. Major General Jensen assumed the position of Danish defense attaché to the United States in 2025. He has previously served as a national deputy in the F-35 Joint Program Office and as a branch head for Allied Command Transformation in Norfolk. In addition to his service abroad, Major General Jensen has a distinguished service history in the Danish air command and in the Danish joint defense command. He has been deployed to Cyprus, Kyrgyzstan, Afghanistan, Kuwait, and Iraq.

He will be followed by Dr. Sophia Besch. Dr. Sophia Besch is a senior fellow in the Europe program at the Carnegie Endowment for International Peace, her area of expertise being European defense policy. Prior to joining Carnegie, Sophia was a senior research fellow at the Center for European Reform in London and Berlin. She has also spent time at the American German Institute researching transatlantic defense industrial relations. Earlier in her career, she worked as a Carlo Schmid Fellow in NATO's policy planning unit and as a researcher for the NATO Parliamentary Assembly. She holds a doctorate in European studies from King's College London and degrees in international relations and international security from Sciences Po Paris and the London School of Economics.

Rounding out the panel, we have Kateryna Bondar. Kateryna Bondar is a fellow with the Wadhvani AI Center at the Center for Strategic and International Studies. Before joining CSIS, she was an advisor to the government of Ukraine, where she was responsible for the implementation of reforms in defense, the financial sector, and the innovation ecosystem. Prior to that, she also managed technical assistance projects implemented in the Ministry of Defense of Ukraine and worked in the National Reforms Council under the president of Ukraine. She has a bachelor's and master's degree in international relations from Taras Shevchenko National University of Kyiv.

Now I will turn it over to Major General Jensen to give his opening statement. Once everyone has had the opportunity to give remarks, I will ask a round of questions, and then we will open it up to the audience.

Mr. JENSEN: Thank you, Viktor. Thank you for the introduction, and good afternoon, everybody.

I would like to thank you for hosting and inviting me to this briefing on a matter which is very important to Ukraine, to Europe, to the alliance, and to Denmark. Since the beginning of the Russian full-scale invasion, the Danish government and the Danish people have been steadfast in their support for Ukraine.

As such, Denmark is one of the countries with the highest monetary level of donations per capita. We consider a robust Ukrainian defense to be integral to Danish security. Therefore, while increasing our own military spending to reach the five percent pledge, we simultaneously support the Ukrainian defense.

From a Danish perspective, strengthening our own defense and supporting Ukraine is not mutually exclusive but part of the same solution to strengthen European defense and security. In support of and in cooperation with Ukraine, last year, we initiated the so-called Danish model for procurements. The model has proved to be a defense industrial success, delivering capabilities to the Ukrainian defense effectively, in time, and boosting the Ukrainian defense industry at the same time.

This model is, in large, successful due to its novel approach to procurements and its combination of solidarity with long-term strategic thinking. Through the model, Denmark donates directly to the Ukrainian defense industry instead of relying solely on purchasing military equipment from third countries or donating from national stockpiles.

The model can finance either existing contracts, reimburse expenses held by the Ukrainian authorities, or new contracts entered by the Ukrainian Defense Procurement Agency. This allows Denmark to support Ukraine with donations based on the priorities and needs of Ukrainian security and defense forces.

The model is based on a government-to-government-to-business framework. Such a framework enables the Ukrainian Defense Procurement Agency to use Danish donations and acquisitions directly from the Ukrainian industry. This does more than deliver weapons and capabilities here now. It helps build an industrial foundation that Ukraine can rely on for many years to come, while it keeps the Ukrainian society going during the war.

The result-based model proved successful in its pilot project, which delivered 18 Bohdana artillery pieces solely funded by Denmark. The order was placed in July 2024, and all pieces were battle-ready in September of the same year.

In 2024, the model supported Ukraine with approximately six hundred twenty seven million, and in 2025, we expect the level of support to reach close to two billion. However, the success of the model is not measured by its amount of funding, but the fact that all provided donations were delivered and integrated at the expected cost and on time.

The model leads to faster and more targeted deliveries while strengthening Ukraine's industrial capacity. At the same time, the model ensures appropriate levels of transparency with Danish authorities closely monitoring each project, ensuring traceability, documentation, and robust anti-corruption mechanisms.

These include validation processes, Danish authorities verifying deliveries, and audit procedures. To underscore the Danish approach regarding concerns for potential corruption in our donations, let me be frank.

Yes, with respect to approving the Danish model in the Danish parliament, corruption has been a concern. Nevertheless, our parliament approved the model unanimously, not accepting corruption but accepting risk, realizing that doing nothing is not an option.

As highlighted by the NATO Secretary General Mark Rutte last week, the continuous flow of weapons and support to Ukraine is important. To this end, the Secretary General highlighted the Danish model as a useful approach to address the needs of the Ukrainian defense forces.

While this model is called the Danish model, our allies have supported Ukraine through the same framework. This includes donations from the European Union, from Canada, Sweden, Norway, and Iceland, all of which were donated through the mechanisms and procedures of the Danish model. We will continuously encourage other allies and partners, nations, to join and improve the existing model.

In conclusion, I will reiterate the Danish model is not just military support; it is a partnership, a partnership in which Denmark, along with allies and the EU, invests in Ukraine's ability to defend itself, strengthen its economy, and build a more resilient future.

It demonstrates how targeted support can be both principled and practical, and how partners can help Ukraine while also preparing for the security challenges of tomorrow. I look forward to your questions, and thank you again for the opportunity to speak.

Mr. SALLAI: Thank you very much, General.

Sophia?

Ms. BESCH: Thank you very much, Viktor, and thank you for the invitation to this briefing.

Let me take a step back. In its support of Ukraine, I do see Europe now moving beyond emergency assistance and toward the long-term integration of Ukraine into its defense industrial ecosystem. Early on in the war, European governments were focused on rapid response, on keeping Ukraine supplied from national stocks or emergency procurement. What began in 2022 as a set of reactive crisis instruments is now starting to evolve into something more strategic.

Defense industrial partnership with Ukraine offers a path to move from episodic aid to structured rearmament of both Ukraine and Europe. Collaboration can create predictable and scalable ways of rebuilding Ukrainian military capacity while embedding the country more deeply in European supply chains and its broader innovation ecosystem.

The strategic logic behind this is fairly straightforward. A capable and rearmed Ukraine is Europe's first line of defense and strengthens deterrence against Russia, and industrial capacity is central to that goal. A Ukraine that can equip, repair, and sustain its own forces offers the most credible security guarantee.

Collaboration also aligns closely with Europe's industrial self-interest. Working with Ukrainian defense players provides Western firms with operational insight and access to a combat learning environment that is not available anywhere else in NATO right now.

All this remains relevant beyond a potential cease-fire. Ukraine is set to remain a military and defense industrial powerhouse and first line of defense against Russia, and creating robust industrial cooperation pathways now will serve European security for years to come.

European MODs and EU institutions absolutely recognize the value of closer industrial ties with Ukraine, and the political will for greater integration is strong. On the ground, however, firms do still face regulatory ambiguity, financial constraints, administrative burdens, and, of course, security risks, and these frictions have all slowed progress and have so far prevented Europe and Ukraine from realizing the full strategic payoff of cooperation.

That said, it is my sense that 2025 has been a breakthrough year that began to unlock many of the most persistent restrictions to Europe-Ukraine defense industrial cooperation and that there is real momentum building behind this effort now.

Governments and firms in Europe are experimenting with several pathways for industrial cooperation. The most prominent model of industrial support has been the direct financing model, or the Danish model, which you have already heard about in detail, so I will not go into it too much.

Let me just reiterate that this approach has become an extremely effective way to arm Ukraine while strengthening its defense industrial base. We have seen variations of the Danish model emerge recently, such as the Dutch model, which channels payments directly to Ukrainian manufacturers and is more focused on startups, whereas the Danish initiative has focused more on heavy equipment.

Direct financing is highly valued in Ukraine because it gives Kyiv maximum flexibility and is responsive to the immediate operational needs of the military, and in Europe, it is highly valued, especially by those governments without a strong domestic defense industrial base at home.

The main caveat, aside from intense accountability burdens, is that this remains a government-financed wartime emergency instrument. Unless the direct financing models evolve into longer-term defense industrial partnerships, they could, in theory, end fairly abruptly, which makes sustainable planning more difficult.

A second pathway of collaboration is production and co-production inside Ukraine. We have seen some initiatives here, particularly in ammunition production and in maintenance, repair, and overhaul of European-donated equipment. The benefits are clear. Production in Ukraine can lower costs, it can build up local knowledge and expertise, and, crucially, it brings capabilities much closer to the front.

Overall, however, collaboration inside Ukraine has fallen short of wartime requirements because European firms, particularly in the ammunition space, face financial constraints. Ukraine often cannot sustain higher volume production.

They also have to contend with persistent security challenges from Russian strikes on industrial facilities to the practical hazards of moving personnel and material in a war zone, and the cost of war risk insurance for European employees.

Then added to this are significant bureaucratic hurdles, a highly decentralized Ukrainian defense ecosystem, and frequently shifting capability requirements, which all complicate long-term planning.

That said, there are examples of smaller, innovative European firms successfully navigating this, especially in the one sector that stands out as the most dynamic segment of defense-industrial partnership between Europe and Ukraine. I am referring, of course, to uncrewed platforms—drones—but also the broader electromagnetic warfare ecosystem.

As you know, battlefield learning cycles in Ukraine, the speed of iteration is extraordinarily fast, and European firms that fail to do the learning on the ground increasingly find themselves unable to meet the emerging standards that are set by Ukrainian certification procedures, and so collaboration in this area is essential for European firms if they want to remain competitive. It is telling that military leaders from NATO frontline states will now routinely ask whether systems have been tested and proven in Ukraine rather than taking industry claims at face value.

For that reason, Ukraine has become a magnet for technology firms, drone firms, and those providing enabling capabilities that are keen to learn more from Ukraine's extremely successful model of civil-military integration.

Some European early mover firms have already successfully built plants in Ukraine, hired a local workforce, and acquired stakes in Ukrainian tech startups, often on their own initiative. Ukrainian drone companies, for their part, are extraordinarily capable but heavily capital-constrained.

Many of them are operating far below capacity, and to support them, Ukraine is now opening export facilitation offices in Berlin and Copenhagen. The idea is to encourage not just the export of products but also investment in Ukrainian production and joint facilities abroad.

That leads me to the third and last pathway for collaboration that I wanted to discuss today, and potentially, this is the most scalable. That is joint production/joint ven-

tures on NATO soil. Collaboration inside Europe provides far safer operating conditions and the ability for Ukrainian firms to scale in ways that might not be possible inside Ukraine during wartime.

This pathway is still fairly new, but several Western partners have initiated first joint ventures. Denmark, again, stands out as the first mover under the “Build with Ukraine” initiative. They have recently helped a Ukrainian rocket and drone fuel firm establish operations domestically. The U.K. has recently launched a licensing deal for interceptor drones that will become the first Ukrainian combat system licensed for production in a NATO country, but others, I believe, are set to follow.

One last point to make before I close on a very recent EU development, and that is on the EU’s new defense loan facility, SAFE. SAFE is designed to mobilize large-scale investment in European defense production, and it explicitly allows and encourages participation by Ukrainian firms.

Most of the recently published member states’ plans for SAFE already include provisions for the involvement of Ukrainian firms, and if it is implemented effectively, SAFE could accelerate defense industrial integration, but it will require navigating significant structural regulatory barriers to the European market.

Let me end with this. We are now facing another inflection point for the war in Ukraine, with negotiations both over a potential cease-fire and over the reparations loan based on Russian frozen assets ongoing. Quite apart from the results of these processes, for Europe, the logic is clear. Ukraine is its forward line of defense, and integrating Ukraine into Europe’s defense industrial base is an investment in the continent’s long-term security.

This is a long-term project. It will require years of commitment and resources, but strengthening defense industrial partnerships with Ukraine is how Europe turns today’s crisis response into a lasting strategic advantage.

Thank you, and I look forward to your questions.

Mr. SALLAI: Thank you, Sophia.

Kateryna?

Ms. BONDAR: Dear Chair, members of the Commission, thank you so much for the opportunity to testify today. The views I express here are my own, and they do not reflect the views of CSIS or the Ukrainian government.

Over the past four years of Russia’s full-scale invasion, the Danish model has become one of the main innovations in sustaining Ukraine’s military readiness. Let me dig deeper a little bit on the problem that the Danish model was designed to solve.

Ukraine’s defense industry has expanded at a pace few have anticipated. Ukraine’s annual defense production capacity skyrocketed from about one billion [dollars] in 2022 to over thirty-five billion [dollars] by mid-2025, meaning that the country can now produce thirty-five times more weapons and equipment each year.

Production capacity does not matter if the government does not have funds to buy that equipment. Just to give you an example, by early 2024, Ukraine could afford to procure only six billion [dollars] worth of equipment despite having closer to twenty billion [dollars] of available capacity.

In other words, two-thirds of possible production sat idle because the State simply did not have funding to procure that equipment. At the same time, partner nations were

running out of equipment they could transfer from their stockpiles, and their industrial bases could not scale quickly enough to meet Ukraine's growing operational needs.

It was in this context that the Danish government pioneered a new approach. Denmark began paying Ukrainian manufacturers directly to build systems for the Ukrainian armed forces. The effect has been transformative.

In 2024, partners spent about \$400 million through a family of mechanisms, which were called the Danish model. I will expand on this a little bit later, and it was mentioned before already.

In 2025, the number rose to six billion [dollars]. To put that in context, Ukraine's entire weapon procurement budget this year is ten billion. The Danish model and its variants added another six billion[dollars] on top of that.

The mechanism works because it is fast, structured, and highly accountable. The process begins with battlefield need. The Ukrainian general staff identifies operational gaps, and the minister of defense vets domestic manufacturers based on product maturity, codification according to NATO standards, combat performance, ownership, transparency, and delivery history.

The proposed portfolio is then reviewed by joint counsel within the Ministry of Defense, after which partner governments conduct their own due diligence, including onsite inspections of factories in Ukraine. Once approved, the contracts function almost like government-to-government and business-to-business agreements. Finally, the funds flow into dedicated accounts on Ukraine's UNITED24 platform, where companies are paid directly from these accounts.

Denmark physically verifies every batch delivered and the documentation accompanying those deliveries. Such details as serial numbers, quality certificates, and delivery logs are shared with partner governments in real time. The entire system was recently audited by Deloitte Denmark and Ukraine's minister of defense's internal audit and successfully passed it.

Importantly, the Danish model has now evolved into a broader family of mechanisms. As was mentioned before, the Netherlands, for example, signs contracts directly with Ukrainian companies, starting with the one-billion [dollars] procurement of Ukrainian drones.

Norway is adopting the same approach right now. Germany uses a version in which the Ukrainian Defense Procurement Agency signs a contract with a company, but the German government pays the invoice. The variant is especially valuable for the Ukrainian government because it strengthens Ukraine's own procurement institutions and reinforces a transparent and rules-based procurement system.

Taken together, these mechanisms are reshaping Ukraine's defense ecosystem in several critical ways. First, they unlock Ukraine's manufacturing capacity at scale. Ukrainian companies can expand their production, hire workers, invest in new technologies, and increase output systems for the armed forces, which they actually and urgently need.

Second, they support Ukraine's economy under wartime conditions. Direct foreign procurement helps maintain industrial activity, tax revenues, and employment, creating resilience well beyond the defense sector.

Third, they reduce corruption risks. This mechanism embeds multiple layers of oversight. As I mentioned before, internal Ukrainian review, partner government scrutiny,

physical inspections, and independent audits—these are all mechanisms helping to control corruption issues related to government procurement in Ukraine.

The result is a procurement system where decisions are based on battlefield priorities and verifiable performance, not personal networks and political pressure.

Finally, they create a sustainable foundation for long-term European and transatlantic security architecture. As partners exhaust their own stockpiles, financing Ukrainian production directly is becoming the only scalable path to ensuring a continuing flow of systems Ukraine needs.

In conclusion, the Danish model is not just a funding instrument. It is a structural innovation in how international partners can support the country at war while simultaneously building a more resilient, transparent, and modern defense industrial ecosystem. It is one of the most effective mechanisms we have for strengthening Ukraine's military readiness and ensuring it can sustain its defense in years to come.

Thank you so much, and happy to answer your questions.

Mr. SALLAI: Thank you very much, everyone, for your remarks.

My first question will be for General Jensen. Could you briefly walk us through the selection, verification, and procurement process of the Danish model and explain how the specific anti-corruption mechanisms function in practice, particularly how Denmark balances the need for accountability with speedy weapon production?

Mr. JENSEN: Thank you for that question. I can try.

I think my colleague here, Kateryna, just pretty well explained the mechanisms to make sure that we have a good oversight of how the money is spent. The practical way of selecting candidates for this system is that it is built on the needs from Ukraine, so that it is the Ukrainian MOD who recommends companies and systems built by that company—same system weapons, et cetera. Denmark has a setup where we review, screen, and validate these companies and procurement proposals and the prices related to that; compare that with market prices and stuff; and after contracts are made, weapons delivered, as mentioned before by Kateryna, we perform physical inspections, review delivery certificates, and verify that everything is delivered as agreed.

Afterwards, there is even an audit on top of that, an external audit with external auditors that audit the audit of the whole thing, so I think we are trying to have safeguards and ways to protect that.

With regard to the balance between speed and accountability, we try not to make those two compete. We should not impact accountability because of speed, and vice versa. It is built upon the requirement for speed, but at the same time, ensuring a maximum level of accountability and transparency.

Even though you could argue that you cannot have speed and good oversight, we try to do both at the same time.

Mr. SALLAI: Thank you very much.

Sophia, my next question is for you. You touched upon this in your testimony, but could you expand on how the different defense industrial capabilities of European governments shape their approach to cooperation with Ukraine when it comes to procurement?

Ms. BESCH: Yes, absolutely.

As I mentioned in my testimony, there are all these different pathways for collaboration that are emerging, and you might wonder why certain European governments stick

to one, and others stick to another, and I think the starting point here is to just look at countries' own industrial base and stock depth.

For example, the Danish model is particularly attractive for European countries that do not host their own major defense firms and that may have limited stocks to draw from. Germany, at the beginning of the war, looked at its own strong defense industry and instead chose a model where the German MOD finances contracts—facilitates contracts with German firms. That reduces the accountability burden for Germany, and it also benefits German defense companies.

Finland, which entered this war with particularly deep stocks because the Finns have been preparing for the exact war that Ukraine has been fighting for years, was able to draw from their own stockpiles for a long time. Incidentally, both Germany and Finland are now hitting the limits of their own domestic production capacity and also of their stocks, and so now are eyeing deeper integration with Ukraine as well.

I will also say that this has implications beyond just which model you choose. If you are a small European defense firm right now, there are a lot of advantages, and it is potentially lucrative to align yourself with Ukrainian firms and align, you know, yourself with these kinds of projects that integrate Ukrainian defense firms more closely in European defense industrial bases because it positions you well to possibly access future EU funding, for instance.

The SAFE mechanism, which I mentioned explicitly, wants to fund projects that include Ukraine. If you have those pathways set up, if you are a smaller company, that might be lucrative for you.

Whereas for the larger primes, some of them are wary of opening the European market to competition from Ukrainian defense firms right now. What I will say, though, is that talking to European MODs, they are looking forward to some competition because we are currently in a moment where European MODs, lots of them have a lot of money to spend and they have to spend it very quickly, and that means that a lot of that money is getting spent on domestic primes right now, which that is not great for production time lines. It is not great for price points.

A little bit more competition from Ukrainian firms that could potentially do things faster and more cheaply, I think, will restore European competition and, in the end, improve the projects, too.

Mr. SALLAI: Thank you very much.

Kate, we have discussed these various models cooperating with the Ukrainian government and Ukrainian businesses. How do these models interact with Ukraine's own internal domestic procurement frameworks? This is really both when it comes to their export control regulations, as well as any type of bottlenecks that have been created when integrating foreign financing and co-production with Ukrainian domestic production pipelines.

What policy adjustments have been made to mitigate these issues, and what potential options do we have to alleviate these issues in the long run?

Ms. BONDAR: Yes. On the Ukrainian side and its procurement system, the Danish model and its variations exist as a parallel system, I would say, so they do not replace or substitute the Ukrainian procurement system. What they do is add a kind of additional layer on top of it, and it started with the Danish model.

Now we have around five to six different variations, and it creates a little bit of difficulty in managing these projects, basically, because there is a lot of paperwork, there is a lot of communication with foreign procurement agencies and ministers of defense. Basically, what could be done and what is the bottleneck is this project management and accountability.

The Ukrainian government would suggest, and that is kind of the vision for 2026, to standardize this, all procedures, probably direct them more to the Defense Procurement Agency, because this is what it was created for. It was one of the demands within collaboration with NATO, and that is the best practice of defense procurement.

Streamlining all these procedures through the Defense Procurement Agency of the Ministry of Defense, standardizing approaches, and that would probably create more transparency for our partners, an easier process of traction and monitoring procurement procedures, and basically streamlining the process when everyone's aligned, and everyone knows the rules of the game.

Mr. SALLAI: Thank you very much.

General Jensen, the next question is yours. You have highlighted that countless nations have joined the Danish model and various variations of it. As the volume of partner contributions and demand for these models to collaborate with Ukraine increases, what adaptations would the Danish model need to be scaled up for greater production as well as multilateral collaboration?

Mr. JENSEN: None, but maybe I should elaborate. [Laughter.]

Ukraine needs funding, not production capabilities. As we just heard, there is plenty of production capacity, and we have already, or Ukraine has already, scaled production, so few adaptations are needed for the increased multilateral support through the model. Other nations are already participating and transferring funds through it, so we have the model. It can also work with other nations, and we can easily include donations from more nations.

Of course, if it becomes really big and a lot of procurements through that system, we probably need to just scale the model, but not change it, is the idea. None.

Mr. SALLAI: Thank you very much.

Sophia, given how Ukrainian firms must navigate both wartime pressures as well as European regulations when it comes to interacting through these procurement processes, how can Europe, the European Union, and European national governments ensure that their own defense regulations do not shut and bar Ukrainian industry out of their collaboration opportunities both now and in the long run?

Ms. BESCH: Yes, there is a real regulatory burden challenge now that Ukrainian defense firms are looking to enter and integrate with the European market more. When I say regulations, those are broader ESG regulations, EU regulations, anti-corruption and governance standards, of course, but also sustainability and labor protections, strict supply chain integrity rules, and human rights compliance.

These rules are hard to meet for any defense firm in Europe right now, but wartime due diligence and site checks for Ukrainian defense firms are, obviously, particularly hard. The good news is that there is a broad recognition in Europe of this challenge, of this problem, and there is real momentum right now to reduce unnecessary regulatory barriers.

We see this shift in all European MODs toward spiral development rate, good enough systems, fast iterations, rather than these artisanal NATO standard systems of the past, and so there is a real will and drive to get the regulatory burden down.

The Commission has been in the lead on this. They have published their—it is called the defense omnibus package that tries to streamline procedures, accelerate production. It is also important to say that while European MODs will be quick to blame Brussels, a lot of these bottlenecks are national bottlenecks that come from national procurement systems, and often it is not just a question of, you know, a bonfire of regulations; it is also a question of increasing administrative capacity.

For instance, if you need many security clearances, and that is one of the reasons that processes are being slowed down, the solution might not be to get rid of the requirement for security clearances, but to hire more people who can give you those security clearances.

That is currently also a learning process that is happening in European MODs, and, ultimately, this is in Europe's own interest. I think Ukraine's integration can serve as a catalyst and accelerator here.

Mr. SALLAI: Thank you very much.

Kate, as we know, these new, fast-evolving technologies tend to have much faster innovation cycles than traditional procurement timelines, especially when it comes to drones and electronic warfare systems.

How can governments, both the Ukrainian government and European and American governments, ensure that safety and accountability standards are maintained while also innovating their procurement mechanisms to accommodate these fast-evolving technologies?

Ms. BONDAR: Yes, that is a very good question, and it's really hard to find this balance, and we are still trying to figure it out on the Ukrainian level, and with European governments, it is even harder because we have multiple opinions and legal systems and procurement systems.

My general recommendation would be to lower the level of risk aversion, to accept risks related to adopting and using systems that are not tested, like, according to all usual acquisition procedures, so basically to shorten the cycles of testing and evaluation and adoption into service, and usually, what happens in Ukraine, the battlefield shows what works, what is not. It helps to refine systems and to pick the best ones and to select the best ones.

Cutting the red tape in procurement process that would also be helpful so basically what happened in Ukraine is that the minister of defense and the government sat and analyzed what are the critical and crucial points in acquisition and procurement process and which stages can be basically skipped, so leaving only the most necessary and crucial stages and accepting more risk in procurement and acquiring systems that are new and not known to the military yet. Those would be my two recommendations that could be done.

Mr. SALLAI: Thank you very much. I have one last question for all the witnesses, and then if anyone else has questions, feel free to walk over to the podium.

I have a question for anyone or whoever would like to answer this. With the recent peace negotiations between Ukraine and Russia continuing to struggle, how do you see these procurement mechanisms contributing to a future, durable peace in Europe?

What aspects of these mechanisms are essential to ensuring that the West is negotiating from a position of strength, as well as acting as a deterrent against future Russian aggressions?

Anyone? Yes, sorry.

Ms. BESCH: Now, I am really glad that you are asking this question because, in a way, it is sort of the main message of my testimony today. I think as the peace negotiations are going on, these emerging procurement and co-production models are central to a durable peace because any settlement is going to have to rest on real military resilience.

Europe and Ukraine are now building the industrial depth that underpins credible deterrence through direct financing, through joint manufacturing, through co-production. We do see this shift from ad hoc to predictable and scalable rearmament. The effects of that are so enormous, with Europe gaining a forward defense line that is integrated into European supply chains and integrated into our own defense industrial ecosystem. That gives us negotiating leverage as well, right? Russia takes talks seriously only if Ukraine's capability and Europe's support appear non-exhaustible.

There is a long-term deterrent value here. Ukraine is not going to return to a position of industrial vulnerability if we commit to a defense industrial partnership. Its defense sector is going to be tied into Europe's. Its production is going to be diversified across Europe and Ukraine.

That also allows a broader integration of Europe into the—of Ukraine into the EU sector by sector—defense is just one of them—and Ukrainian battlefield learning is going to continue to shape European capability development, which is going to empower European rearmament efforts, too.

To me, the bottom line really is that industrial cooperation is a foundation for any sustainable peace.

Ms. BONDAR: I will probably add to that that I also do research on Russia a lot, and I am trying to understand what their leverage is and what they are better at, and what they are better at is at scale—scale of production and mass deployment of new systems.

Unfortunately, none of the European countries can counterbalance Russia alone. Only working together, European countries and Ukraine can offer something against Russia, and I think that will be the biggest leverage in any negotiations.

Second, this process of approach in the Ukrainian industry and European industry is crucial and important because when we get into the weeds of the process, when we get into details, we see things like differences in doing business practices, for example, why the Dutch model faced many obstacles in the beginning. Just because the Dutch were not prepared to do advancement payment in the beginning, the amount of 50 [percent] to 70 percent to Ukrainian companies. It is unknown practice in Europe, which is pretty common for Ukrainians.

If we start integration on this practical level, very tangible integration, I think it will be easier to build up later political and other types of integration. You know, to be strong in negotiations, we need to integrate Ukraine into the European security architecture and community first, and then we will be able to counterbalance Russia in terms of its scale.

Mr. SALLAI: Thank you.

General?

Mr. JENSEN: Agree. Maybe I should add, anyway, since I pressed the button here, that we went from initially lots of nations donated weapons and systems and material, partly because Ukraine needed it, but partly because that is what we could spare.

Ukraine ended up with a myriad of systems and weapons and stuff, and some of it was really good and useful, and some of it is still in its boxes because nobody could train it or you could not sustain it or anything, and that is not a way of helping Ukraine that will last past any peace agreement. That will die out the day there is a peace agreement.

By this system, the Danish model, we facilitate processes as well as industry, as well as society, to continue, no matter where the money comes from, internally from tax revenue in Ukraine or from donations from allies. This is a more durable and sustainable model, war or peace.

Thank you.

Mr. SALLAI: Thank you very much, everyone.

With that, we can turn to questions from our audience. If you would like to ask a question, please walk over to the podium and introduce yourself.

QUESTION: Hi. I am Maggie. I work for the U.S. Helsinki Commission as an intern.

My question for anyone who wants to answer it is, as we watch Europe utilize these models and sort of perfect them, what should the U.S. be learning from this, and what role could or should the U.S. play now and in the future?

Ms. BONDAR: Okay. I can start.

Basically U.S. can leverage the experience of working with the Ukrainian defense industry either by financing or co-developing military systems because what is happening in Ukraine will have its effects across the globe.

In every conflict, in every theater, we need to learn the lessons, we need to analyze the patterns that are present there. By involving into Ukrainian defense industry and working with Ukrainian companies that have firsthand access to the battlefield and constantly communicate with warfighters on the frontline and with the Ukrainian Special Forces and intelligence, they can gain what is most valuable, experience, and then integrate this experience into the U.S. military. Co-production/collaboration with the defense industry is one of the ways to do that.

My suggestion would be to look a little bit broader, so to still look into joint training, joint exercises, just to practice and to see how Ukrainians fight—what patterns are on the battlefield, what tactics they use, what doctrine. Because Ukrainians also have a very deep knowledge of Russian tactics and doctrine, that should also be integrated into the U.S. TTPs and doctrine, et cetera.

Because China is learning from Russia. Because Putin went to India just recently and established military collaboration with India. These are big powers, and the U.S. should be prepared, and Ukraine is the entry point—is this starting point where they can—where the U.S. military can have a look and glance into what is happening on the enemy side, basically.

Ms. BESCH: Let me just add to that, because I think I agree with everything that was just said. I think looking across the various European initiatives that we discuss here today, there are a few practices that stand out as relevant for the U.S., but I would also say that not all of them are directly transferable, right?

Europe's mantra, "if the Ukrainians are not using it, we are not interested"—that is the mantra of defense planners right now—that is really rooted in Russia-focused defense and deterrence planning, and the U.S., as you all know, faces a broader set of contingencies and is not going to adapt the European way of warfare wholesale.

Similarly, you know, Europe's political goal of integrating Ukraine into the EU's single market sector by sector, it seems to me from what I hear from this administration, that the U.S. posture currently is shaped more by industrial onshoring and a desire to end the war quickly, which, you know, also limits the depth of U.S.-Ukraine defense industrial ties.

What lessons are transferable, I think, are the embrace of battlefield learning and co-development, especially in drones, and there is a strong U.S. interest in this, too. There is this line of drones—CEO of Quantum Systems, and he said that, you know, innovation in drones right now is coming from the Donbas, not Silicon Valley. That is something that U.S. firms have understood, too. We are seeing early U.S.-Ukraine industrial integration steps with joint drone production deals, you know, the joint venture for high-speed interceptors that was just announced. These kinds of mutually beneficial partnerships are tied to real battlefield requirements and rapid iteration. I think that is the best avenue for deeper U.S.-Ukrainian defense-industrial cooperation.

Then, just to end with another lesson, I think that is relevant for the U.S., is just the enormous number of systems that are being used up in this war. You know, on certain phases we have had thousands and thousands of drones being deployed by both sides in just a month and that has to lead to considerations of how deep your stockpiles need to be in order to sustain such an effort, not just of drones and ammunitions but also of all the materials that it would take to build these things—chips, sensors, batteries, all sorts of things that are not necessarily built in the U.S. anymore.

Securing those strategic supply lines is a big challenge for Ukrainians, Europeans, and I would think that is also a lesson that American defense planners can adopt.

Mr. JENSEN: Yes, I also agree, and I think depending on what the strategy is for the U.S. I agree with what you have said, that it seems like there is a slightly different, or not a slightly—there is a different strategy from the U.S. perspective that is more global than just the European AOR and so—and also the U.S. perspective on U.S. defense industry needs to be part of this.

If that was not the case, just adapt the Danish model, but I think it is the case, so to be realistic, I think it is more—in a different arena, the U.S. could learn from this.

I think the speed of innovation in Ukraine is unique, the speedy introduction of new capabilities, and also that, you know, the best is good enough's worst enemy so you need to deliver at time—just enough at time instead of, you know, the very best all the time because you cannot afford—you do not have—you cannot afford to have enough mass when you do that.

I think that is where we all could learn something from the war in Ukraine.

Mr. SALLAI: Thank you. Any other questions?

QUESTION: I used to do this, so you would think I would know, but I am Jared Smith from With Honor.

I think that the West, and especially the U.S., is starting to learn that so much innovation can potentially be hamstrung by our inability to diversify and secure our supply chains. You know, I am just wondering from either the Danish or, you know,

Ukrainian perspective what are the best practices that we can do now in order to make sure that any of these drones that we are building; the sensitive, you know, critical minerals or magnets, are being gotten from friendly nations as opposed to China so that we are not put in a position where, you know, one day we are launching drones that can be turned off with a flick of a button from Beijing.

Ms. BONDAR: Again, no silver bullet solution for that—[laughs]—unfortunately, and as Ukrainians are saying, Russians and Ukrainians are eating from the same bucket, which means the components come from China.

Ukraine recently, just a couple of weeks ago, launched separate initiatives called Local Components, and for a reason. They realized that strategically, if you want to be a leader in the industry and if you want to be able to protect yourself, let us put it simply, you have to be independent in supply chains.

Ukrainians took this approach, actually, as Russians did as well. They want to localize starting with the simplest components and then going deeper and deeper. That is the approach countries at war take.

We know that resources are not placed equally in the world. We need to find them, basically, and we need to invest in extraction and refinement. That is what Russia does. They analyze the whole supply chain for Shahed drones, for example, and they start to localize with the easiest products, and now they want to substitute Chinese batteries with local production. They started with an investigation where they have resources and how they can build a supply chain independently from China or diversify the supplies, including India.

That is why I think it shows us what could be done and also what is useful in this case to look into as a model, how these two countries build their defense ecosystems. Ukraine is an example of a decentralized ecosystem where we have lots of manufacturers. They produce different types of systems. Ukraine uses 400 types of drones monthly. It is a zoo of technology, and imagine how many manufacturers exist.

Russia has a centralized and very different approach. They pick a champion, so Shahed drones were a champion for long-range capability. Now they have selected a couple of manufacturers for [FPV] First Person View drones in Groups one and two, and Kalashnikov, their biggest state-owned military enterprise, is investing in those companies to scale their production, and what they do, they put all resources behind these national champions and winners, so basically they want to grow their own DJI, for example.

I know it is an unpopular opinion in the West, where we have free market and competition and lots of companies, but maybe a way to solve the issue with supply chain independence and being able to build at least the most necessary types of systems locally is to pick those champions and to put all resources behind them.

If we identify and we find a solution for small but local, you know, rare earth and the whole supply chain built from there, maybe we should give those resources to companies that are able to produce at scale for the U.S. or European military.

That is one of the ideas. I am not saying it is the best idea, but this is what we can see, again, from the analysis of the ongoing war.

Mr. JENSEN: That is a great question, and actually, I do not have an answer. I have another question. [LAUGHS.]

I think what you are mentioning is the result of globalization through many years. We all thought that this was a God-given way to create the best value for money, and we will all be richer in that manner, which is correct. That is what happened.

We are paying the price now, so we need to figure out how to still get the best value for money but still have sovereign control of strategic resources, and those two are, you know, a contradiction competing about the same answer. There is no one answer to those two problems.

I do not think protectionism is the answer, but I do not have the right answer, so sorry.

Mr. SALLAI: Thank you. We have time for one or two more questions.

QUESTION: Hello. Thank you. My name is Kyle Parker with the Helsinki Commission.

I have a couple of questions related to the kit involved, and then a couple of questions related to a contingency in the future of sort of supplying, sustaining Ukraine, in the event that the United States walks away from supporting Ukraine as has been threatened.

On the question of the kit, how much, roughly, percentage of the kit that Ukraine is using on the battlefield is being produced by Ukraine? Not just by Ukraine with these funds, with funds through things like the Danish model, but just generally. Then also a very rough estimation of how much of that kit is actually of interest to European NATO states in terms of their own defense, something that could be ultimately sold or transferred.

Then my second pair of questions, and these are—and I understand we are short on time, so these can be for whoever feels is best capable of answering them. In the event that the U.S. walks away from supporting Ukraine as has been threatened recently, even very recently, and by walking away, it seems to be unclear what that means, but I would suspect it could mean a lack of willingness on the part of the United States to either continue selling its own kit to European states to then transfer to Ukraine.

I assume it could also mean a lack of willingness to continue intelligence sharing with Ukraine, and I assume it could also mean, potentially, you know, a lack of willingness to allow U.S. assets—bases, logistics, infrastructure in Europe—to supply this.

My question there is, you know, how reliant is Europe on U.S. advanced weaponry to supply for Ukraine, you know, as well as how replaceable is the intelligence component. Then I guess the other—yes, I think the other question is lift, logistics, sustainment—how capable is Europe in doing this itself without any U.S. involvement?

That is probably enough. Thank you.

Mr. JENSEN: May I suggest that the first couple of questions will be directed at Kate here? Then I would like to try the last part, but if you want to start.

Okay. Because I do not know the numbers. Where is the gentleman?

Okay, sir. I do not know the numbers here, so I hope maybe you can help with that, the ratio between Ukrainian-produced material and the rest.

I would like to address the last question that you have: What if the U.S. walks away, and the top—the bottom line here is that that would be a problem. It is a big problem today. I think the problem will maybe be less over time since we are building up in Europe, but building up to the degree we are about to do takes not only weeks or months; it takes decades.

That will be a problem if that happens tomorrow. I do not think it is in the U.S. interest, though, to do so, but that is a political decision, of course. There is a reason that the U.S. is present in Europe because being present—you know, with that follows influence, like now, you see, and also allowing Europeans and the Ukrainians to buy U.S. equipment creates jobs and revenue, and tax and bonds go up, and stuff like that.

It is in the U.S. interest to stay involved, to allow weapons and systems to be delivered. You can say, okay, so what about the Intel support? Also, a big problem, but I think the Ukrainians, together with other European nations, are also upping that area with the introduction of more and more drones and stuff. Surely, the space area is maybe the biggest one where we in Europe are far behind, and that will take time if we need to catch up on that.

Again, I think you should not see the Intel thing in isolation. I think you should combine them with the other two things I mentioned. If you want influence, if you want to earn money, and if you want to buy—us to buy European equipment, well, we need to have a mutual trust.

We need to have businesses. We need to have operational and strategic cooperation. That drives us to buy stuff here and work with the U.S., and that sends money this way across the Atlantic. It would be a problem, but also for the U.S.

Ms. BONDAR: I will try to answer your question real quick.

Unfortunately, I do not have numbers just because they are classified. It is not public information what Ukraine gets in which amounts and from where, but a couple of numbers I still have in my mind.

On drones, it is ninety-six percent produced locally, only four percent delivered from abroad, and according to the minister of defense, these are just experimental systems and, you know, small little batches, but ninety-six percent. Both small Groups one-two long-range capabilities, are produced in Ukraine.

Again, it is a little bit questionable because almost a hundred percent of Ukrainian small drones have Chinese cameras. Yes, these are locally produced drones, but they are produced from foreign components. That is why, you know, we do not have to dig very deep into this to keep it short.

On air defense systems, for example, Ukraine is a hundred percent dependent on our partners. Yes, now air defense has become multilayered and mobile groups, for example, and interceptor drones are produced in Ukraine, but it is way bigger dependence on foreign assistance. It is really hard to give an estimated number because part of the information is classified, and part is questionable.

On your second question, also real quick, you mentioned—well, I will talk about the Ukrainian side and what if the U.S. walks away. Yes, we need weapons, and there are very sophisticated systems that cannot be replaced by any other type of equipment, and we need to buy them from the United States, including air defense.

You mentioned intelligence information. That is also crucial. It is not that, you know, publicly discussed or obvious, but it is crucial because Ukraine makes its bet on long-range strikes, trying to destroy the Russian economy and to stop the war, if we can say so, by just disabling the Russian economy. To conduct deep strikes, Ukraine needs foreign intelligence, and it is impossible to replace or substitute with only Ukrainian means. That is basically crucial, because if that information sharing stops, Ukraine will not be able to conduct any deep strikes. That stops the Ukrainian war effort, because on the frontline,

Russia, unfortunately, has an advantage, and we know about that. Ukraine's best hope is deep strikes and destroying the Russian economy first.

Ms. BESCH: I will be super brief.

I think the way that you asked the question is exactly the right way to ask that question—what does stepping away actually mean—and that is how Europeans are currently trying to disentangle this as well. What steps can we expect when, right?

The way that you used the term kit, I think, is—sometimes that can be a little bit confusing because really it is not the hardware so much that is of interest for Europeans in terms of what we are learning from the Ukrainians. It is all the enabling capabilities of the electronic warfare around it, and this is also where we are still the most dependent on the United States, right?

This is, to me, how your questions interlock right now, and I will just say, while I agree with everything that the major general has said, I would never presume to know or to state the U.S.'s interests. I do think that there are clear messages that Europeans are currently getting about the U.S. being open for business, and PEARL is a good way and a good mechanism in that general vein.

There have been some really useful negotiations happening over what PEARL actually covers, for it to cover only those capabilities that Europeans cannot produce or do not currently have themselves, and that seems fairly—at least on a self-interest basis, a fairly sustainable way of going about it.

Then equally having that kind of more sort of staged conversation of, okay, you want us to stand on our own feet; these are the capabilities that we are currently investing in. We are going to need X amount of years to get there. I think that is the kind of more constructive conversation that is happening behind the scenes right now, and that is where Ukraine, again, plays such a crucial role as a catalyst and as an accelerator.

Mr. SALLAI: Thank you very much to everyone who has attended, and especially to our witnesses. With that, the briefing has ended.

[Whereupon, at 3:07 p.m., the briefing ended.]

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