

How AI is revolutionising the Western Defense Industry - The case of Anduril and Implications for Europe

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It is not just states like the U.S. or China which are increasingly recognising the significance of artificial intelligence for application in defence. Regarding military innovation, Anduril Industries has been one of the emerging private companies disrupting closed systems, with their criticism of the U.S. defence sector's traditional cost-plus model and Silicon Valley's opposition to engaging in national defence projects.

This development also points to broader changes in the U.S. defence sector. Since 2018, systematic relations with non-traditional vendors have been increasingly institutionalised. Anduril exemplifies a surge in state funding of and cooperation with venture-backed companies, challenging a consolidated market. However, Anduril's outspoken support for contributing to national defence, especially in the light of protests at Google or Microsoft, also highlights domestic rifts. This holds implications not just for the future conduct and resulting capability of U.S. military innovation, but also potential diffusion of privately owned AI technology for defence application.

Moreover, these novelties in the U.S. defence industry push the European defence market to react. While it seems that Europe is far behind the US, especially in funding research and development of military AI, market entry to the European defence market for companies like Anduril Companies remains difficult. Entry barriers to the European defence market are two-folded. Firstly, the military use of AI is overshadowed by a regulatory and strategy gap in the EU member states. Besides France, no EU member state has an AI Defense Strategy. This is similar to the EU level, where the new EU Artificial Intelligence Act (AI Act) explicitly excludes military AI.

Secondly, while the political landscape reflects growing engagement with military AI questions, European governments prioritise regional suppliers, mainly driven by concerns about sovereignty and dependence on American tech. The dynamics of the AI landscape, regulatory frameworks, and geopolitical considerations are complex. However, emerging new players like NATO's Innovation Fund indicate a growing recognition of the need for innovation and collaboration. As the industry and policymakers navigate these challenges, the future trajectory may witness a more open and dynamic environment that fosters the integration of cutting-edge technologies into defence.