

Hard Truths from the Munich Security Conference

This past week, I joined a BCG team at the Munich Security Conference. MSC began in 1963 and is an independent global forum bringing together about 350 governments leaders, heads of international organizations, leaders of armed forces, and representatives from the sciences, civil society, business, and media to discuss security challenges.

A big emphasis this year was how Europe can increase its ability to protect itself and decrease its dependence on the US. These issues long predate the new US administration and its push for NATO countries to ramp up their own defense spending. In fact, many military leaders welcome this push and hope it will cause Europe to invest more and move faster.

One very senior European general illustrated the situation for me by saying that Russia is now building 1,000 to 1,500 tanks per year while non-US NATO countries have a total of 700 tanks in stock.* According to another European general, Russia produces the same amount of ammunition in three months that the whole of NATO—from Vancouver to Ankara—produces in a year, despite the fact that Russia's GDP is lower than Italy's.

But Europe's defense issues go beyond weapon stocks to a [defense innovation readiness gap](#), including lower adoption of AI and other advanced technologies. There are also the political challenges of raising spending levels above 2% of GDP, the slow and costly process of procurement, and the lack of harmonization among

countries dealing with different levels of threat and political situations.

“A New Sheriff in Town”

Those were the words of J.D. Vance, the US vice president, in a confrontational and sharply critical speech of European democracies while at MSC. Vance also met with the leader of the far-right Alternative for Germany party in advance of this weekend’s election in that country. President Trump reached out directly to President Putin, while US Treasury Secretary Scott Bessent requested 50% of Ukraine’s critical minerals in exchange for US support. Meanwhile, the US government has made multiple statements implying Europe will not be directly involved in Russia-Ukraine peace negotiations.

Christoph Heusgen, the chair of MSC and former German ambassador to the UN, called the situation “[a European nightmare](#).” These views, including some substantial frustration with the US, were echoed in multiple private conversations.

What Does It Mean?

I will not pretend to know how this will shake out: Whether the words of the new US administration will be tempered or doubled down on. Whether a new negotiating posture will lead to peace and stronger security arrangements. Whether traditional alliances will be sustained or deeply fractured. Whether multilateral frameworks will be bruised or broken.

But I left with three questions that I think should be on the minds of business leaders:

1. Ben Franklin famously said at the signing of the US Declaration of Independence, “We must all hang together, or assuredly we shall all hang separately.” Many European leaders may be feeling the same way right now, but it is not clear if they will be able to overcome the large barriers to closer collaboration in addressing concerns over security, the economy, and competitiveness. How can companies

encourage European leaders to pursue the collaboration that will be critical to [sustained prosperity and security](#)?

2. Multiple speakers highlighted how China could become stronger in the months ahead, positioning itself as a preserver of international stability and multilateralism. This is in direct contrast to the ratcheting of pressure by the US on China and the disruptive nature of China's trade imbalance with many countries. How can the leaders of global companies best monitor and adapt to the role of China in a reshaped world order?
3. Until this past week, I have been cautiously optimistic about the impact of new tariffs, assuming countries could negotiate arrangements with the US. But now, outside of relations with India and Japan, it feels as if the risks of sharper confrontation and retaliation are higher. Are your trade and tariff scenarios broad enough to include these more dramatic outcomes, even as we hope they can be avoided?

It's critical to bring these questions into leadership team and board meetings and to keep a focus on building geopolitical awareness—and muscle.

Until next time,



Rich Lesser
Global Chair

* External reports show that the number of modern tanks owned by European NATO countries is approximately 2,700. Among those, 800 to 1,600 are currently deployable.

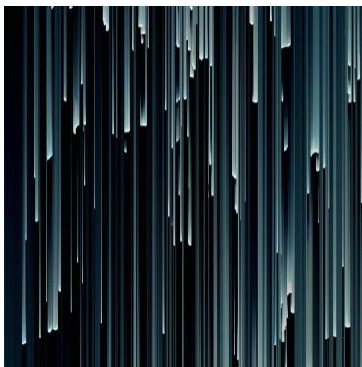
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BCG at the Munich Security Conference

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TOP INSIGHTS FROM MSC 2025



Overcoming the Six Unspoken Barriers That Impede Defense Innovation

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Building European Defence Capabilities for a More Uncertain World

Defence ministries need to adopt a more agile and anticipatory approach, but they face six broad types of challenges in adapting to the current environment.

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