



# GERMANY'S PERCEPTION OF THE EU DEFENCE INDUSTRIAL "TOOLBOX"

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## ABSTRACT

Over time, the European Union (EU) could gradually become a major player in the EDTIB, the European Defence Technological and Industrial Base. In recent years, it has developed several initiatives to support defence industrial cooperation between Member States and their defence companies<sup>1</sup>. For European capitals, this represents a major paradigm shift. How do they see this new role that the EU, and the Commission in particular, are in the process of acquiring? What is their perception of the EU's toolbox for supporting the EDTIB?

To answer these questions, the Ares Group has decided to launch a series of seven papers (comments) on as many European countries. In this paper, Jana Puglierin examines how Germany principally welcomes Brussels' efforts to boost European defence capabilities by launching initiatives to create a resilient, competitive, and innovative EDTIB. However, she states that the potential of the EU initiatives is seen as rather limited in Berlin and that the German government is reluctant to invest much energy or resources to advance them. A NATO-first approach, a missing European link of Germany's *Zeitenwende*, the reluctance to give up sovereignty and control as well as growing financial constraints all prevent Berlin from seeing the full potential of the EU as an "enabler" of an increased European defence capability.

**Keywords:** Germany / EU / Defence Industry / European Commission / EDF / EDA / European Defence

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<sup>1</sup> These initiatives are in addition to those carried out under the framework of the European Defence Agency (EDA), and include, among others, the European Defence Fund (EDF), the Permanent Structured Cooperation (PESCO), the European Peace Facility (EPF), the European Defence Industry Reinforcement through common Procurement Act (EDIRPA), the Act in Support of Ammunition Production (ASAP), the European Defence Industrial Strategy (EDIS) and the future European Defence Industrial Programme (EDIP).

## ABOUT THE AUTHOR



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The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (IRIS), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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At the annual Bundeswehr Conference in November 2023 in Berlin, I had the chance to ask German Chancellor Olaf Scholz how he intends to advance the coordinated build-up of European military capabilities.<sup>2</sup> Is it through projects such as the European Sky Shield Initiative (ESSI) with Germany in the lead? Is it through European Commission initiatives? Or is it through multilateral cooperations between a few European countries such as FCAS, with ownership being shared more or less equally among the parties involved?

In his key-note speech that day, Scholz had already described ESSI as the *“starting point for even closer armaments cooperation in Europe”* and emphasized that such cooperation was important not only for financial but also operational and logistical reasons as well as alliance management<sup>3</sup>. In response to my question, Scholz stressed that Germany would now more often invite its partners to join its defence acquisition projects, and that the feedback he received from other countries on ESSI had been positive throughout. Scholz concluded: *“The European Union can make a small contribution, but I don’t think it should be overstated because our defence alliance is NATO – this is what we must bear in mind when we are considering such arrangements. Nevertheless, it is of course good for the EU to focus on driving forward joint investment and procurement projects as well as joint development projects. However, we should not overestimate the dimensions – you know how much money is involved.”*

The Chancellor’s response, in a nutshell, captures many aspects of Berlin’s current attitude towards the EU and its efforts to expand its defence-industrial competencies and instruments: The government principally welcomes Brussels’s efforts to boost European defence capabilities by launching initiatives to create a resilient, competitive, and innovative European defence technology industrial base (EDTIB). However, the potential of the EU initiatives is seen as rather limited. Consequently, the government is not investing much energy or resources to advance them. Berlin especially does not want the European Commission to play a greater role at the expense of national capitals.

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<sup>2</sup> See the recording of the Q&A session with Chancellor Olaf Scholz at the Bundeswehr conference "Shaping the new era" on November 10, 2023 in Berlin. [https://www.youtube.com/watch?v=VCDULp\\_gyQk](https://www.youtube.com/watch?v=VCDULp_gyQk).

<sup>3</sup> Speech by Federal Chancellor Scholz at the Bundeswehr conference "Shaping the new era" on November 10, 2023 in Berlin. <https://www.bundesregierung.de/breg-de/aktuelles/reden/rede-von-bundeskanzler-scholz-bei-der-bundeswehrtagung-zeitenwende-gestalten-am-10-november-2023-in-berlin-2236184>.

Four considerations are important to understand the German vision of the EU toolbox.

## GERMANY'S NATO FOCUS

Firstly, as Olaf Scholz stated, NATO remains Germany's principal framework for the defence of Europe. To this day, Bundeswehr planning is almost exclusively oriented towards NATO processes. From a German perspective, the transatlantic alliance is seen as indispensable for Europe's security, and it is crucially important to keep the US engaged. Germany's core interest is to strengthen the European pillar within NATO<sup>4</sup>. Thus, hardware and software on which European armed forces run must be NATO-compatible: integrated and interoperable. This NATO-first approach has led to a deep-rooted scepticism, particularly in the Ministry of Defence, but also in the wider security policy community, towards all efforts to strengthen the role of the EU in this area – even more so since the shock of Russia's full-scale invasion of Ukraine. Behind this are concerns that any such moves could alienate Washington at a time when its future commitment to the alliance is all but certain. What former defence minister Annegret Kramp-Karrenbauer wrote in an op-ed for *Politico* in the run-up to the US presidential election in November 2020 still rings true for many Germans: *"Illusions of European strategic autonomy must come to an end: Europeans will not be able to replace America's crucial role as a security provider."*<sup>5</sup>.

To this day, the potential of the EU as an "enabler" of an increased European defence capability – by providing a framework and incentives for the development of European capabilities that can then also be used within the NATO framework – is not fully recognized in Berlin. The explicit link between the strengthening of EU instruments and a stronger European pillar in NATO, which, for example, Commission President Ursula von der Leyen referred to in her keynote speech at the 2023 EDA Annual Conference<sup>6</sup>, is rarely made. What is lacking is a strategic vision of the role the EU could play in European defence.

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<sup>4</sup> See Federal Foreign Office (2023). Robust. Resilient. Sustainable. Integrated Security for Germany, June 2023, p. 31. <https://www.nationalesicherheitsstrategie.de/National-Security-Strategy-EN.pdf>

<sup>5</sup> See Kramp-Karrenbauer (2020, November 2). A., Europe still needs America. *Politico Europe*, <https://www.politico.eu/article/europe-still-needs-america/>

<sup>6</sup> See von der Leyen, U. (2023). Keynote speech by President von der Leyen at the EDA Annual Conference 2023: Powering up European Defence, 30 November 2023. [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_23\\_6207](https://ec.europa.eu/commission/presscorner/detail/en/speech_23_6207)

## THE ZEITENWENDE'S MISSING EUROPEAN LINK

Secondly, few of the funds that have become available through Olaf Scholz's pledge to invest two per cent of Germany's gross domestic product in defence and the creation of the €100-billion special fund to modernize the German armed forces are being used to promote European solutions to address the Bundeswehr's capability shortfalls. Admittedly, the German government remains politically committed to the European armaments projects Future Combat Air System (FCAS) and Main Ground Combat System (MGCS) and is willing to provide the financial means<sup>7</sup>. However, following the Russian invasion of Ukraine, Germany's priority was to close capability gaps as quickly as possible through market available equipment with a proven track record. Instead of European solutions, which are often being seen as too time-consuming and complex, the German government opted to buy "off the shelf".<sup>8</sup> This resulted in a shopping list of mainly American-produced weapons systems, including the F-35 fighter jet to maintain Germany's participation in NATO's nuclear sharing arrangement or the Chinook heavy transport helicopter. In the case of the German government's "European" flagship project, ESSI, the two most expensive systems to be procured together are the US Patriot and the Israeli-US Arrow 3. The resulting defence industry dependencies will last for decades. Parts of the German defence industry therefore criticise the German government's increasing reliance on US systems, arguing that Berlin is failing to protect its own interests, such as the ability to independently develop or maintain the systems after purchase.<sup>9</sup> However, the German government seems to hope that these ties will keep Washington involved in European security. It remains to be seen how this will play out with the new American administration after the 2024 presidential elections in the United States.

Even before the Russian invasion of Ukraine, Berlin's interest in a more integrated EU defence industry policy was rather moderate. As a result, defence experts have rightly pointed out that Germany's self-image in the area of European defence policy, "characterized by a supposed pioneering role in European integration projects," does not correspond to the actual reality. In its strategy paper on strengthening the security and defence industry published in 2020, the German government committed itself to "work towards greater industrial consolidation in Europe through various measures" and to "support the necessary processes within the scope of its possibilities in order to promote economic synergies and strengthen coherence".

<sup>7</sup> See Federal Ministry for Defence (2023). 17. Bericht des für Rüstungsangelegenheiten, June 2023. <https://www.bmvg.de/resource/blob/5639826/45547a72b96fb60d6d82f061913d9d3a/17-ruestungsbericht-data.pdf>

<sup>8</sup> See Mehrer, A. & Puglierin, J. (2023). Deutschland in Europa. *Aus Politik und Zeitgeschichte*, 17/2023, 16-21.

<sup>9</sup> See Mühlfenzl, M. (2023, November 6), Gewerkschaft macht sich für deutsche Waffen stark, *Süddeutsche Zeitung*. <https://www.sueddeutsche.de/muenchen/landkreismuenchen/taufkirchen-airbus-hensoldt-ruestungsindustrie-ig-metall-1.6299059>.

In particular, the European Defence Fund (EDF) is mentioned in the paper as having the potential to "become an important catalyst for an increasingly integrated European defence industry". On the other hand, according to experts, Germany's participation in EDF projects is "still below average compared to Germany's economic and defence industrial weight in Europe".<sup>10</sup>

Representatives of the German defence industry regularly point out that other EU member states coordinate much more closely with their domestic industry than Germany does. They also complain that there are still numerous obstacles in the defence ministry's own procurement processes that prevent the efficient use of EU instruments. Industry is particularly critical of the lack of a budget line in the defence budget for co-financing EDF projects.<sup>11</sup>

## KEEPING SOVEREIGNTY AND NATIONAL CONTROL

Thirdly, Germany prefers to enhance European cooperation without giving up sovereignty to the EU institutions. Berlin continues to be rather sceptical about an expansion of the European Commission's competencies in defence and favours the procurement of military equipment remaining largely in national hands. During the negotiations on the "Act in Support of Ammunition Production" (ASAP), the German government criticized that an early proposal would have given the Commission the right to intervene in the European arms market – something that the German government considered to be neither appropriate nor necessary, and most certainly not covered by the EU treaties. Supported by a majority of member states, Berlin successfully called for the deletion of the corresponding regulations in the relevant Council working group.<sup>12</sup> In a recent non-paper on the European defence industry strategy, Germany, together with Sweden, Italy and France, stressed that future Commission proposals regarding defence integration must be "appropriate, necessary and proportionate".

No less important, though only mentioned behind closed doors, is the suspicion that the Directorate-General for Defence Industry and Space, led by French EU Commissioner Thierry Breton, serves merely as a vehicle of Paris' industrial interests. Germany largely shares Italy's

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<sup>10</sup> See Hellemeier, L. (2023). Die Rolle Deutschlands im Europäischen Verteidigungsfonds. Vom wohlwollenden Desinteresse zum Führungsland? *Europäische Sicherheit & Technik*, 12/2023, 23-26, p. 26.

<sup>11</sup> These assessments are based on background discussions between the author and representatives of the German arms industry.

<sup>12</sup> Pugno, A. (2023, June 14), EU countries team up to cancel bloc's ammunition production boost plan. *Euractiv*, [https://www.euractiv.com/section/defence-and-security/news/eu-member-states-team-up-to-cancel-blocs-ammunition-production-boost-plan/?\\_ga=2.102762304.1500884850.1702031216-212648131.1701422496](https://www.euractiv.com/section/defence-and-security/news/eu-member-states-team-up-to-cancel-blocs-ammunition-production-boost-plan/?_ga=2.102762304.1500884850.1702031216-212648131.1701422496).

concerns about France's role in EU defence, as highlighted in the ARES 'comment' on Rome's vision of the EU toolbox.<sup>13</sup> However, instead of taking this as an opportunity to invest in a stronger presence in the EU Commission in order to influence the decision-making processes from within, Germany continues to be massively underrepresented in all Brussels institutions. Very few German officials have gained experience in the various EU bodies tasked with executing its CSDP. In Berlin, the group of practitioners and experts who are knowledgeable about the EU defence toolbox is relatively small.

The preference for keeping things under German national control also extends to the European Defence Agency (EDA). Regarding the joint procurement of 155mm ammunition for Ukraine, Germany has not joined the framework agreements that the EDA has concluded with defence contractors in recent months. Instead, it prefers to act as lead nation itself and to open its contracts to partners such as the Netherlands, Denmark, and Estonia. Berlin sees this path as faster, more effective, and less bureaucratic than going through the EDA.

## GERMANY'S BUDGETARY WOES

Fourthly, money is a constraining factor and the German constitutional court's ruling from 17 November 2023, which designated the financing of Berlin's €60 billion climate and transition fund as unconstitutional, further constrained Berlin's financial leeway. To date, Berlin has provided a quarter of European Peace Facility funds in line with its relative gross national income among EU countries, thus making it the largest contributor. Especially during the first year of Russia's full-scale war against Ukraine, when Germany was subject to fierce criticism from Central and Eastern European partners for being too hesitant in supplying weapons, Berlin felt its significant contributions to the EPF not being appreciated appropriately. In addition, Berlin suspected some partners of exploiting the fund by donating outdated gear to Ukraine and then seeking reimbursements for new, more modern replacements. The German government is therefore now proposing that in-kind donations should be taken into account, so that countries could count towards their contributions to the EPF what they have provided to Ukraine in training or materiel through bilateral channels.<sup>14</sup> For Berlin, there is no question about continuing to support Ukraine for "as as it takes", but it does seek greater control over what German money is being spent on.

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<sup>13</sup> Marrone, A. (2023), Italy's Perception of the EU Defence Industrial "Toolbox", ARES Group #87 – Comment. <https://www.iris-france.org/wp-content/uploads/2023/11/ARES-87-Comment.pdf>.

<sup>14</sup> These assessments are based on background discussions between the author and officials in Berlin and Brussels.

To summarize, while the German government indeed wants to strengthen Europe's foreign, security and defence policy structures, the EU instruments to promote the EDTIB are so far only seen as a small contribution to achieving this larger goal. The current German government, under pressure to act to make up for decades of disinterest and underinvestment in defence, seems to prefer to follow its own path, based on Germany's national interests and priorities, and to invite other European partners to join its initiatives. In that, Berlin risks trading short-term gains in procurement efficiency for the EU's long-term ability to boost and sustain Europe's defence build-up.

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