



Security Policy Working Paper, No. 12/2018

A Backward Roll in Exports? The Coalition Agreement Does Not Solve Problems Concerning the Bundeswehr and the German Defence Industry

by Joachim Weber

The coalition agreement has been finalised, the ink has dried, but there has been no change as regards the real problems. There remains a need to clarify the issues of how an improvement in the Bundeswehr's equipment, an improvement in European armaments cooperation and the maintenance of the German arms industry, whose strategic importance is underestimated, are to be achieved in view of the parameters now planned. What is going wrong here and what are the prospects of realistic steps being taken to maintain national core capacities?

The 2018 coalition agreement has been finalised, and the 12th of 13 chapters outlines the ideas of the fourth Merkel cabinet on "Germany's responsibility for peace, freedom and security in the world". This is setting the sights very high when consideration is taken of the fact that the Bundeswehr is currently having trouble accomplishing even the core elements of its ongoing missions and commitments. It is now a truism that after a quarter of a century of enjoying a "peace dividend", the armed forces no longer have adequate equipment and funds. As Armed Forces Commissioner Hans-Peter Bartels (SPD) puts it, the armed forces "as a whole cannot at present be deployed in support of collective defence".

In view of such assessments, which are in essence shared by a number of serious security policymakers, the question is what vigorous steps are provided for in the 2018 coalition agreement to change the unsatisfactory situation. Three issues are concerned: the first is the strategic focus of Germany's future security policy; the second is the provision of funds for defence purposes; and the third is the use of these funds in the armaments sector. This paper only touches on the first two issues so to enable the strategic challenges to be understood and put into context. A closer look is taken at structural challenges in armaments planning and export. The insight that it is impossible to achieve any pre-defined strategic objectives without arms and equipment seems trivial at first. The public debate in Germany clearly shows, however, that structural defence prerequisites in the shape of an armaments policy and the related issue of armaments export are evidently not recognised at all – perhaps because the debate of these issues automatically transforms into a moral discourse in the majority of cases. The paper is therefore aimed at also encouraging sober political and analytical thought about problem areas of German armaments policy.

Steps Forward, Steps Back

Published in the summer of 2016 (3rd Merkel cabinet), the latest white paper gave the impression that the spirit of *realpolitik* could find its way into German defence policy. For the first time, armaments policy was also connected with an avowal to the exporting of armaments for the purpose of both maintaining national key technologies and expanding European cooperation. Other documents, such as the Guidelines on Preventing Crises, Resolving Conflicts, Building Peace, the Federal Foreign Office's "Review 2014 – A Fresh Look at German Foreign Policy" project and the "Charter for the Future", could be interpreted as steps towards the assumption of "more responsibility", as Joachim Gauck, the then Federal President, initiated at the 2014 Munich Security Conference. The Federal Government's repeated declarations of its ambition to get closer to achieving the target of allocating two percent of the GDP for defence spending in the medium term agreed with NATO and vigorously pressed for by the US president are another sign of its good intentions. Measured against these declarations, the contents of the 2018 coalition agreement fall far short of what is expected to attain reliability in defence planning. In spite of a nominal increase of two billion euros per annum, the funds earmarked for the next four years could mean that under the current economic parameters, the Bundeswehr budget will remain slightly below 1.2 percent of the GDP. It is hard to square this with paragraphs 7456-59 of the 2018 coalition agreement. These paragraphs state that the Bundeswehr will "receive the best possible equipment". In view of the current state, which has been documented repeatedly not only by the Armed Forces Commissioner, this is a bold assertion.

No Connection between the Armaments Budget and the ODA/GNI Ratio

What is also surprising is that increases in the Bundeswehr budget are linked to analogue increases for crisis prevention and development assistance: No rise in the ODA/GNI ratio (Official Development Aid, ODA) means that there will be no increase in money for the armed forces either. What factual connection was spotted here and what attempt was made to resolve the situation? It is beyond dispute that connections can exist between development opportunities, fragile statehood, migration movements and humanitarian crises not only in individual cases, but in general. No value is added, however, by simply inverting this loose connection and concluding that security can be improved by intensifying efforts to tackle regional development deficiencies. What security challenges or crises are meant to be addressed using this approach? Will rises in the ODA/GNI ratio help deal with the erratic political style of the new US president? Can European security cooperation benefit from the approach? Will it help resolve the Brexit issue, will it curb China's increasingly aggressive ambitions, or will it maybe even prove to be an answer to Putin's policy towards Ukraine? Would it have been useful against bin Laden or Milošević? Hiding behind the ODA/GNI ratio is convenient, but is yet another way of avoiding the core issue of the debate on Germany's armaments policy and export. It is possible, however, to see the "ODA/GNI lever" the other way round: Raising development cooperation spending, an easier political proposition to boot, is also accompanied by a growth in the defence budget.

German Armaments Technology – An Anchor of Germany's Alliance Capability

This brings us to the key concern of this paper, strategic and structural questions concerning the armaments sector. What initially seems a simple question of equipment (use of German industries or procurement as, for example, in France, Great Britain or the US?) is in fact greatly underestimated in terms of its strategic importance. Despite all the shrinking processes in the past 25 years, the German defence industry's technological prowess is the last asset German security policy can showcase. A look at figures on equipment and operational readiness as indicators of military strength shows that the Federal Republic can hardly be referred to as a regional middle-ranking power anymore and is in little demand as a partner. Despite its indisputable fundamental loyalty to the Atlantic Alliance, Germany also goes its own ways and takes a far more pacifist stance than Great Britain and France. The idea of Germany using military power to assert its interests is rejected vociferously and vehemently by some sectors of society. Consequently, the country's importance as a cutting-edge provider of armaments technology is the only thing it has left to make itself heard in major security matters

and consolidate its position. Projects such as the spread of Leopard 1 and 2 main battle tanks across Europe, participation in the Tornado or Eurofighter and the export of German submarines and frigates testified in the past to Germany's importance as a European armoury and system supplier. Although these aspects of German armaments policy to date are essentially of a political and a strategic nature, they have so far been ignored completely in the debate. Countries that are no longer willing to shape developments themselves will soon find them being shaped by others and also lose options for taking action in other fields of politics.

Europeanisation Does Not Increase the Size of Markets, Exports Remain a Necessity

It is clear that the Bundeswehr's own requirements – quantities are meanwhile quite small – can no longer generate what is needed to maintain technological high-end capabilities. Exports are all that remain to make the individual tank, ship or aircraft affordable via scaling effects – indeed, to be able to develop world-class products and produce them with a certain degree of autonomy at all. Although considered a universal remedy by many, European armaments cooperation does not increase the size of markets (and even less so requirements!) and is always a zero-sum game of European armaments industries that, in view of national surplus capacities, will also produce losers. Even if more European cooperation is achieved, it will at best lead to a reduction in unit costs. That is a good thing basically and has been experienced for decades in the air armament sector (particularly by Airbus), but it is primarily based on exports.

Where cooperation fails, the results are disappointing, as the Airbus A400M and – to a lesser extent – the Eurofighter have illustrated. A similar path was taken recently in the French-German KNDS (KMW+Nexter Defense Systems) cooperation project for land systems – it remains to be seen whether it will achieve its aim. There is no such project at present in the naval sector. Instead of building an “Airbus of the oceans”, five groups are competing fiercely and, due to unequal national conditions, not always fairly and transparently in the surface vessel sector: the Fincantieri Cluster from Italy, the Naval Group (formerly DCNS) from France, the Damen Shipyards Group from the Netherlands, Navantia from Spain and ThyssenKrupp, Lürsen and German Naval Yards from Germany. In the European submarine market, the Naval Group and ThyssenKrupp Marine Systems are competing with each other. Owing to the strong commitment of the French government, the Naval Group/DCNS has scored a lot of points in the export market in recent years. The German-Norwegian partnership established to build Type 212 CD submarines agreed in 2017 shows, however, that Germany is still a leader in technology and capable of turning this into European cooperation projects with partners, as in the case of the Type 212/212A submarine jointly developed with Italy. Given the Dutch requirement for submarines, for example, an attempt should be made to expand cooperation among the Northern European countries and counter the intensification of collaboration in the making between the Naval Group and Fincantieri, the bigger players.

National Core Expertise Must Be Defined and Protected

With cooperation, there is no way of evading the question of what national capabilities Germany should maintain for its own industrial base. In view of the country's position as a leader in submarine technology, cooperation projects under the roof of a German manufacturer are the obvious choice in the sector, but this cannot necessarily be applied to other sectors. In the surface vessel sector, it has to be acknowledged that all the other players are no less capable than Germany. It is quite clear that governments are called upon to boost their national expertise and work to both pool it and preserve it as national key technology, to include backing it up through exports. Paragraph 7576 f. of the Coalition Agreement gives the impression that at least defence policymakers are aware of the connection between national sovereignty and key technologies. In contrast, repeatedly evoking Europe as an adequate solution is nothing but voicing empty words if interests and the policies derived from them remain unclarified and only diverts attention from the real problems. The first thing that is called for is a national decision to be taken on the basis of an accurate analysis and a political will; the next step can be to check the extent to which an objective in the armaments field

could be achieved easier or better by way of a European solution. Maritime armament in particular continues to be the most innocuous even with regard to export policy, since warships are not used against demonstrators. Should deliveries to all the nations involved in the Yemen war now be suspended according to the 2018 Coalition Agreement, this lack of differentiation would be surprising. In view of the misery in Yemen, it goes without saying that no small arms, bombs or artillery ammunition should be delivered to warring factions. But why should it be necessary to suspend the delivery of unarmed patrol boats to Saudi Arabia intended to protect the country's coastlines? Why should Egypt no longer get German submarines, even though it is less involved in Yemen than, for example, the US owing to President el-Sisi's reserved intervention policy? A foreign policy with a high-handed, but ill-conceived moral impetus behind it is of no benefit to security policy and certainly not to international cooperation. Responsible policymakers must rather explain to the electorate what is useful and what is not instead of hiding behind its moods.

France – A Difficult Cooperation Partner

France must be considered the most likely cooperation partner at present; anything seems possible. It will be the leading EU military power once the UK has left the Union. Despite having less economic power and a smaller population than Germany, France's need for defence materiel is no lower than Germany's. Ideal conditions for an association? Hardly so, because it is more difficult to enter into cooperation with France than with any other partner as French governments have always had greater ambitions since 1945 than "simply" ensuring the defence of their country. France is concerned about its standing in the world and about the maintenance of its status as a major power with supraregional interests that go well beyond the borders of the EU. President Emmanuel Macron, who calls himself a "convinced European", does not differ in any way from his predecessors in this and is maybe even more aggressive. From the strategic point of view, Macron's intention to strengthen the EU's capability to intervention action at dangerous flashpoints at the periphery of the Union without being dependent on the USA can only be welcomed. However, what he means by a "European intervention initiative" and a "joint intervention force" is anything but congruent with Germany's concepts. Macron sees France as a geostrategic and leading European military power. Germany should proceed with caution when it comes to deepening cooperation, not only within the PESCO initiative. Otherwise, it could quickly find itself an agent of attempts by France to handle matters in the Francophonie, particularly in the country's former colonies in Africa, in keeping with French interests. In that case, Paris would take the decisions and Germany would merely provide convoy services for French naval forces and air transport for logistic and ground forces deployed to stabilise French areas of influence in Africa without adequate participation in the decision-making processes. Things would be no different in the armaments sector: Paris would take the decisions (and export), while Berlin would provide support as the technical junior partner. Where would Germany's interests lie in helping France to build a special position?

The Strategic Focus Must Be Synchronised – Requirements and Export Guidelines Must Be Harmonised

This would also raise problems for cooperation in the armaments sector. From Germany's point of view, there would be less and less point in building up intervention capacities. If there were no intention of intervening, there would be no need for large amounts of airportable equipment and corresponding units. The focus should rather be on restoring national defence capabilities in the long term. It is also unlikely that there would be any change in the German culture of military restraint. Prior to deepening their partnership, Germany and France would therefore have to synchronise their strategic focus in a way in which Germany would become a little more French and France a little more German, as Sigmar Gabriel, the then foreign minister, recently put it. A lot of thinking and clarifying therefore needs to be done before the verbal euphoria about Europe is matched by a true deepening.

Only after these steps have been taken should a decision be made on what joint requirements the two countries have, how to guarantee equality in decision-making on armaments and, notably, whose rules and what procedures apply for making decisions on exports, which are also necessary in bilateral cooperation. Should export regulations be eased for German industries because France likes to export more? Even France's and Germany's requirements for a new main battle tank would unlikely be enough to generate an adequate sufficient unit price without exports.

Alternatives Must Be Examined

Are other approaches conceivable? For example, it would have been useful, or maybe even better, to draw on Germany's reputation for its Leopard tanks and negotiate a future development approach with the numerous user nations, that is, to establish coalitions of the willing. This is already being done for other high-end army materiel, as the evolving success stories of the Boxer MRAP or the SP 2000 self-propelled howitzer show. The current positive example in the maritime sector is, once again, the Type 212 submarine partnership, which started off with Italy under Germany's technological lead and is now being expanded by Norway. Such a concept would reveal that German defence policy has a function in shaping developments in the armaments sector that requires truly proactive commitment. This can only succeed, however, if Germany not only credibly continues to have a serious interest in maintaining armaments capacities in the long term and render this visible to foreign partners as a lasting aim of its policy, but also that export decisions made are abided by. Hopefully, what applied to many other coalition agreements will also apply to the 2018 coalition agreement: it is merely a guideline and most of what it contains is not further specified. What this means for those responsible for defence and armaments planning is that they must act now! Nobody will pick up a calculator in three years' time and recalculate the ODA/GNI ratio. In view of hugely dynamic global changes, it is high time for a clear analysis to be conducted and clear decisions to be made on how Germany's defence capacities are to be maintained.

Dr Joachim Weber is Senior Fellow at the Institute for Security Policy at Kiel University. He previously worked for more than 15 years in the federal service, including in the armaments division of the Federal Ministry for Economic Affairs and Energy and in the effectiveness/quality standards division of the Federal Ministry for Economic Cooperation and Development.