



German defence policy

Towards a more integrated security framework

August 8, 2017

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Defence up on the political agenda. Usually rather an anathema in German electoral campaigns, defence policy and the question of defence spending have moved into the light of public attention ahead of September parliamentary elections. The debate is fuelled by the experience of the refugee crisis, US criticism of Europe's NATO spending but also regained momentum for European integration, including efforts towards a European Defence Union.

German public supports NATO membership and EU defence integration, majority against increased defence spending. According to polls, most Germans favour a common EU defence and security policy while NATO membership is backed by at least two-thirds. At the same time, a majority of 64% opposes an increase of military expenses.

Current medium-term budget planning not towards 2% NATO objective. The German government initiated a "turnaround in the financing of the Bundeswehr" to meet alliance commitments and adjust to a changing security environment. To reach NATO's 2% of GDP target by 2024, defence expenditures would have to more than double within seven years to around EUR 80 bn. Spending increases planned by the FinMin suggest that the defence/GDP ratio might rather remain close to current levels of around 1.2%. But adjustments of the medium-term budget are common under a new government.

More fiscal leeway for spending increases than many NATO/Eurozone partners. Germany is in a more comfortable fiscal position to reach the NATO target than many other Eurozone/NATO peers. France will cut its defence spending this year to stay in the Maastricht fiscal limit – but at 1.8% of GDP is closer to the NATO objective. More is demanded of other euro area members, such as Spain and Italy with limited fiscal space and defence spending at half the NATO target.

Spend 'better' rather than 'more' - European synergies in the focus. Emphasizing national budget constraints, European initiatives for deeper defence integration pushed by France and Germany focus on better use of resources, interoperability and reduction of duplicity in military expenditures. But expected efficiency gains will not free European governments from the necessity of increasing spending on R&D and modern military equipment.

Mainstream parties agree on international security framework, not on the details. Mirroring the German populace, most mainstream German political parties broadly agree in their commitment to NATO membership and European defence integration. There seems to be a consensus that a more holistic security framework is required, taking into account increasing interconnections between foreign, defence and development policy and even between foreign and domestic policy. Both sides stress the importance of strengthening German development aid towards the 0.7% of GNI OECD target. But while the centre-right parties pledge themselves to the 2% NATO objective, the centre-left reject the implied increase in military expenses.



German defence policy

2016 top 10 defence spenders

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	USD bn	% of GDP	% of world total
US	664.1	3.6	38.2
China	215.2	1.9	12.4
Russia	69.2	5.3	4.0
Saudi Arabia	63.7	10.4	3.7
UK	57.0	2.2	3.3
India	55.9	2.5	3.2
Japan	46.1	1.0	2.7
France	44.2	1.8	2.5
Germany	41.6	1.2	2.4
South Korea	36.8	2.7	2.1

Sources: NATO, SIPRI, Deutsche Bank Research

Defence up on the political agenda

Usually rather an anathema in German electoral campaigns, defence policy and the question of defence spending have moved into the light of public attention ahead of September parliamentary elections. The debate is fuelled by the experience of the refugee crisis, US criticism of Europe's NATO spending but has also regained momentum for European integration, including efforts towards a European Defence Union.

Since Germany joined the European Coal and Steel Community in 1951 and NATO in 1955, European integration and transatlantic military alliance have been the two fundamental pillars of Germany's foreign, security, and defence policy. While with the end of the cold war, the international security environment and quality of security threats and challenges have changed dramatically, Germany's biaxial security framework remained broadly unchanged. Germany's international security role has grown substantially since the 1990s, with German NATO/EU/UN engagement abroad involving missions in the former Yugoslavia, Afghanistan and African countries. Stronger involvement in international military missions reflects Germany's perception of an "increased responsibility" that comes along with its "economic, political and military significance."¹

But even though Germany's annual defence expenditures rank amongst the ten highest globally, compared to the size of its economy (the world's fourth largest), it ranges only in the lower average. At around 1.2% of GDP it is also below the 2% target that NATO members aim to reach by 2024 (see chart 1).

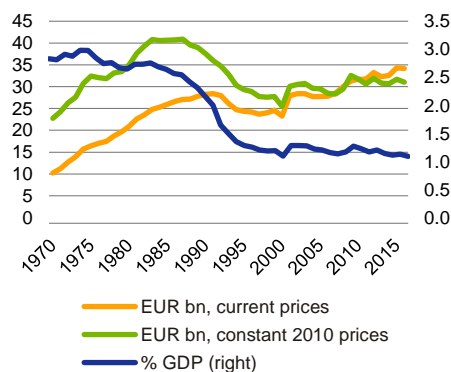
With the end of the cold war, the importance of defence in Germany's government spending declined substantially. This is illustrated by a drop in the German military budget by more than 30% between 1990 and 2000 (adjusted for prices, see chart 2).² Over the same period, the ratio of defence spending to GDP halved from more than 2% to just above 1%. In the early 2000s, the defence budget was raised again in order to account for Germany's increased foreign obligations but – adjusted for price – remained far below pre-unification levels. A major reform of the Bundeswehr (German armed forces) ended military conscription in 2011. Defence spending stagnated and the number of active military personnel declined from almost 250,000 to 177,900 in 2017.

Over the last years, geopolitical disruptions in the EU's neighbourhood such as the Ukraine crisis and turmoil in the Middle East have led to a major rethinking of Germany's defence and security policy. This is reflected in the Bundeswehr 2016 "White Paper" that sees the world "unsettled" by conflicts and Russia "openly calling the European peace order into question". Failing states in the Middle East provide a "breeding ground" for terrorism while cyber security increasingly comes into the focus. In the last months, the debate about the German and European security framework has been strongly influenced by concerns regarding the US commitment to Article 5 of the NATO treaty under the new US administration.³ Much attention was drawn to a recent speech by Chancellor Merkel, where she also depicted Germany's and Europe's changed security environment: "The times in which we could fully rely on others are, to a

German defence spending down in real terms/share of GDP after cold war

2

Defence spending



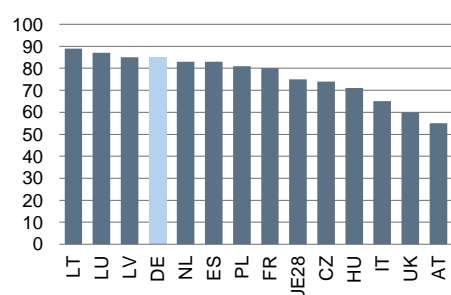
Note: Break in GDP deflator/GDP series in 1991

Sources: Finance Ministry, Statistisches Bundesamt, Deutsche Bank Research

A common defence and security policy among EU member states

3

in favour, % of total respondents



Sources: Eurobarometer (2016), Deutsche Bank Research

¹ German Federal Government (2016): "White Paper 2016 on German Security Policy and the Future of the Bundeswehr".

² Total NATO defence spending declined by 21% (adjusted for prices) between 1990 and 2000.

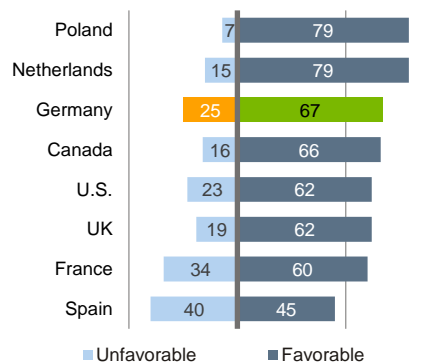
³ The article on "collective defence" states that an attack against one NATO member is considered as an attack against all allies. On the campaign trail, President Trump suggested to link the US commitment to NATO's mutual defence clause to the fulfillment of other alliance members' financial obligations. He endorsed Article 5 during a July visit to Poland.



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Strong NATO support among Germans 4

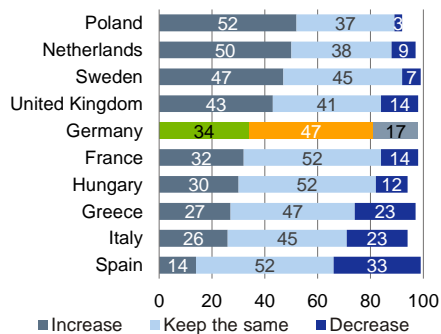
Views of Nato (% of total)



Sources: Pew Research Center (Spring 2017 Global Attitudes Survey), Deutsche Bank Research

Most Germans against increased defence spending 5

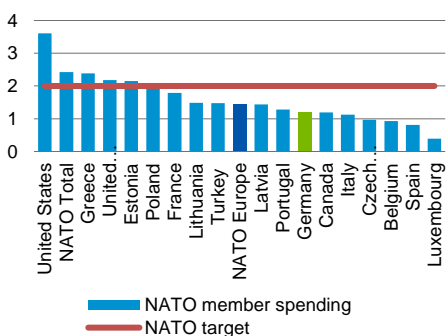
We should ... defence spending



Survey question: "Do you think that we should increase our spending on national defense, keep it about the same or decrease it?"
Sources: Pew Research Center (Spring 2016 Global Attitudes Survey), Deutsche Bank Research

German defence spending below 2% of GDP NATO target 6

Defence expenditures, % GDP (2016, based on 2010 prices)



Sources: NATO, Deutsche Bank Research

certain extent, in the past. We Europeans must take our fate into our own hands more decisively than we have in the past."⁴

In order to meet the military's changed range of tasks, the German government initiated a "turnaround in the financing of the Bundeswehr". It confirmed the aim to meet the NATO spending target as well as the commitment to allocate 20% of defence spending on equipment. In 2016, German defence minister von der Leyen (CDU) identified massive investment needs of EUR 130 bn until 2030 in order to modernise the equipment of Germany's armed forces. Reversing previous trend, also the number of Germany's military personnel was earmarked to rise by around 10% to almost 200,000 until 2024. Big question marks remain, however, regarding the alignment of Germany's ambitious plans to strengthen its military capabilities with current budgetary planning as well as their resonance with the German populace.

German public supports NATO membership and EU defence integration but majority rejects increase in defence spending

The public discussion about Germany's military role and strength within Europe has always been rather ambivalent, not least due to historical considerations that also find expression in the country's preference for 'soft power' and diplomacy. According to the Eurobarometer, 85% of the Germans favour a common EU defence and security policy (see chart 3). Amongst EU-28 members, public support for European defence integration is only stronger in the three Baltic countries. This clear result appears to confirm that the first pillar of German defence and security politics as a European matter is well-anchored in the population. Also the second pillar, NATO membership, is backed by a majority of 67% of all Germans, according to the Pew Research Center. Again, the result is more pronounced than for many EU peers (see chart 4).⁵

However, when it comes to the question of defence spending, a majority of Germans (64% according to a 2017 poll conducted by Pew Research) appears to oppose an increase. This is not a specifically German position (see chart 5). Defence is also certainly not the most important topic in the run-up of September parliamentary elections, with much stronger focus on other domestic politics. But achieving the 2% target by 2024 would require substantial adjustments to the current medium-term budget planning. Public opinion will, therefore, play a major role, in particular if defence spending increases were to come at the expense of other federal budget items.

Chances of a defence spending increase towards the NATO target not least depends on the outcome of the September elections and composition of the next government (coalition). Chancellor Angela Merkel and her conservative party (CDU/CSU) recently reconfirmed their commitment towards the NATO spending goal. Also the Liberals (FDP) support the required spending increases, while centre-left parties (SPD, Greens) oppose them (see below for further discussion).

Current German medium-term budget planning not towards 2% NATO target

In their 2014 meeting in Wales, the then 28 members⁶ of NATO agreed to "aim to move towards the 2% guideline within a decade with a view to meeting their

⁴ CDU/CSU (2017): "Regierungsprogramm 2017 - 2021".

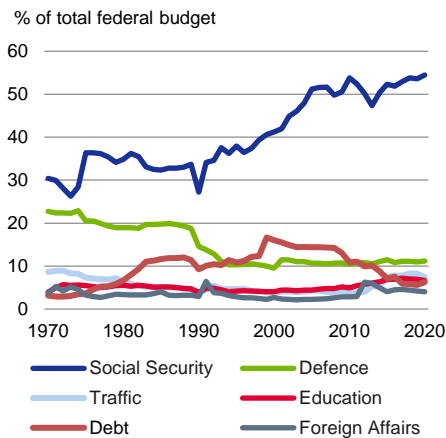
⁵ In the same survey, a majority of Germans opposed the use of "military force" to defend a NATO ally "embroiled in an armed conflict with Russia".

⁶ Montenegro joined in 2017 as 29th member.



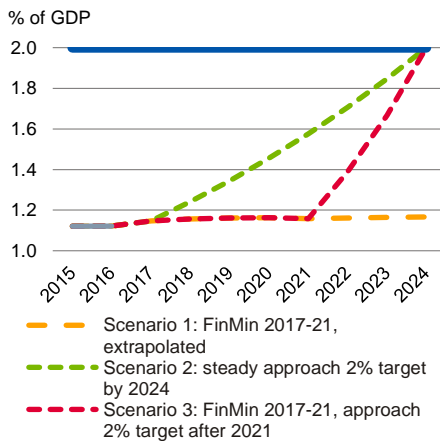
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Defence second largest item in German federal budget 7



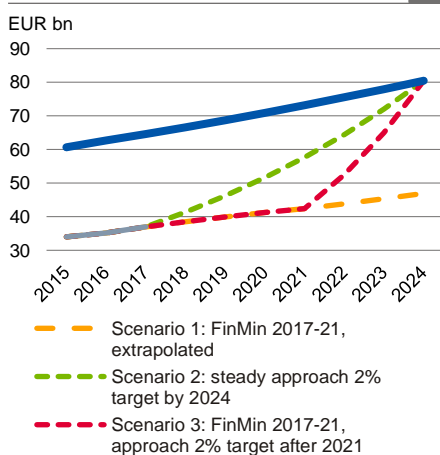
Sources: Finance Ministry, Deutsche Bank Research

Currently planned defence spending not towards NATO 2% target 8



Sources: Finance Ministry, Deutsche Bank Research

Doubling of defence budget required to meet NATO target by 2024 9



Sources: Finance Ministry, Deutsche Bank Research

NATO Capability Targets and filling NATO's capability shortfalls".⁷ Based on NATO estimates, only five alliance members (US, Greece, UK, Estonia and Poland) met this target in 2016.⁸ The other members received harsh criticism from the new US administration at the May NATO meeting in Brussels. Germany's defence expenditures were the Alliance's fourth largest in EUR-terms but compared to its GDP ranked only 16 at 1.2%, below NATO's 2% target and 1.4% average (see chart 6).

The incumbent German government has pledged itself to address the defence spending gap, reflected in substantial increases foreseen in the finance ministry's 2018-2021 budgetary planning. However, it can be shown that these efforts are unlikely to be sufficient in order to meet the NATO target. For 2017, the German 2017 defence budget is set at EUR 37 bn (equivalent to 1.1% of projected GDP, based on the Finance Ministry's economic assumptions).⁹ This is a 5.3% nominal increase compared to the previous year and above the 3.8% increase set for the total federal budget. It also makes defence the second largest spending item (after social security) on the federal budget, accounting for 11% of total expenditures (see chart 7). From 2018 to 2021, the finance ministry's budget planning released in June foresees an average annual increase of the defence budget of 3.5% (or EUR 1.3 bn per annum) to EUR 42.4 bn in 2021. In percentage terms, this is the largest budget raise of all federal ministries, in euro terms the second largest again behind the social security.

However, given that nominal GDP is assumed to grow by an average of 3.2% per year between 2017 and 2021 (Finance Ministry projections), the defence spending to GDP ratio would remain almost unchanged at 1.2% (scenario 1 in chart 8 and 9). Extrapolating the Finance Ministry's GDP projections until 2024, we estimate that a total increase of EUR 43.5 bn over seven years to EUR 80.5 bn in 2024 would be necessary to reach the 2% of GDP target (scenario 2 in chart 8 and 9). This is equivalent to an annual increase in defence spending of 11.7% rather than the 3.5% planned in the budget. In a third scenario, we take the Finance Ministry's budgetary figures until 2021 and then estimate the required spending increases through the remaining three years to reach the 2% target by 2024. The result is a considerable annual spending increase of 23.8% (or EUR 12.7 bn per annum) between 2021 and 2024.

Our scenario analysis shows that reaching the NATO target by 2024 under the current medium-term budget planning appears rather unlikely. However, it is important to note that the budget plan is only a draft prepared by the current government in order to provide the groundwork for next years' fiscal planning. Adjustments of the medium-term budget are common under a new government.

More fiscal leeway for spending increases than many other NATO/Eurozone partners

From a fiscal planning perspective, increasing defence spending towards the 2% of GDP target by 2024 appears to be not unfeasible. Germany's fiscal account has been in a surplus since 2014 and DB forecasts it to remain positive over the next two years (0.5% of GDP or some EUR 16 bn for 2017 and 0.2% of GDP or around EUR 7 bn for 2018). The 2017 update of the Stability Programme projects continued fiscal surpluses on the general government level until 2021.¹⁰ However, spending increases in the German (federal) budget are not only bound by the limits set in the European Stability and Growth Pact and

⁷ NATO (September 2014): "Wales Summit Declaration".

⁸ NATO (June 2017): "Defence Expenditure of NATO Countries (2010-2017)".

⁹ Federal Ministry of Finance (June 2017): "Regierungsentwurf des Bundeshaushalts 2018 und des Finanzplans bis 2021" and Federal Ministry of Finance (May 2017) "Ergebnis der Steuerschätzung Mai 2017".

¹⁰ See Deutsche Bank Research (June 2017): "Germany's fiscal situation".

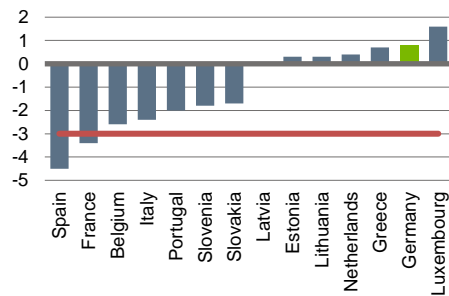


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Euro area NATO members state fiscal balances (2016)

10

General government fiscal balance, % of GDP



Sources: Eurostat, Deutsche Bank Research

Fiscal Compact but also by the stricter “debt brake” included in German Basic Law in 2009. This national law limits the structural fiscal deficit of the federal government (i.e. adjusted for cyclical and special effects) to 0.35% of GDP. This means that even if Germany used all its fiscal leeway – which will almost certainly narrow in the coming years – it could only finance the required EUR 43.5 bn increase without breaking national law, if it implemented compensating measures, i.e. either revenue increases and/or spending cuts elsewhere.

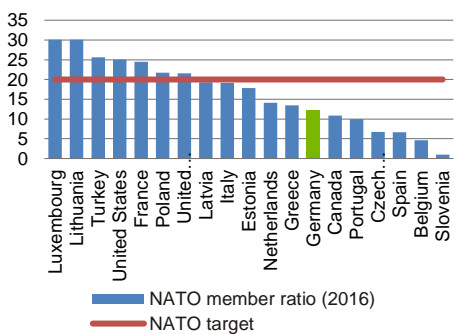
Still, Germany is in a more comfortable fiscal position to reach the NATO target than many other Eurozone partners. In France, President Emmanuel Macron finds himself between two conflicting objectives - his declared commitment to the 2% NATO target and his pledge to meet the 3% Maastricht deficit limit (DB forecasts the French fiscal balance at -3.1% of GDP for 2017). In order to realign the French fiscal balance with the Stability and Growth pact, Macron announced fiscal spending cuts, including a cut of EUR 850 m to France’s EUR 32 bn 2017 defence budget. However, in order to stay on the trajectory to reach 2% of GDP by 2025, he plans defence spending to go up again from 2018. That being said, France’s total effort necessary to meet the NATO target is much lower than Germany’s, with defence spending already at 1.8% of GDP, according to NATO estimates. More is demanded of other euro area members, such as Spain and Italy who only have limited fiscal space within the Maastricht framework and defence spending at only around half the NATO target (see chart 6 and 10).

Spend ‘better’ rather than ‘more’ - European synergies in the focus

German equipment ratio below NATO target

11

Major equipment and R&D (% total expenditures)



Sources: NATO, Deutsche Bank Research

Also with a view to the limited fiscal space of many Eurozone/NATO members, Germany’s revamped security policy guidelines strongly emphasize the need for European defence collaboration to “achieve more synergies and greater effectiveness”. This includes specialisation and interlinkages of European armed forces, increased standardisation in the defence industry and harmonisation of procurement.¹¹

Moving closer towards that target, European heads of state at the June European council meeting agreed on plans for enhanced EU defence cooperation that foresee a “European Defence Fund”, cost sharing for European battle groups and EU military missions of willing countries. Deeper European defence integration is by no means a new or specifically German idea. In fact, it is explicitly foreseen in the EU treaty. But the topic remained dormant over the years, not least due to concerns in the UK that this would overlap with existing NATO capacities. Following the UK’s decision to leave the Union, France and Germany pushed to reinvigorate the plan and received support at a September 2016 meeting of EU defence ministers (excluding UK) in Bratislava.

Emphasizing national budget constraints, European initiatives for deeper defence integration focus primarily on more efficient use of resources, interoperability and reduction of duplicity in military expenditures, as outlined in recent proposals for a European Defence Fund.¹² The aim is to “spend better and improve value for money” rather than a substantial increase in overall spending.¹³ According to EC estimations, the fragmented European defence industry and lack of cooperation on defence and security (90% of R&D and 80% of procurement take place on a national level) costs EU members between EUR

¹¹ German Federal Government (2016): “White Paper 2016 on German Security Policy and the Future of the Bundeswehr”.

¹² For a detailed discussion see Deutsche Bank Research (2017): “Defence spending, fiscal stimulus and European integration”.

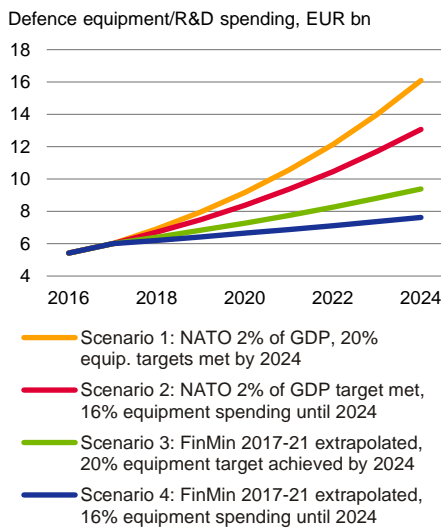
¹³ See European Commission (2017): “Reflection Paper on the Future of European Defence” and European Commission (2015): “In Defence of Europe”.



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Procurement/R&D spending in the German defence budget

12



25 and 100 bn annually.¹⁴ The European Commission thereby stresses the duplication of military systems within the EU – 178 different weapon systems used in the EU-28 compared to only 30 in the US. The European Defence Action Plan (EDAP) aims at addressing this shortcoming by strengthening the European Defence Single Market, reduce duplicity between EU members and bolster competitiveness of the EU defence industry.¹⁵

Living up to their role as engines of European integration, French President Macron and German Chancellor Merkel at a recent Paris summit already agreed on tighter collaboration of the two countries' air forces, including a French-German initiative to develop a "new generation of joint fighter jets" and pushing forward the project to develop a European drone.¹⁶ However, military capabilities are still seen as a key pillar of national sovereignty. This makes a division of labour, be it in the military itself or in key defence industries, a very ambitious project.

20% target for equipment/R&D: boost potential for German/EU defence industry

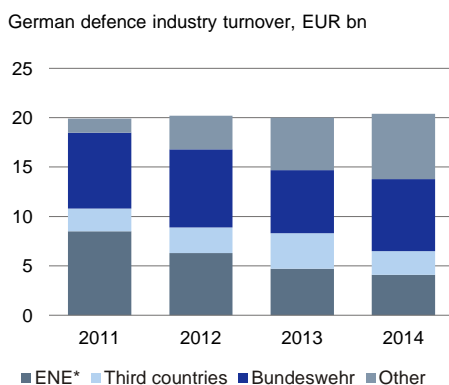
While joint European procurement initiatives will help to use EU military resources more efficiently – they cannot compensate for the fact that overall European and German defence investment spending is generally rather low, compared to major peers. According to the Commission, the EU-28 spends an average of EUR 27,639 on R&D and equipment per soldier. This is only one-fourth of the amount that the United States invests on one of their soldiers. This shortcoming has also been addressed in NATO's 2014 "Defence Investment Pledge". On top of their 2% of GDP spending target, NATO members agreed to lift their share of spending for major new equipment and R&D to 20% of this 2% target. According to NATO estimates, Germany undershot this target last year markedly with equipment spending estimated at 12.2% (or EUR 4.6 bn), also below the 13.9% NATO median (see chart 11).

Equipment/R&D spending is estimated somewhat differently in the German defence budget, which foresees an increase of EUR 591 m (or 11% yoy) in total equipment/R&D spending this year to EUR 6 bn (or 16.2% of total). The bulk of additional spending (EUR 404 m) thereby goes to R&D, increasing its share of total spending to 3.1% compared to 2.1% in the previous year. In a scenario, where Germany aims to meet both the 2% of GDP spending target (as discussed above) and the 20% equipment target by 2024, this would translate into substantial additional spending on procurement and R&D. Spending on new equipment, research and development would have to rise by 170% to EUR 16 bn in 2024, according to our estimations (see scenario 1 in chart 12). This would translate into total cumulative equipment spending of around EUR 77 bn between 2018 and 2024. It compares to only EUR 48 bn in scenario 4, where defence spending remains at 1.2% of GDP, equipment/R&D at 16% of total.

Additional military materiel spending on such a scale would also mean a massive boost to the German (and also European) defence industry that would receive the bulk of additional defence contracts. In 2014, Bundeswehr procurement accounted for 36% of the German defence and security industry's EUR 20.4 bn turnover (see chart 13).¹⁷ However, the macroeconomic impulse of increased equipment spending can be expected to be rather minor, with

German defence industry

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¹⁴ European Commission (2017): "A European Defence Fund: €5.5 billion per year to boost Europe's defence capabilities".

¹⁵ See European Defence Agency (2017): "Commission proposes EU defence fund as "crucial step" to boost defence industry".

¹⁶ See German Council on Foreign Relations (July 2017): "A revolution for Europe's defense industry".

¹⁷ See VDI TZ (2015): "Analyse der strukturellen Lage der Verteidigungsindustrie in Deutschland".

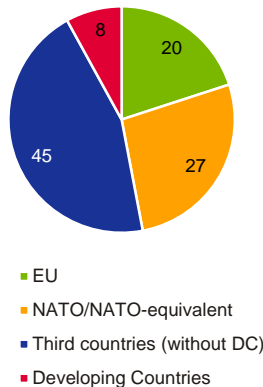


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German arms exports - more than 50% to third countries

14

Destination, % of total (2016)



Sources: Federal Ministry for Economic Affairs and Energy, Deutsche Bank Research

additional spending towards the NATO 20% target estimated at only around 0.1% of GDP between 2018 and 2024. This also reflects the German defence and security industry's relatively low weight from an economic perspective, with a contribution of only around 0.5% to 1.1%¹⁸ of total German gross value added in 2014.¹⁹

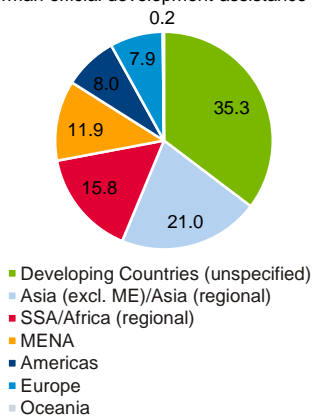
Mainstream parties agree on international security framework, not on the details

NATO/EU defence integration: Mirroring the German populace, most mainstream German political parties broadly agree in their commitment to NATO membership and European defence integration. They support the creation of a European Defence Fund, emphasize the necessity to strengthen EU's defence capacities (CDU/CSU)²⁰ or even call for closer European cooperation towards the creation of a European army complementary to NATO (SPD).²¹ They back a strengthening of the "European pillar" of NATO, intensify collaboration between EU and NATO (FDP)²², and "bundle capacities" on a European level (Green Party)²³. In stark contrast, The Leftist Party opposes a European defence Union and European defence fund, rejects closer EU/NATO cooperation and calls for a dissolution of NATO and replacement through a new "collective security system" that includes Russia.²⁴ The far-right "Alternative für Deutschland" (AfD) asks for an "autonomous" German security strategy with focus on national interests and national defence.²⁵

Large share of German development aid reflects in-donor refugee costs

15

% of German official development assistance (2015)



Sources: OECD, Deutsche Bank Research

NATO 2% objective: Centre-right parties (CDU/CSU, FDP) pledge themselves to the 2% NATO objective and further increase of Germany's defence budget until 2024. CDU/CSU plan an increase of military personnel by 18,000 until 2024, modernisation of equipment and strengthening of Germany's cyber-defence capacities. Also the Liberals emphasize modernisation of the Bundeswehr as key and call for a fundamental overhaul of procurement processes. Centre-left parties agree on the necessity to modernise the armed forces but reject the substantial increase in military expenses implied by the 2% target. The Social Democrats want to increase the defence budget in order to close gaps regarding personnel and equipment but calls the rate implied by the NATO target as "unrealistic" and "simply the wrong goal". The Greens do not see the need to increase the military budget at all in order to prepare the Bundeswehr for its changed tasks but rather focus on European collaboration, increased procurement efficiency and security policy prioritisation. The "Leftist" party positions itself against any increases of the defence budget and wants to recall the German armed forces from all foreign operations.

Disarmament, arms exports: Centre-left and leftist parties emphasize (nuclear) disarmament, arms export control and ban of autonomous weapons as crucial factors of global stability. The Social Democrats call for a general export ban for small arms to non-EU/-NATO/-NATO-equivalent countries. They also aim at a more coordinated and restrictive arms exports policy at a European level. The Greens agree on that and ask for a law to restrict all arms exports "massively". They also promote a transfer of arms exports control from the Ministry of Economic Affairs and Energy to the Foreign Ministry and strengthening of

¹⁸ Estimates based on: WifOR (2015): "Der Ökonomische Fußabdruck der deutschen Sicherheits- und Verteidigungsindustrie (SVI)" and Statistisches Bundesamt (2016): "Statistisches Jahrbuch 2016"; 0.5% of GVA direct contribution, 1.1% of GVA including impact on the overall economy.

¹⁹ Gross value added (GVA) = GDP + subsidies on products - taxes on products.

²⁰ CDU/CSU (2017): "Regierungsprogramm 2017 - 2021".

²¹ SPD (2017): "Regierungsprogramm".

²² FDP (2017): "Das Programm Der Freien Demokraten zur Bundestagswahl 2017".

²³ Bündnis 90/Die Grünen (2017): "Bundestagswahlprogramm 2017".

²⁴ Die Linke (2017): "Wahlprogramm der Partei DIE LINKE zur Bundestagswahl 2017".

²⁵ AfD (2017): "Wahlprogramm Bundestagswahl 2017".

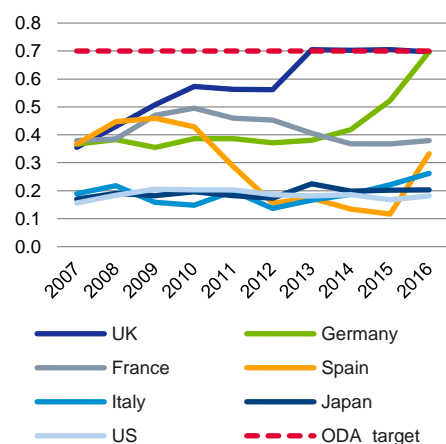


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German development aid hits OECD target for first time

16

Official development assistance (ODA), % GNI



Sources: OECD, Deutsche Bank Research

parliamentary control. The Leftist Party ultimately aims at banning all arms exports and arms production in Germany. The Liberals favour a strengthening of national, European and international guidelines for arms exports but want to keep the export decisions with the executive branch of the government. On nuclear disarmament, the social-democrats call for a withdrawal of all tactical nuclear weapons from Germany and Europe while the Greens and the Leftist party want to withdraw all nuclear weapons from Germany, end Germany's "nuclear sharing" within NATO and support the "Treaty on the Prohibition of Nuclear Weapons" (the treaty was passed in the UN on July 7 2017, with 122 UN nations in favour, 69 nations did not vote, including all nuclear powers and all NATO member except the Netherlands).²⁶ The election manifesto of the German Conservatives does not refer to the questions of nuclear disarmament and arms exports.

Developing aid: All mainstream parties stress the importance of strengthening German developing aid towards the 0.7% of gross national income (GNI) OECD target as a pillar of Germany's international security policy. Facing international criticism regarding its subpar defence spending, the German government repeatedly emphasized the equal importance to meet the commitment to spend 0.7% of GNI (gross national income) on developing aid. Germany is the second largest DAC (Development Assistance Committee) donor in volume, following the US and ranking before the UK, Japan and France.²⁷ In 2016, Germany technically met the ODA target for the first time, even though the strong increase of 36.1% also reflects the doubling of "in-donor refugee costs" (see chart 15 and 16).²⁸ Social democrats and Greens call for achieving the ODA target without taking spending related to refugees based in Germany into account. The conservatives suggest to connect spending increases on developing aid to increases in defence spending at a 1:1 ratio until the 0.7% ODA target is achieved. The Liberals support the idea of a 3% of GDP target for international security spending, including defence, foreign policy and foreign aid (see below).

Conscription: A reintroduction of conscription such as in the case of Sweden is not on any of the mainstream parties' agenda but promoted by the far-right AfD.

Towards a more integrated international security policy

Over the last years, the international and European security landscape has been characterised by dramatic changes. Security threats have become, if anything, much more interrelated and unpredictable. This has increasingly blurred the line between foreign, defence and development policy and even between foreign and domestic policy (as in the Syrian refugee crisis). This challenge seems to be well understood along the political spectrum, with calls for a "holistic" security policy coming from all sides. Importantly, the 2016 "White Paper" on the future of the Bundeswehr for the first time focuses on defence policy mainly as integrated part of a general security framework.²⁹ The transformation of global and European security threats have also been discussed extensively at the Munich Security Conference (MSC). In order to respond to these new challenges adequately, Wolfgang Ischinger, chair of the MSC and former German ambassador to the US came up with a frequently quoted proposal to introduce a new "foreign policy guideline": a 3% of GDP spending target for "crisis prevention, development assistance and defence"³⁰.

²⁶ UN (2017): "Treaty adopted on 7 July 2017 - United Nations Conference to Negotiate a Legally Binding Instrument to Prohibit Nuclear Weapons, Leading Towards their Total Elimination".

²⁷ See OECD (2017): "Development aid rises again in 2016".

²⁸ Reporting of in-donor refugee costs is limited to first 12 months of stay.

²⁹ See Major, Claudia and Mölling, Christian (2017): "Das Weißbuch 2016 und deutsche Verteidigungspolitik"; Bundeszentrale für politische Bildung.

³⁰ See Ischinger, Wolfgang (2017): "More EU foreign and security policy".



German defence policy

This target would integrate the 2% NATO defence goal and the 0.7% ODA goal for development aid.

At a first glance, the introduction of a new spending target by merely merging two “old ones” does not seem to be a ground-breaking idea. However, the proposal is still of substantial value, mainly for two reasons. First, it provides a simple quantitative criterion for the assessment of security politics, thereby helping to formalise the (domestic and international) discussion regarding the relationship between military, diplomatic and civilian dimensions of conflict resolution in the 21st century. Secondly, it might help in building consensus regarding the use of public funds for that purpose, such as in the German case. Binding additional spending on defence/development aid together could be a step into that direction. This could also help to bring the debate about cost sharing of defence and security that has been dominated by US criticism of European NATO spending and uncertainty regarding the new US administration's commitment to NATO's mutual defence clause onto a more constructive trajectory. At the same time, increased spending on development aid should not be understood as a way to “buy oneself out” of riskier – and often at home more unpopular – defence obligations.

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