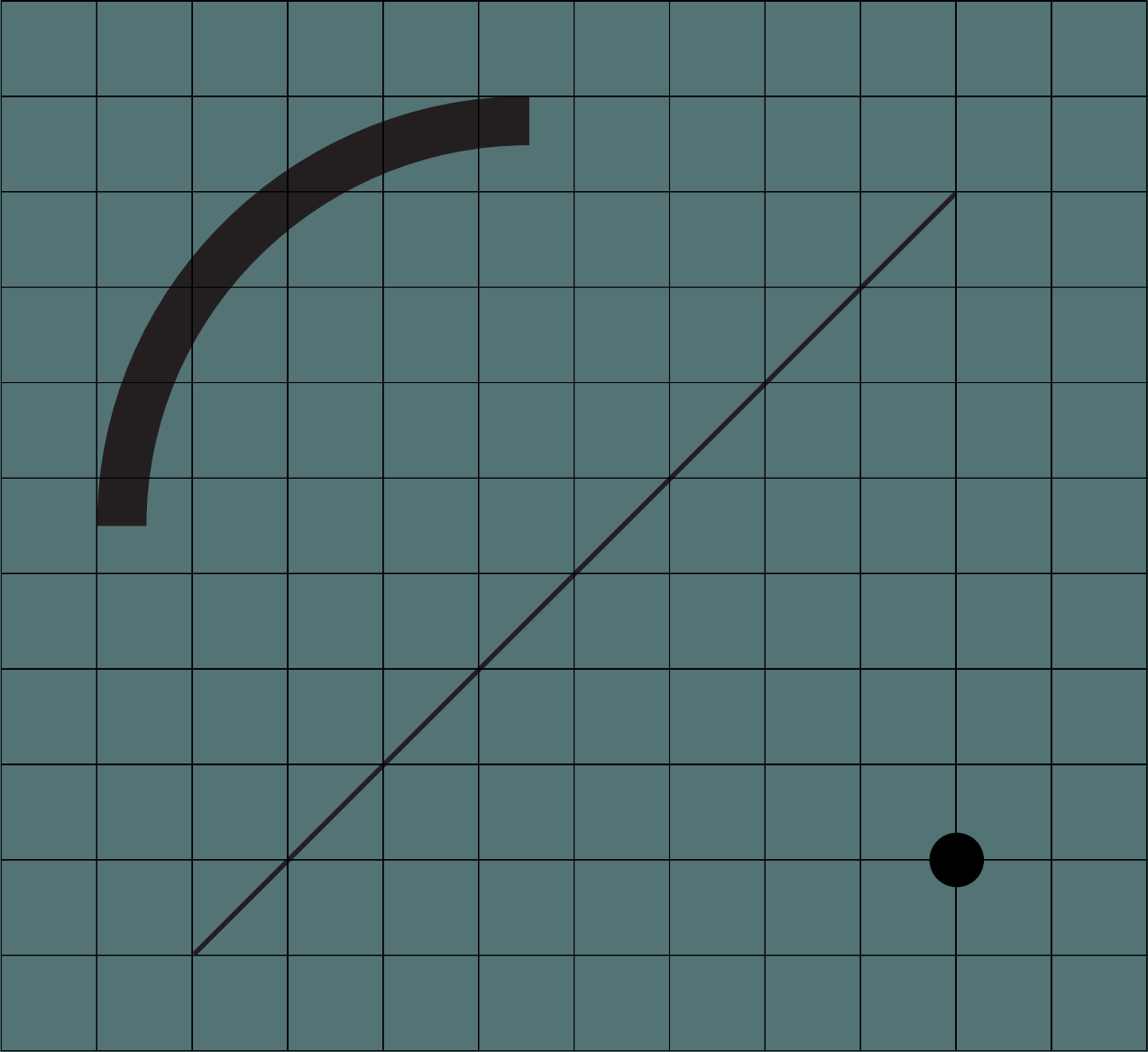


The Conditions of a Franco-German Deal on European Defense

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The Conditions of a Franco-German Deal on European Defense

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Since the German federal elections on February 23rd, President Macron and Chancellor-elect Merz have been engaged in intense and quiet discussions to restart the Franco German engine after years of paralysis. In 2018, President Macron started his presidency by brokering a Franco German declaration with Chancellor Merkel signed in Meseberg and designed to kickstart a new moment for Europe, to no avail. It is important to revisit this moment and understand how to cease the current perilous moment and make it a new opportunity for action. Both Paris and Berlin seem intent on using the building of a new architecture for Europe's security and defense as an opportunity for broader European integration. But we believe there needs to be a clearer understanding on both side of the Rhine about the important concessions that will need to take place. Indeed, Berlin will have to move on a large European defense fund, Paris must be willing to extend its nuclear deterrence and truly Europeanize defense industrial policy, both shaking rather fundamental totems and taboos.

Friedrich Merz has taken cue of the profound changes in the US and urges Europeans to become independent from the US and prepare for a world without NATO. Poland also realizes the depth of the security challenge and after years of benign neglect for Europe's defense integration, finally wants to discuss slipping under France's nuclear umbrella. Fiscally frugal Denmark, which until 2022 had an opt-out from Europe's Common Security and Defense policy now wants the EU to raise common debt to finance its collective defense.

As the world has entered a phase of discontinuities, Europe is potentially on the cusp of a historical step in defense, fiscal and political integration - a European Philadelphia moment. This move, as usual, is largely pre-dicated on whether France and Germany can together take a great leap forward.

Since the turn of the century, the reality is that the Franco German relation has drowned in tension, acrimony and distrust. Berlin saw little need in building a Europe that can spur growth and defend itself, as Europe's largest economy was doing just fine on its own. Paris for its part offered little trust as a European partner, due to a long lagging economy and French voters' ambivalent relation to the European Union (EU) and an economic enfeeblement and fiscal situation that remains a cause for concern.

With Friedrich Merz and Emmanuel Macron, Europe's two crucial Member States have at their helm the most pro-European leaders since the early 90s. And given the fundamental and irreversible reordering of the world imposed by the new Trump administration, there is a real chance to overcome Franco-German frictions and strike a "Grand Bargain" that can set Europe on a new path.

After dozens of hearings and discussions with decision-makers and key figures in Berlin, Brussels and Paris, we are now in a position to define the six coordinates that we believe are necessary to ensure the success of this new major Franco-German convergence. In order to understand them, it is necessary to grasp the political and strategic context in which Chancellor Merz's visit to the Élysée Palace on Wednesday, May 7, will take place.

GERMANY'S TRUE ZEITENWENDE

Paris has been arguing for long that the US could not be relied upon for Europe's security. This moment feels like vindication but France should avoid being vindictive.

Germany is finally coming around to that view. Merz stated on the night of his election that Europe should chart a path independent of the US in defense and that Berlin should be prepared to live in a world without NATO. These are historical tectonic shifts for Germany, whose security has depended on Washington since World War II.

Russia's neo-imperialism, Trump walking away from its security commitments in Europe, while undertaking a trade war and campaigning for the far-right, has led to a new attitude in Germany towards the US and over European defense in general and nuclear deterrence in particular.

Indeed, in line with the results of the Eurobazooka survey, several national opinion polls suggest that since Russia's large-scale invasion of Ukraine in 2022, Germans' attitudes toward the bomb have radically changed. 54 percent of Germans are in favor of Berlin beginning talks with Paris and London on the creation of an independent European nuclear deterrent. 37 percent are opposed and 11 percent undecided. And Germans' trust in France stands at 85%, while a record-low number of only 16% die hard think the US is a reliable partner, suggesting that a window for a discussion on defense with France is opening that until now was entirely moot.

After breaking important domestic taboos, Germany feels that it now has enough fiscal resources to invest in its own defense and economic renewal. This ignores the fact that even with a half trillion euros of defense spending, Germany's security cannot be achieved if the rest of Europe doesn't match this level of increase in defense spending. In addition, assuming the US walks away from supporting and funding the Ukraine war efforts, the EU will have to continue to spend tens and tens of billions euros every year to prevent a Russian victory. Germany would be well advised to fund these European defense efforts jointly or it will be left paying a disproportionate and excessive share of it on its own.

FRANCE'S OWN ZEITENWENDE

In Paris, this is viewed with gusto, but also with the somewhat naïve perception that an easy deal where France would explicitly extend its nuclear umbrella in return for which Germany would underwrite a large common European defense fund largely benefitting the French military industrial complex.

But such a bomb-for-debt deal cannot stand. Politically, it won't fly in Germany. More importantly, it is not enough to build a new and solid European security and defense architecture. France too will have to undertake its own mental and policy *Zeitenwende*, and fundamentally change some of its thinking on defense if Europe shall become strategically autonomous.

First, in its offer to Berlin, Paris must go beyond unilaterally stating in its nuclear doctrine that the vital interest of France would be compromised if Germany were at risk (the formulation underpinning the nuclear policy cooperation between the UK and France in the Lancaster House Agreement). In reality, over the last decades through successive small touch changes to the nuclear policy doctrine, France's nuclear deterrence posture already includes a so-called "European dimension". In 2015, French President François Hollande asked: "Who could believe an aggression endangering the survival of Europe would have no consequences?". In 2020, Macron confirmed the "European dimension" of France's nuclear deterrence strategy in a speech and clearly signaled that he was prepared to go beyond in his March 5 speech following the German elections: "*Mais, répondant à l'appel historique du futur chancelier allemand, j'ai décidé d'ouvrir le débat stratégique sur la protection par notre dissuasion de nos alliés du continent européen*".

But this strategic debate on the future of nuclear deterrence on the continent raises several fundamental questions. Could France accept some level of concertation with Germany and other interested European countries in framing the nuclear doctrine while preserving for questions of credibility the full authority and sovereignty over the "force de frappe"? And maybe more importantly, could France consider extending its umbrella Eastward beyond Germany and the other founding members of the EU to include Poland? What would be the consequences for the current arsenal and its upgrading/extension and importantly, how would this square with Europe's nonproliferation commitments?

Indeed, with the trust on the American umbrella irreparably fissured, the question of nuclear deterrence is now very live in Poland.

In the absence of a credible European nuclear deterrence strategy, it is likely that Poland would seek to become a nuclear power in its own right, potentially in collaboration with Ukraine. This raises potentially

critical questions for France's nuclear deterrence posture, its credibility and suitability. Indeed, explicitly extending the scope of its vital interest to Poland would effectively signal a new posture vis à vis the Baltics and perhaps Ukraine that could be perceived as an escalation by Russia and would not be credible unless accompanied with an important expansion in nuclear warheads and striking capacity.

In this sense, the announcement by President Macron of a new and fourth airbase in Luxeuil-Saint-Sauveur with nuclear capacity to be built in France at the border with Germany is a major move to meet words with deeds along his announcement to hold discussions until summer 2025 with European allies.

Second, given the legacy of German underinvestment in defense, it is only fair that Germany should finance a greater part of European defense efforts today in order to catch up. But that does not mean that Berlin should cave in to France's historical demand for common EU defense borrowing and spending without a real alignment of defense policy more broadly. Indeed, for many in Germany, underwriting France's military industrial complex by a blank check cannot stand. If European debt just finances disjointed national defense spending, it is also not certain that Europe security and defense capacity will increase with maximum effectiveness.

THE GRAND BARGAIN

A fair "Grand Bargain" that really strengthens German and European security thus cannot be limited to defense bonds in return for nuclear deterrence. Instead, it must rely on these 6 steps:

1. European allies must understand that France will not give up its autonomous operational control and decision-making on nuclear deterrence, just as the US has not done so within the framework of NATO nuclear sharing. Instead, France must agree to formulate a concerted nuclear doctrine with European partners to solidify and enhance its extended deterrence capacity. This may include joint discussions on the strategic distribution of nuclear assets and striking capacity across the continent, enhanced cooperation with the UK beyond what is currently established with the Lancaster House Agreement, which could in fact be made plurilateral treaty including Germany and others. And finally, it may lead to a new discussion around France's participation in

NATO's nuclear planning group.

2. Yes, a large EU debt fund will be absolutely necessary to build defense capacities. But the shape, form and governance of this vehicle will be critical. Many Member States are reluctant to see the European Commission and the EU expand their role in defense and would therefore prefer an intergovernmental mechanism to facilitate this common borrowing.¹ We think it would be wasted opportunity for the EU to integrate fiscally better and read the benefits of a deeper and broader issuance of safe assets. This would certainly create intricate legal and institutional questions given the prohibition for the EU budget to finance defense operation, but can certainly be addressed. More importantly, a new common borrowing would need to be backed up by new own resources. Formally, new debt could all be paid for by future GNI based contributions of the EU member states. But the political commitment of transferring revenue resources to the EU budget to back this new borrowing would have an symbolic effect with important political and financial consequences as it would solidify Europe's Hamiltonian transition.
 3. A EU defense fund must be based on a shared assessment of threats and capability build-out needs to align spending priorities. And these must be governed by a thorough and independent analysis of risks not tainted by national industrial interests or obsessions. The development a strategic intimacy across the continent is difficult to envisage without the brokering role of the European institutions. This shared assessment should be the basis for a common budget for shared defense assets, such as a new reconnaissance, intelligence and communications low orbit satellite system with an indigenous launching capacity, a new air defense system across the continent, a new drone air force, new long range deep strike capacity that are all fairly consensual... The European Commission's White paper on defense is a first and important step in that direction.
 4. Common spending for joint priorities must also come along common procurement so that even on
- areas where Europeans still spend mostly nationally, they can build on the size of the market and the commitment to inter-operability to achieve scale and cost-efficiency. This would also ensure that the common resources are not spent on national pet projects and white elephants but truly serve the higher purpose of maximizing Europe's preparedness and defense capacity.
5. Common procurement however will undoubtedly raise fundamental distributional questions between Member States and the politicization of procurement choices. This implies that on top of the Europeanisation of demand through common procurement, there needs to be some efforts for the Europeanisation of supply with either cross border consolidation and Europeanisation of supply chains (the Rheinmetall strategy) or the establishment of European rather than national champions through government sponsored mergers (the Airbus strategy). Other than Airbus/EADS/MBDA, the recent attempts at doing this, including in the Franco German context, have been major disappointments. The governance of KNDS and its inability to deliver a new generation tank is a case in point. The challenges marring the Franco German FCAS fighter project are illustrations that overcoming capture by national defense interest has not been achieved yet.
 6. Finally, there are also fundamental questions about the future of Europe's common security and defense policy. Indeed, should the EU treaty be revised to enable real funding of defense by the EU budget? Should common security and defense policy or at least some of its aspects be gradually move towards qualified majority voting rather than unanimity to enable to improve Europe's capacity to act? How would arms exports be undertaken in a context where weapons systems would be developed at the European level? On all these potentially critical issues, European governance has not progressed enough and yet it is delusional to imagine this resolved though inter-governmental processes and arrangements based on unanimity.

In sum, if Europe may be on the cusp of a great leap in European integration. France was probably right on the stability and reliability of the US security guarantee, Poland and Eastern Europe was right on the Russian threat. And while Germany was wrong on both counts, it would be naïve to believe that the making of European

1 — Guntram B. Wolff, Armin Steinbach, Jeromin Zettelmeyer, The governance and funding of European rearmament, Bruegel, 07 April 2025.

defense can happen entirely on France's terms. Moving Europe towards effective strategic autonomy will require France to also take a serious look in the mirror and be prepared for its own *Zeitenwende*. This will also certainly raise important questions about France's economic policy because France's economic fragility undermines its leadership role and its political instability weakens its ability to secure long-term commitments from its European partners. These defense discussions may therefore also be part of a larger negotiation that includes the implementation of the Draghi report on European competitiveness and common steps on migration policy.

On May 7th, Chancellor Merz and President Macron must set out a new work programme to progress on these

critical issues for Europe. The NATO summit on June 24-26 and the European Council on June 26-27 provide the short-term timeline for announcement and delivery. Delivering on this won't be easy for both France and Germany. Frederick Merz stands at the helm of a coalition threatened by the AfD, and President Macron's domestic power wanes the closer we get to 2027. But there is no greater strategic imperative for France, Germany and for Europe. The window of opportunity has only just opened, but time is running out—will Chancellor Merz and President Macron grasp the full significance of this historic moment?