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Navigating XXI Century Geopolitical Shifts: Challenges and Opportunities in the Defence Sectors of Germany and Poland

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Adapt Long Read

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NAVIGATING XXI CENTURY GEOPOLITICAL SHIFTS: CHALLENGES AND OPPORTUNITIES IN THE DEFENCE SECTORS OF GERMANY AND POLAND

Raul Bertoldini

SUMMARY

- Germany and Poland are undergoing significant transformations in their defence sectors, driven by shifting geopolitical dynamics and evolving threat perceptions. As the third-largest actor in aerospace and defence exports, Germany is grounded in its international alliances, yet it is confronted with challenges such as regulatory constraints and public dissent. Poland's defence strategy is rooted in a more assertive approach due to perceived Eastern threats but struggles with issues including import reliance and a somewhat marginalised position in the European Union.
- The German defence industry (DI) boasts a larger scale and a more substantial innovation potential, resulting from its expansive resources and productive capacity. Conversely, due to scale and structural factors, Polish companies face financial limitations and play a less prominent role in international collaborations.
- Both nations demonstrate a heavy reliance on imports for advanced defence equipment. Germany focuses on partnerships with the United States, as does Poland. The latter is simultaneously also pursuing an increase in self-reliance through the domestic production of foreign-developed equipment.
- Germany encounters bureaucratic and political challenges in its quest to increase defence spending. Poland's defence sector is likely to benefit from increased government spending in the short term, though the sustainability of this growth trajectory in the long term remains uncertain.
- Suggested strategic measures for Germany include ensuring the effectiveness of the reforms, a pragmatic approach to national security, and alignment with a strategically independent Europe. For Poland, recommended initiatives encompass strengthening relationships with its remaining Western allies, navigating defence modernisation challenges, and ensuring political stability.

- The decisions made by Germany and Poland will shape their military capabilities, strategic autonomy, and geopolitical influence, underlining the necessity for flexible defence strategies, proactive policy-making, and evolution within the defence industry.

INTRODUCTION

In the current period, characterised by profound shifts in the global geopolitical landscape, such as the Russian invasion of Ukraine in 2022, Germany and Poland, two central actors in the European chessboard, find themselves in the throes of significant transformations in their respective defence sectors.

As the world's third-largest player in aerospace and defence exports, Germany intertwines its industrial strength with a tapestry of international alliances. With its announced Zeitenwende in 2022, the country aims at stepping up this game even more. However, this strategy has challenges - regulatory hurdles, public opposition, and the incessant need for adaptation in a volatile warfare landscape pose daunting tasks. On the other hand, Poland's defence plans are anchored in a more assertive approach, a stance fortified by the spectre of threats emanating from the East. While the country has pledged considerable resources towards the modernisation of its army, it grapples with challenges borne from a high reliance on imports and a somewhat marginalised position within the European Union.

This text will aim to chart a navigable course through these developments. A particular focus will be on scrutinising some of the key factors impacting these sectors, such as the magnitude and productive potential of the defence industries in both countries, the potential for international alliances, their heavy dependence on imports for cutting-edge equipment, and the longevity and sustainability of their defence strategies. The work aspires to furnish actionable insights and recommendations by dissecting these elements, thereby facilitating discerning policy-making and strategic industrial advancement within Germany and Poland's defence landscapes.

DEFENCE SECTOR OF GERMANY

Germany's aerospace and defence industry, ranking third in Europe and holding a solid global position for exports, has primarily depended on these exports and strategic international partnerships to navigate a complex geopolitical landscape filled with evolving threats and strategic shifts. A historical and critical example of these partnerships is the Eurofighter Typhoon program, a pan-European initiative involving several nations and companies, including Germany's Airbus. Initiated in the 80s, this project and similar initiatives have served as the backbone of German defence innovations until today, emphasising Berlin's reliance on such collaborations for its domestic defence industries. In recent years, the nature of defence collaborations for Germany has significantly evolved. For instance, Germany has entered into ambitious new projects such as the tri-national Future Combat Air System (FCAS) program, which aims to develop a suite of next-generation weapons and systems, including a sixth-generation fighter aircraft as a replacement for the Typhoon. Furthermore, as a vital member of the European Union's (EU) Common Security and Defence Policy (CSDP) and NATO, Germany's defence sector has undergone considerable changes over the years.

Leading German defence companies like Krauss-Maffei Wegmann, Rheinmetall, and Thyssenkrupp Marine Systems have been exploring technologies such as artificial intelligence (AI), unmanned systems, and cyber defence. However, these companies have also had to confront many challenges in recent years, including regulatory issues, export controls, and changing warfare dynamics. Until early 2022, even Rheinmetall struggled to secure domestic financing, and the entire sector risked being labelled harmful by prospective EU regulations (Financial Times 2021). It is worth noting that public sentiment in Germany has traditionally been adverse towards its armed forces, defence industries, and matters related to warfare.

Public sentiments in Germany can be interpreted from two angles. While maintaining a general scepticism, Germany has shown increasing favour for developing a multilateral defence strategy at the European level in recent years. This sentiment has encouraged a push for a 'European Sovereign Defence' or greater European defence integration, highlighting the need for enhanced domestic capabilities, predominantly European self-reliance, and pan-European collaboration. This contrasts with the situation in Poland, which will be discussed subsequently.

However, this general orientation towards multilateralism has led to the neglect of the country's own Armed Forces, heavily influencing the relationship between German defence firms and the Bundeswehr. Despite possessing industry-leading technologies and products, Germany has had trouble leveraging these for its military. The limited public interest in the issue has enabled governments to avoid addressing the problems for an extended period. The perception change following the 2022 Russian invasion of Ukraine has exposed these shortcomings, prompting Chancellor Olaf Scholz to announce a significant defence spending increase to reach 2% of GDP within a few years (Luck 2022).

Scholz's funding plan focuses on meeting the 2% GDP commitment and introducing a €100 billion fund in response to Russia's attack. The strategic goal is to modernise and reorganise units, increase military personnel, purchase advanced weapons and aircraft, and expand strategic and ammunition reserves. However, the implementation of this plan has to face many hurdles. Despite the funding commitment, the German government has yet to begin spending. Complex procurement processes, coalition politics, and a contentious relationship between the government and defence industries have stalled progress (Ostatník 2023, SIPRI 2022). An example of this can be found in the developments concerning the already-mentioned FCAS program, which is facing delays and has yet to result in a final contract. Many of the orders approved ended up being to U.S. companies, with bureaucratic inefficiencies and a lack of a clear defence strategy complicating domestic stakeholders' planning. Germany's future security policy strategy is also a central concern for Brussels and the EU as a whole. Germany has offered to provide the core of the EU's new military rapid reaction force, which is expected to be operational by 2025. This is part of a broader initiative to align the defence and security policy of the EU to complement NATO.

DEFENCE SECTOR OF POLAND

Poland's security, meanwhile, is deeply entwined with its historical and geopolitical context. Poland boasts a well-established defence industry, with state-owned defence companies exporting globally. The Polish Armed Forces actively support these enterprises by purchasing domestically produced defence products, contributing to the growth of various defence facilities. The drive for self-reliance in the defence sector has thrived under the nation's right-wing government.

Led by the PiS party and Kaczyński, the Polish government has pursued a course that some international observers perceive as contrary to principles like the rule of law. Adding to this complexity, Poland's perception of potential threats has notably differed from other Western European states. Unlike Germany, which has typically focused on large-scale and idealistic projects, Poland has consistently perceived a looming danger from the East, prompting the nation to seek more immediate and tangible solutions. This distinct outlook, coupled with the assertive stance of Warsaw's politicians, has significantly influenced foreign policy and defence, heightening the importance of the armed forces. An importance that is regularly reflected also in the surveys, in which the Polish Armed Forces are among the institutions most trusted by Poles, unlike others closer to the Political environment (Tilles 2022). However, the government has demonstrated determination concerning handling the defence budget, often bypassing parliamentary approvals for several security plans and contracts.

Poland made decisive decisions regarding its defence as early as 2021, well before the Russian invasion of Ukraine (Król 2021). Significant commitments and contracts were already secured by the end of that year. The subsequent Russian attack merely reinforced Poland's stance, underscoring the critical importance of military strength. By 2021, Poland's military was already among Europe's largest and most capable, featuring new-generation equipment in its air force and navy. The Polish defence project, scheduled to continue until 2035, is projected to cost 524 billion zlotys (115 billion euros). Poland's defence spending ranks among the highest in Europe at 2.2% of its GDP, with the new plan aiming to increase it to 2.6%.

However, the country's defence modernisation relies heavily on imports, with significant orders placed with the United States and South Korea. This is evident in the Wisla and Harpia programs, which involve procuring American Patriot air and missile defence systems and F-35 fighter aircraft, respectively. These programs highlight Poland’s defence overhaul and underline its dependence on foreign partners for major defence equipment. The choice of such a commitment is risky from many points of view. Financially, Poland has to be able to stand the effort. Politically, the ideological choice to ignore

European partners could strain relations with them (Karnitschnig and Kość 2022). Militarily, the choice of partners like the US could also make Poland dependent on them in fields like R&D, while a venture with European partners would have been easier. Warsaw aims to counterbalance these by initiating domestic production of other core products like Abrams tanks and HIMARS. Lockheed Martin also maintains a factory in Poland, possibly facilitating local aircraft and helicopter production.

CHALLENGES AND OPPORTUNITIES

From the contextual background provided above, it is apparent that both Germany and Poland are undergoing substantial changes in their respective defence industry landscapes. To understand the potential trajectory of these shifts, the paper will delve deeper into a few key aspects.

Firstly, a key determinant in developing both countries' DIs is their scale and productive potential. From this perspective, German industries outpace Polish ones considerably. Indeed, Germany is a powerhouse with the fourth largest economy in the world, and heavy industries in the defence sector have been a constant for the country throughout its history. Rheinmetall, the largest German defence company, recorded revenues in 2022 that were more than five times higher than those of PGZ SA, its state-owned Polish counterpart. Consequently, German industries generally have more resources to adapt to changing international environments, especially given the influx of additional funding due to Chancellor Scholz's "Zeitenwende." At least on paper, these resources should enable more significant investment in innovation and R&D, whereas Polish companies, even state-owned ones, must balance innovation with financial limitations.

A crucial aspect linked to both industry scale and R&D is the opportunity for international collaborations within the defence sector. Successful examples of such cooperation, such as the Eurofighter Typhoon, the Franco-Italian SAMP-T, and even the multinational corporation AIRBUS, are common within the European Union. Due to its economic clout and governmental support, Germany often plays a central role in these ventures, which provide opportunities for expansion and innovation. On the other side, the situation is different. If, indeed, Polish firms strive to be involved in a more international context, it is harder for them to acquire a leading role. This struggle comes from many factors, spacing from their smaller dimension to a general clustering of the EU defence industry among older EU countries (Bátora 2021). Furthermore, this relative isolation within the continent has been worsened in recent years by the political decisions taken by Warsaw, threatening to make this situation even more challenging. Indeed, by alienating European allies and becoming reliant on more distant and more prominent actors, the risk for the Polish government is to make the country also increasingly isolated from closer and potential venture partners.

Reliance on abroad also means the necessity to import most of the state-of-the-art equipment needed by the armed forces. On this point, it is actually possible to find some commonalities between Germany and Poland. If, indeed, as shown above, the industries of both countries are different, Germany as well needs to rely on external partners for specific critical components of its Bundeswehr. Hit by years of non-favourable political choices and shaken at its core by the start of the war in 2022, the German DI alone is not enough to satisfy all the needs of the army's modernisation. Berlin's government has therefore opted to sign significant contracts with other international partners, prevalently the USA, like the one for the delivery of 35 Lockheed Martin F-35s before 2026 (Airforce Technology 2022). As already mentioned, the USA represents an even more significant partner for Warsaw, to the point that some analysts have started worrying about excessive Polish dependence on the other side of the Atlantic. However, a project to rebuild the army like the one drafted by the Polish government, and in the promised timeframe, likely leaves the import of the best equipment as the only available choice.

One of the cores of this analysis is to understand how the DIs of the two countries will be influenced and will cope with the rearmament plans announced by their respective governments. Considering the current context and a short-term perspective, the challenges ahead appear quite different for the two countries. Germany's defence sector success hinges on its ability to upscale production lines and improve responses to modern warfare needs, with the main obstacle currently represented by the bureaucratic and political issues that have been characterising Scholz's plan since the day of its announcement. In contrast, in the short term, Poland's defence industry is likely to receive a substantial boost from the imponent governmental spending plan. Boost that, on the other hand, could become less and less sustainable with time. In a longer spawn, Warsaw’s concerns about its finances, together with its state of relative isolation within the EU and from an R&D perspective, risk significantly backfiring from a DI point of view.

Lastly, one point that deserves mentioning and connects to the long-term sustainability of both countries’ DIs relates to the dynamic nature of modern warfare and weapon systems. As defence technology evolves, it creates a need for a skilled workforce in fields like AI, cybersecurity, and unmanned systems. While Germany has no lack of young talents and solid formative institutions in technical fields, the situation for Poland is different. Indeed, while the quality of technical education in the Central European aspiring power is also good, the country has been in recent years one of the most hit by the so-called brain drain, struggling to retain its educated youth. While there have been signs of improvement, the future of Poland's situation will largely depend on its political direction over the next few years (TVP World 2018).

CONCLUSION AND RECOMMENDATIONS

As the geopolitical landscape evolves rapidly, the upcoming decade may prove to be a pivotal juncture for the defence industries of both Germany and Poland. These nations confront unique yet interlinked challenges demanding innovative, strategic responses to ensure not just the fortitude of their defence abilities but their international standing as well. Reflecting on the intricate blend of historical factors, current circumstances, ideological aspects, and future projections discussed throughout this paper, a vivid image emerges highlighting the necessity for adaptable policy-making and strategic industrial progression.

As the German government commences its Zeitenwende, a "reawakening" in defence, it becomes critical to institute efficient reforms that confront the systemic bureaucratic hurdles currently impeding the potential of its domestic defence industry. These issues should be addressed both from a policy standpoint and through a paradigm shift within the nation's ruling class. The shift initiated in 2023 with the appointment of a new defence minister should be consistently reinforced. In this era, German politicians must depart from deep-seated ideological principles and adopt a more pragmatic, effective approach to national security (Crawford and Olsen 2017).

Ultimately, Germany's domestic defence industry can benefit from aligning with the vision of a strategically independent Europe, a notion supported by other stakeholders such as France. If Germany sustains its innovative approach and successfully navigates the mentioned challenges, its political and industrial clout could establish Berlin as a key player in Europe's military landscape. A Europe that is moving towards strategic autonomy, encouraging collaboration, and advancing joint projects could further enhance Germany's political and industrial relevance.

Across the Oder, Warsaw is initiating a substantial financial and political venture with its defence overhaul. From an international relations perspective, it is imperative for the Polish government to sustain and fortify relationships with its remaining Western allies, leveraging the momentum generated by Russia's invasion of Ukraine. Despite scepticism from key European Union members, Poland's connections with the United States and the United Kingdom have recently strengthened (Karnitschnig and Kość 2022). These nations have become significant partners for Poland's defence industry, contributing to product import and technological growth. The future success of the PiS plans will likely depend on the leaders' ability to navigate the multifaceted challenges inherent in such a transformation. These challenges are deeply tied to the reliance on foreign partners, the country's domestic political climate, the ideological stance of its government, and the complex relationship with its younger, more educated populace. As the momentum from the Ukraine crisis dwindles, an overly hardline approach by the Polish government could prove counterproductive from all the mentioned standpoints. However, if the government skillfully manages its resources while maintaining political stability and effectively overseeing rearmament, Poland's role within NATO and the EU could strengthen considerably, positioning the country as a pivotal entity within the regional security landscape.

In conclusion, the defence industries of Germany and Poland are at a crossroads, shaped by geopolitical tensions, technological evolution, and shifts in national and international policy landscapes. The paths they choose will profoundly impact their future military capabilities, strategic autonomy, and geopolitical influence. Thus, the significance of adaptable, forward-thinking strategies, buttressed by proactive policy-making and the evolution of the industrial sector, is undeniable. This paper's analysis and recommendations shed light on these potential pathways, advocating for an approach that balances domestic capabilities with international collaborations and short-term needs with long-term sustainability.

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