

# **THE NATO SUMMIT AND RISE OF GERMANY HAS IMPLICATIONS FOR INDIA**

## **Introduction**

The 2025 North Atlantic Treaty Organization (NATO) Summit, which took place in The Hague on 25 Jun 2025, brought together representatives of all thirty-two member nations of the alliance. On top of the agenda was an agreement to increase national security expenditure of 5 per cent of Gross Domestic Product (GDP) on defence: with 3.5 per cent allocated to hard capabilities, and a further 1.5 per cent on security related spending including infrastructure and cyber security, by 2035.

“It is a historic day”, is what NATO Deputy Secretary General Radmila Šekerinska said. “It is a colossal commitment that thirty-two countries have made. It is a game-changer”. The capabilities for air defence alone, she added, will increase five-fold through the new funding.<sup>1</sup>

This increase was due to repeated criticism from the United States (US) President Donald Trump, who has long accused European allies of relying too heavily for their security on Washington, which he argues bears a disproportionate share of NATO’s military burden. Therefore, the increase will start the process of shifting the burden from the US to Europe.

When Russia launched its invasion of Ukraine in 2022, this imbalance became clear, as Europe was exposed as being critically reliant on the US for its security. Incidentally in 2024, the US spent USD 935 bn on defence, more than double the combined total of all other NATO members. Whereas as per Stockholm International Peace Research Institute, Germany’s military expenditure increased by 28 per cent to reach USD 88.5 bn, making it the biggest spender in Central and Western Europe and the 4<sup>th</sup> biggest in the world.<sup>2</sup>

While some countries, including Spain and Slovakia voiced concerns about this rapid escalation, Germany has taken a leading role by announcing an unprecedented increase in military spending. It will boost defence spending to 3.5 per cent of gross domestic product by 2029, an increase from a 2 per cent NATO quota that it only achieved for the first time in three decades in 2024. Under the leadership of Chancellor Friedrich Merz, it has embraced rearmament with a boldness, unseen since the end of the Second World War.<sup>3</sup>

## **The Rearmament of Germany**

“We will decide to invest significantly more in our security”, Merz told the Bundestag ahead of the NATO leaders' summit in The Hague. “Not to do the US a favor but because Russia actively threatens the freedom of the entire Euro-Atlantic area”.<sup>4</sup>

Germany is now embarking on its biggest military rearmament since the Second World War, signaling its intent to assume a more assertive role within NATO and across

Europe. Given that a highly militarised Germany twice brought the world to war, this latest iteration has drawn great interest.

For decades, Germany maintained a cautious approach to defence spending, shaped by fiscal conservatism and historical sensitivities. Post-World War II pacifism, combined with stringent debt rules, contributed to a defence budget that consistently fell short of NATO's 2 per cent GDP benchmark.<sup>5</sup>

For much of the 2<sup>nd</sup> half of the 20<sup>th</sup> century, Germany was characterised by its rejection of military might as an instrument of state power.

Its military, the Bundeswehr, remained poorly equipped, with a defence budget that rarely exceeded 1.1 per cent of GDP. Strict controls were placed on arms exports and strategic leadership was largely left to the country's NATO allies, led by the US. This was the established trend in postwar Germany. Rearmament was met with public resistance, shaped by memories of the nation's past.<sup>6</sup>

The Bundeswehr, established in 1955, was intentionally built with no projection of offensive power. For decades, as Germany became Europe's economic powerhouse, its security policies remained largely reactive and rooted within NATO's strategic architecture.<sup>7</sup>

However, those days now seem to be firmly behind it, with Berlin emerging as a prominent defence hub for Europe. Soon after Russia's 2022 invasion of Ukraine, former Chancellor Olaf Scholz announced a 'Zeitenwende' (German for a historic turning point), with a EUR 100 bn (USD 116 bn) special fund to bring the military up to speed. This year, the Merz government passed a defence budget worth 2.4 per cent of GDP, the highest level of military expenditure in Germany's postwar history, and announced long-term aspirations to raise it to 5 per cent.

The goal is to ramp up annual defence spending from EUR 95 bn (USD 111 bn) in 2025 to EUR 162 bn by 2029. To enable this shift, Berlin has introduced legal changes allowing it to bypass its constitutional debt brake, and seek the approval of the European Union to classify defense spending as exceptional, allowing it to skirt the bloc's deficit limits a departure from a long-standing tradition of fiscal restraint.<sup>8</sup>

The country's constitutional debt brake rule limited government borrowing to 0.35 per cent of GDP. However, an exemption from debt rules for defence spending was approved in March after much political debate.

The transformation goes beyond budgets and legislation. Merz has pledged to build the Bundeswehr into "The Strongest Conventional Army in Europe", by 2031. The plan includes an expansion of its active forces from 182,000 troops to 203,000 by 2031, with a long-term target of 240,000.<sup>9</sup>

The military's role is expanding beyond Germany's borders as well. In May, Berlin announced that an 'Armored Brigade' would be permanently stationed in Lithuania, the

first long-term deployment of a German force beyond its own borders since the Second World War. This shift aims to support NATO's Eastern flank amid growing concerns about Russian aggression.<sup>10</sup>

Modernisation is proceeding at a rapid pace. Under a new rearmament directive issued by Chief of Defence General Carsten Breuer, the Bundeswehr is acquiring advanced weapons and equipment, including air defence and precision-strike capabilities, space assets, advanced electronic warfare tools, and munitions reserves. The procurement programme includes Patriot missile systems, Eurofighter and F-35 fighter jets, Leopard 2 tanks, PzH 2000 howitzers and sophisticated military drones.<sup>11</sup>

This shift by Germany marks a pivotal moment for NATO and for Europe: the emergence of a post-American mindset in defence policy, with Berlin increasingly taking on responsibilities long held by the US.

At the transatlantic level, Germany's evolving strategy also reflects growing uncertainty about Washington's role in NATO, especially amid the decisions of the Trump administration. The result is a more assertive and autonomous German military posture, one that is reshaping the security architecture of Europe.

In view of the threat posed by Russia, analysts see reason to invest more money in the armed forces, which have been neglected for decades. "It's not about pleasing the Americans, nor is it about lining the pockets of the arms industry," security expert Aylin Matle from the German Council on Foreign Relations said. "It's in Germany's national interest to be capable of defending itself".<sup>12</sup>

### **Implications for India**

With thirty-two countries poised to substantially increase defence spending, India needs to position itself as a supplier of military equipment. Fortunately, the Ministry of Defence's goal of achieving INR 50,000 crore in defence exports by the end of this decade aligns perfectly with Europe's search for reliable, diversified suppliers.

Europe's defence expansion is constrained by limited local manufacturing capacity and skilled workforce shortages. As a result, European nations are increasingly looking at partnerships and collaborations with Indian defence manufacturers. This is an environment where Indian defence manufacturers can step in, as contributors to high-tech systems and platforms apart from supplying sub systems.

The Summit also prioritised hybrid threats like cyber-attacks and infrastructure sabotage. To counter these threats NATO will strengthen collective deterrence across land, sea, air, cyber, and space. For defence technology companies, this translates into faster procurement of Artificial Intelligence, cyber tools, autonomous systems, and space-based capabilities.

For India therefore, the increase in NATO's spending and rearmament of Germany and revitalisation of its defence industry presents significant opportunities for scaling up

engagement and deeper cooperation. With India's growing defence manufacturing capabilities and role in the global supply chain, this is an opportunity to expand India's market and deepen cooperation with a country which is one of India's most important partners in Europe.<sup>13</sup>

The NATO Summit 2025 set bold ambitions. But the manner in which these commitments reshape defence procurement and defence technology will depend on largely on the manner in which Indian defence industries are able to deliver as per the compliance frameworks, with the latest technology and quality and at the scale required within the specified delivery schedules.

## Endnotes

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<sup>1</sup> Frederick Kempe, "Dispatch from the Hague: It's Been Trump's Week in Europe and Iran," *Atlantic Council*, 26 Jun, 2025, accessed on 27 Jun, 2025 <https://www.atlanticcouncil.org/content-series/inflection-points/dispatch-from-the-hague-its-been-trumps-week-in-europe-and-iran/>

<sup>2</sup> Quillen, Stephen. "Can Europe Guarantee Ukraine's Security without the US?" *Al Jazeera*, 3 Mar, 2025, accessed on 3 Jul, 2025 [www.aljazeera.com/news/2025/3/3/can-europe-guarantee-ukraines-security-without-the-us](http://www.aljazeera.com/news/2025/3/3/can-europe-guarantee-ukraines-security-without-the-us)

<sup>3</sup> Gurjit Singh, "As NATO Revises Defence-Spending Goals, Germany Arms up to Position Itself as the Backbone of European Security," *The Indian Express*, 27 Jun, 2025, accessed on 30 Jun 2025 <https://indianexpress.com/article/opinion/columns/as-nato-revises-defence-spending-goals-germany-arms-up-to-position-itself-as-the-backbone-of-european-security-10091950/>

<sup>4</sup> "Germany Backs Major NATO Defense Spending Boost — but Not to Please Trump," *POLITICO*, 24 Jun, 2025, accessed on Jul 3, 2025 <https://www.politico.eu/article/friedrich-merz-germany-major-nato-defense-boost-donald-trump-us-eu-military-budget-ukraine-russia/>

<sup>5</sup> Sughosh Joshi, "Germany's Defence Spending Splurge: Strengthening NATO While Jobs and Growth Lag," *Samvada World*, 10 Jun, 2025, accessed on 3 Jul, 2025 <https://samvadaworld.com/world/germanys-defence-spending-splurge-strengthening-nato-while-jobs-and-growth-lag/>

<sup>6</sup> Zaid M. Belbagi, "Germany and the Balance of Power in Europe," *Arab News*, 29 Jun, 2025 accessed on 3 Jul, 2025 <https://www.arabnews.com/node/2606291/amp>

<sup>7</sup> Ibid

<sup>8</sup> Linus Höller, "Germany Plans to Double Its Defense Spending within Five Years," *Defense News*, 26 Jun, 2025, accessed on 3 Jul, 2025 <https://www.defensenews.com/global/europe/2025/06/26/germany-plans-to-double-its-defense-spending-within-five-years/>

<sup>9</sup> Zaid M. Belbagi, "Germany and the Balance of Power in Europe," *Arab News*, 29 Jun, 2025, accessed on 3 Jul, 2025 <https://www.arabnews.com/node/2606291/amp>

<sup>10</sup> Ibid

<sup>11</sup> Siebold, Sabine. "German Chief of Defence Orders Swift Expansion of Warfare Capabilities." *Reuters*, 25 May, 2025, accessed on 3 Jul, 2025 <https://www.reuters.com/business/aerospace-defense/german-chief-defence-orders-swift-expansion-warfare-capabilities-2025-05-25/>

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<sup>12</sup> Deutsche Welle. "Integration to Emigration: Why Do Migrants Leave Germany?" *DW.com*, 2025, accessed 3 Jul, 2025 <https://learnrgerman.dw.com/en/germany/s-1432>

<sup>13</sup> "A Windfall Is Coming for India's Surging Defence Exports." *The Economic Times*, 26 Jun, 2025, accessed 3 Jul, 2025 <https://economictimes.indiatimes.com/news/defence/a-windfall-is-coming-for-indias-surging-defence-exports-after-nato-spending-increase-india-defence-stocks-high-reliance-deal/articleshow/122087446.cms?from=mdr>

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