

## Germany's Welcome New Defense Spending Plan

Berlin may have found a way to rearm despite balanced-budget restraints.

### Full text:

Whether Germany can and will rebuild its weak military is an urgent question for the Western alliance, and some good news arrived Tuesday. Incoming Chancellor Friedrich Merz thinks he's found a way to guarantee larger military budgets now and into the future.

This comes via a plan to exempt much military spending from the country's constitutional balanced-budget amendment. Mr. Merz of the center-right Christian Democrats (CDU) this week struck a bargain with the center-left Social Democrats (SPD) to exempt defense spending above 1% of GDP from that stricture, known as the debt brake.

Germany last debated a major defense ramp-up in 2022, when lawmakers passed a constitutional amendment creating a €100 billion defense-procurement fund proposed by Chancellor Olaf Scholz. That fund was the cornerstone of Mr. Scholz's strategic *Zeitenwende*, or turning point, but it came with an expiration date near 2027 when the funds run out. Berlin, and NATO, have been racked by uncertainty over whether new money would be forthcoming, and from where in the budget. As of 2024, Germany spent 2.1% of GDP on defense, compared to 4.1% by Poland.

Mr. Merz's proposal signals he's willing to borrow potentially substantial sums to fund defense. He's taking a political risk, since budget balance remains popular among German voters, and Mr. Merz won the election last month in part by promising to preserve the balanced-budget amendment.

It doesn't help that to secure the deal he bowed to an SPD request for a whopping €500 billion in debt-financed public-works spending over 10 years. The two parties remain in negotiations to form a new governing coalition, so Mr. Merz can't be certain he'll get other savings, such as from welfare reforms.

Still, Mr. Merz's agreement is good for German defense and NATO. By permanently exempting defense from the debt brake, he heads off future constitutional stalemates over the military budget. He also didn't agree to increases in welfare spending to seal the deal.

What's still missing is the economic growth Germany needs to fund its military or anything else. A lot hinges on whether Mr. Merz can turn around Europe's largest economy before it suffers a third year of recession. But the political signal is clear: Germany's new administration, including Mr. Merz's likely coalition partners, see the need to rearm. It's the message NATO allies hoped to hear.