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Dear President,
Dear Commissioner,

The German Federal Government welcomes the efforts of the European Commission and the Council to enable higher national defense spending with the aim of strengthening defense capabilities against the backdrop of increasing risks for the European security architecture. With the same objective in mind, Germany sets the course for a rapid and significant increase in defense spending by amending Germany's Basic Law to adjust our national fiscal rule (the so-called "debt brake") at the end of March 2025. We see the Commission's proposal for a coordinated activation of the National Escape Clause (NEC) of the Stability and Growth Pact as an important complementary measure to enable increased national defense spending while safeguarding fiscal sustainability.

The Federal Government of Germany hereby requests the activation of the NEC for the period 2025 to 2028. This request is in accordance with Article 26 of Regulation (EU) 2024/1263, and

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considering the Commission Communication (C(2025)2000 final) of 19 March 2025. Article 26 establishes that the NEC can be activated if three conditions are met: (1) there are exceptional circumstances outside the control of the Member State, (2) those circumstances have a major impact on the public finances of the Member State concerned, and (3) the deviation from the net expenditure path as set by the Council does not endanger fiscal sustainability over the medium term.

- (1) As acknowledged by the European Council, the urgency for the EU Members States to significantly increase their national defense spending results from the repercussions of Russia's continued war of aggression against Ukraine for European and global security in a changing environment. This situation is an exceptional circumstance outside the control of each Member State.
- (2) The German Federal Government considers that this exceptional circumstance requires a significant build-up of defense capabilities with a major impact on its public finances. In recent years, the Federal Government has significantly increased defense spending according to NATO definition – rising from 1.4 % of GDP in 2021 and expected to have met the 2 % target in 2024. In the coming years, the German Federal government will face the challenge of further strengthening its national and alliance defense capabilities and fulfilling its shared responsibility for security in Europe. Therefore, a gradual increase in defense expenditure as a result of higher prioritization in the general government budget would not strengthen defense capabilities in a timely manner and could entail considerable security risks. Conversely, a massive reallocation in the budget to ensure a sufficiently strong and rapid increase in defense spending would have a significant negative impact on economic activity in Germany and Europe.
- (3) Due to the ongoing process of government formation in Germany, the new federal fiscal plan expected alongside the government's draft federal budget for 2026 will set out the increase in defense-related expenditure items. The Federal Government will provide the associated figures with the national medium-term fiscal-structural plan (MTP) at the latest. Germany's MTP will be submitted once the necessary steps in the budget preparation process have been completed. Irrespective of this, due to the moderate level of the German general government debt ratio of 62.5 % of GDP in 2024 and its long-standing reputation as a benchmark issuer of government bonds, the planned increase in defense spending is not expected to impair the sustainability of public finances in Germany.



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Finally, I would like to take the opportunity to continue to advocate for a sufficiently broad definition of relevant defense spending by also considering the NATO definition as indicated in the Commission communication (C(2025)2000 final) of 19 March 2025. The NATO definition adequately reflects the multiple threats to security in Europe and allows for a corresponding increase in the associated spending items. The ongoing discussions on calculating the permissible deviations from the net expenditure path should also consider in particular “dual-use” expenditure in an appropriate manner – being just one of the issues on the definition of defense spending requiring further clarification.

Kind Regards,