

Controlled 'Europeanisation'? The KMW–Nexter merger and the Germany's new strategy for the arms industry

Justyna Gotkowska

On 29 July a deal was signed in Paris concerning a merger between Krauss-Maffei Wegmann (KMW), Germany's largest manufacturer of tanks, infantry fighting vehicles and artillery systems, and its French counterpart Nexter. The new holding formed as a result of the merger will be Europe's largest producer of arms systems for land forces, comparable to the Airbus Group in the aerospace industry. While work on finalising the merger was underway, the German government was developing a new strategy for Germany's arms industry, which was published on 9 June 2015. The strategy's provisions show that German politicians, despite holding negative opinions on previous mergers between German arms companies and foreign businesses, have concluded that consolidation at the European level is nonetheless the only way to go. However, the strategy also states that the German government should exercise more influence than previously on the terms and conditions of any such consolidation. To this end, it identified key national technologies which will be supported and protected through various instruments, including also the conclusion of intergovernmental agreements on strategic defence co-operation. Such agreements may regulate questions such as the ownership structures of the new companies, the locations for developing technologies and for manufacturing products, subcontractors and exports of jointly developed arms and military equipment. In relation to the KMW–Nexter merger, such a deal between France and Germany is expected to be signed this autumn.

The lie of the land

Germany has a strong, state-of-the-art arms sector: according to SIPRI figures, in the years 2010–2014 the country ranked as the third-largest exporter of arms and military equipment globally, along with France and China (and after the United States and Russia), which each have a five-percent market share)¹.

Most defence contractors in Germany are private companies that are exclusively German-owned. They hold well-established positions as manufac-

turers and exporters of systems for land forces and navies. Duopolies of large companies operate in these two sectors. Krauss-Maffei Wegmann (KMW) and Rheinmetall Defence manufacture tanks, infantry fighting vehicles, armoured personnel carriers and artillery for land troops, while ThyssenKrupp Industrial Solutions (TKIS with the ThyssenKrupp Marine Systems/TKMS industry cluster) and Lürssen Defence manufacture boats and warships for the navy. Germany's medium-sized arms companies include Heckler&Koch (small arms), Diehl Defence (guided missiles and air defence systems), MTU Aero Engines and MTU Friedrichshafen (engines and propulsion systems), and there are also many small- and medium-sized subcontract-

¹ Siemon T. Wezeman, Pieter D. Wezeman, 'Trends in international arms transfers', SIPRI Fact Sheet, March 2014, <http://www.sipri.org/research/armaments/transfers/measuring/recent-trends-in-arms-transfers>

ing companies that occupy leading positions in their respective niche military technology fields, manufacturing subassemblies for the aerospace and shipbuilding sectors as well as land systems (OHB, Rhode-Schwarz, Plath, ESG, Atlas Elektronik).

So far, 'European' mergers have taken place in Germany's aerospace industry and, partly, in the missile systems sector. Opinions in Germany of the European consolidation projects undertaken so far are negative. The wave of consolidations in the Western European arms industry in the beginning of the XXI century led to the creation of the EADS concern (2000), which manufactures aircraft and helicopters for the civilian and military markets (formed as a result of a merger of companies from France, Germany and Spain; the company was renamed Airbus Group in 2014) and the establishment of the MBDA group (through a merger of companies from France, the UK, Italy and Spain in 2001, joined by German LFK in 2005). Both concerns are present in Germany through the manufacturing plants of the Airbus Group divisions (Airbus, Airbus Defence & Space, Airbus Helicopters)² and an MBDA subsidiary (MBDA Deutschland) which manufactures guided missiles and air defence systems. However, opinions of these mergers, especially in the case of Airbus Group, are negative, as German politicians openly admit³. One problem concerns the fact that major Bundeswehr's procurement projects implemented by EADS/Airbus Group (the A400M transport aircraft, the NH90 and Tiger helicopters) have been delayed by several years as a result of diffi-

culties in managing the 'European' company and in the decentralisation of production (in addition to the diversified and changing national specifications). Moreover, both the company's headquarters and its technology competence centres have been moved from Germany to France in recent years. The German government, which holds 12% of shares in the company (as does France) refused to authorise its further 'Europeanisation' in 2012, i.e. the planned merger with

Hitherto the 'Europisation' of the arms industry in Germany mainly took place in the air and space sectors.

the UK's BAE Systems⁴. It feared that the merger would have brought a further marginalisation of the German production plants within EADS/Airbus Group and a weakening of the market position of other German defence companies (KMW and Rheinmetall Defence) due to possible better access of BAE Systems products to European markets. The German government could prevent the merger because of its stake in EADS/Airbus Group, but Germany also has other instruments to control the ownership structures of the country's private arms-producing companies. In particular, these include the requirement, provided for in the law on foreign businesses, to obtain the consent of the Federal Ministry for Economic Affairs and Energy before any takeover of some or all shares in a German defence company by a foreign business⁵. It was probably on this basis that the German government blocked the sale of the 'military' assets of the ThyssenKrupp Marine Systems (TKMS) to the UAE's Abu Dhabi MAR fund in 2011, only allowing the fund to acquire the company's 'civilian' and foreign assets.

² Airbus (manufacture of civilian aircraft: Hamburg, Bremen), Airbus Defence & Space (military production: Ottobrunn, satellite subassemblies; Friedrichshafen, probes and satellites; Manching, the Eurofighter; Ulm, radars; Bremen, the A400M), Airbus Helicopters (manufacture of helicopters: Donauwörth, the H135 and H145, the Tiger and the NH90).

³ Rainer Arnold (spokesman on the defence policy of the the SPD Parliamentary Group), 'Ausverkauf deutscher Panzer an Frankreich verhindern!', *Frankfurter Allgemeine Zeitung*, 8 July 2015, <http://www.faz.net/aktuell/politik/inland/ruestungsindustrie-keine-deutschen-panzer-an-frankreich-13690282.html>

⁴ Airbus Group is the only arms company in which the German government holds stakes through KfW, the German government-owned banking group.

⁵ See *Aussenwirtschaftsgesetz* (AWG), Par. 5, Abs. (3), http://www.gesetze-im-internet.de/bundesrecht/awg_2013/gesamt.pdf

The agreement on the merger of Germany's KMW and France's Nexter, signed on 29 July, which established Newco, a holding in which each side holds 50% of shares, means that Germany has now overcome its aversion to the consolidation of German defence businesses at the European level. The Newco holding will be Europe's largest manufacturer of systems for land forces, comparable to the Airbus Group in the aerospace industry. KWM and Nexter

The merger of KWM and Nexter will lead to the creation of the largest producer of systems for land forces in Europe, comparable with the Airbus Group.

specialise in the production of systems for land troops (tanks, infantry fighting vehicles, armoured personnel carriers, artillery); their ranges partly overlap and are partly complementary. The merger has been approved by the German government. Already in May this year the German Secretary of State for Defence announced that France and Germany plan to conduct joint capability studies for a new-generation main battle tank that would succeed the Leopard 2 in use by the Bundeswehr. The joint project will be most likely conducted by the new holding. Moreover, the KMW-Nexter agreement was signed in Paris, in the presence of the French Defence Minister and the German Defence State Secretary. The merger spells the end of Germany's specialisation in an important branch of the arms industry, i.e. the manufacture of systems for land forces, with such renowned products as the Leopard tanks and the PzH 2000 armoured howitzers. In the longer term it may also have an adverse effect on the position of Rheinmetall Defence, KMW's long-time partner. The pending joint projects will be continued (Leopard 2, Puma, Boxer, PzH 2000), but the two companies are unlikely to be able to continue jointly developing new products (Nex-

ter will replace Rheinmetall Defence as KMW's main partner). As a result, Rheinmetall Defence will lose an important co-operation partner, and may be forced to seek a merger with a foreign partner or with a German business (one of those that are currently up for sale) and expand its range of products. Some of German assets of Airbus Defence & Space have been offered for sale (the manufacturing plants in Ulm, Friedrichshafen and Unterschleißheim, as well as shares in the Atlas Elektronik company)⁶. Airbus Defence & Space announced in autumn 2014 that it intended to focus on the manufacture of military aircraft, missiles, satellites and their launch vehicles. It was reported at that same time that ThyssenKrupp could sell its shipyards building submarines and vessels, which are part of ThyssenKrupp Marine Systems (TKMS, shipyards in Kiel, Hamburg and Emden)⁷.

Industry and politics

German arms companies, which used to sell their products mainly to the German armed forces and other EU and NATO states before the economic crisis in Europe, have recently been struggling under the new conditions on the European market. The crisis has brought about stagnation and reduced defence budgets in Europe, with less spending on new arms and military equipment in NATO and the EU, which until recently were the main buyers of German exports. Germany's internal market also shrank as the Bundeswehr reduced the volume of its contracts in the wake of the reforms started in 2011 with a view to reducing the size of the armed forces and strengthening their expeditionary character, combined with the new policy on the management and procurement of arms and military equipment.

⁶ 'Airbus-Umbau betrifft Tausende Jobs', ARD, 26.02.2015, <https://www.tagesschau.de/wirtschaft/airbus-155.html>

⁷ 'Rheinmetall will Marinesparte von Thyssen-Krupp kaufen', *Handelsblatt*, 12 September 2014, <http://www.handelsblatt.com/unternehmen/industrie/ruestungskoncern-ruestet-auf-rheinmetall-will-marinesparte-von-thyssen-krupp-kaufen/10691754.html>

German companies tried to cope with the situation by actively looking for new markets in third countries, i.e. beyond NATO and the EU – with the approval of the German government, meaning especially the CDU/CSU-FDP coalition in the years 2009–2013. The Christian Democrats and the Liberals were quite generous in issuing export licences, despite the restrictive formal political guidelines according to which German-made arms and military equipment may only be exported to third countries in exceptional cases justified by the special security policy interests of Germany. The volume of government-authorised exports of German arms and military equipment increased systematically,⁸ and the proportions between arms exports to NATO and the EU and exports to third countries became reversed: from 60% (to NATO and UE countries) and 40% (to third countries) before the crisis, to 40% and 60% respectively in 2013.

When the new CDU/CSU-SPD coalition came to power in the aftermath of the Bundestag elections in the autumn of 2013, the change of government had an impact on the the German defence sector. The new leaders of the two ministries of key importance for the sector (economy and defence) were high-ranking politicians from parties that cooperate but also compete with one another within the coalition (the SPD and the CDU). This resulted in a change of the government's policy toward the arms industry that negatively affected the arms manufacturers. On the one hand, Sigmar Gabriel, the SPD leader in charge of the Ministry for Economic Affairs, which plays a key role in issuing the licences for the export of arms and military equipment, has started to advocate a more restrictive policy of arms exports

⁸ The value of (individual) licences issued was (in billions of euros): 4.2 (2005), 4.1 (2006), 3.6 (2007), 5.7 (2008), 5.0 (2009), 4.7 (2010), 5.4 (2011), 4.7 (2012), 5.8 (2013). See Justyna Gotkowska, 'New market conditions and "exit strategies" for the German arms industry', *OSW Commentary*, March 2014, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2014-03-12/new-market-conditions-and-exit-strategies-german-arms-industry>

to third countries, especially to regions experiencing or threatened by crises and conflicts (the Gulf countries, North Africa). Minister Gabriel's stance is largely determined by internal political considerations. The production and exports of arms has been criticised by the left-wing elites and public opinion. The SPD fears that the issue

Since the start of his term, the German economics minister Sigmar Gabriel (SPD) has favoured a more restrictive policy of exports to third countries.

can be exploited by the post-communist Die Linke party, eroding the social democrats' electorate should they continue with their predecessors' export policy. As a result, the volume of exports of arms and military equipment authorised by the ministry fell in 2014 to €3.9 billion, compared to €5.8 billion in 2013 and €4.7 billion in 2012⁹. On the other hand the aim of Ursula von der Leyen, the Defence Minister and a candidate to succeed Angela Merkel as the CDU leader, is to prove to her party and German public opinion that she is capable of dealing with the defence sector's 'Augean stables'. Problems with the procurement projects at the German MoD had seriously tainted the reputation of her predecessor, Thomas de Maizière. After a series of scandals¹⁰ Minister von der Leyen has been seeking to introduce new rules for co-operation with German defence companies, with a view to

⁹ According to figures from the Ministry for Economic Affairs, in the first half of 2015 the value of licences was higher than in the comparable periods in previous years. However, a larger proportion of the licences issued in the first half of 2015 concerned arms and military equipment exports to EU and NATO countries; a full picture will only emerge from the figures to be published in early 2016. See Reply of the Ministry for Economic Affairs and Energy to questions No 134 and 135, 3 August 2015, <http://www.spiegel.de/media/media-37306.pdf>

¹⁰ Justyna Gotkowska, 'Defence procurement – a minefield for Germany's new defence minister', *OSW Analysis*, 26 February 2014, <http://www.osw.waw.pl/en/publikacje/analyses/2014-02-26/defence-procurement-a-minefield-germanys-new-defence-minister>

making the Bundeswehr's procurement projects more market-oriented. The toughened policy of the two ministries affects those German defence companies which produce mainly for the military market, i.e. the manufacturers of systems for land forces and their German subcontractors, and to a lesser extent, the producers of warships for the navy. The aerospace companies such as Airbus Group combine their military operations with larger civilian business activity, while companies such as KMW have been forced to seek new solutions to keep and develop their business¹¹. In the wake of the merger, KMW expects to gain access to new markets and to be able to export the Franco-German holding's products to third countries more easily, since exports of arms and military equipment by a 'European' company will be less controversial internally in Germany and will be possibly subject to different rules agreed with the French government (probably based in part on the 1972 Schmidt-Debré deal)¹².

The defence minister Ursula von der Leyen (CDU) favours the increased marketisation of procurement for the Bundeswehr.

In 2014, under pressure from the German companies, and in view of the fact that talks on the merger of KMW and Nexter were advancing, the CDU/CSU-SPD coalition started working on a new strategy for the government's policy towards the arms industry. The tone of the debate, widely publicised by the German media, was set by the ministers of the economy and

defence, who presented different visions of the sector's future development and tried to make the other ministry responsible for supporting it. The Ministry of Defence presented its vision in the autumn of 2014 in a non-paper on supporting key technologies in the arms industry¹³. The document stated that purchases of arms and military equipment should be guided primarily by the needs of the Bundeswehr, and not by what the German defence companies have on offer. It also stated that because of the limited resources and instruments at hand, the list of key national technologies supported by the government in this sector should be limited. Moreover, from the Ministry's point of view, the question of market access, which can be gained through mergers, was more important in the context of the need to keep technologies and know-how in Germany than disputes over 'national', 'European' or 'international' consolidation. Co-operation and consolidation at the European and international levels should be regarded as complementary actions for the preservation of national technologies in Germany. According to the MoD, it was also necessary for the government (including the Ministry for Economic Affairs) to support the export of arms and military equipment as a way to keep the key technologies in Germany.

Sigmar Gabriel, the minister for economy, presented quite different proposals concerning the shape of the German arms industry and government support in October 2014¹⁴. He stuck to his restrictive stance on arms and military equipment exports to third countries, called for a broader definition of key national competences in the defence industry, and suggested that the Ministry of Defence should define in advance its

¹¹ Ursula Schwarzer, 'Umsatz des Panzer-Herstellers Krauss-Maffei Wegmann bricht um fast die Hälfte ein', 19 June 2014, *Manager magazin*, <http://www.manager-magazin.de/finanzen/artikel/a-976180.html>

¹² The Schmidt-Debré agreement concluded in 1972 concerns bilateral intergovernmental defence co-operation between Germany and France. Under the agreement, the governments may not hinder exports to third countries of jointly produced arms and military equipment. An export licence may only be refused in exceptional cases. The Schmidt-Debré deal has been applied to such joint projects as MILAN, HOT, ROLAND, RATAAC, C 160 Transall.

¹³ Bundesministerium der Verteidigung, Zusammenfassende Überlegungen des BMVg zur Festlegung von Schlüsseltechnologien, autumn 2014, <https://www.tagesschau.de/inland/diskussionpapier-bmvg-101.pdf>

¹⁴ Sigmar Gabriel, 'Rede von Bundesminister Gabriel zu den Grundsätzen deutscher Rüstungsexportpolitik', 8 September 2014, <http://www.bmwi.de/DE/Presse/reden,did=661856.html>

procurement plans and declare what projects involving German companies it intends to support in the long term (i.e. after the completion of the current ones). The minister also called for a consolidation of arms-producing companies within Germany as a solution that should take precedence before mergers with foreign companies. SPD deputies have backed this position while vocally criticising the KMW-Nexter merger¹⁵.

The government's strategy: 'Europeanisation' with key national technologies

In early June 2015 the consultations between the two ministries, which also involved the Federal Foreign Office and the Chancellery, resulted in the formulation of the German government's comprehensive strategy for the arms industry, the first such document in several years¹⁶.

The strategy underlines the issue of the 'Europeanisation' of Germany's arms industry. (1) The German government advocates support measures for the arms sector to be taken on the EU level (e.g. support for research and innovation, standardisation and certification, the introduction of European standards for the licencing of arms and military equipment exports, and the development of the Common Security and Defence Policy). (2) It also calls for more European co-operation and integration in terms of the development of military capabilities, which should go hand in

hand with co-operation in the arms industry. In line with the Framework Nation Concept which Berlin has been promoting within NATO in recent years, Germany wishes to undertake strategic military co-operation with certain states, buttressed by industrial co-operation¹⁷. The document mentions better co-ordination of defence planning, the implementation of joint research and development projects, and joint procurement. Those measures should be based on unified specifications for arms and military equipment and an adequate division of industrial tasks between the co-operating countries. (3) The government has also pledged more support for European co-operation and mergers in the arms industry, on the condition that national interests are safeguarded.

In its first complex strategy for its arms industry in years, Germany has foregrounded the question of 'Europeanising' this sector.

Defining the key national technologies is meant to be the instrument that will safeguard German national interests, i.e. keep certain technological and production capabilities in Germany while the German arms industry 'Europeanises'. It is meant to ensure the security of supplies for the Bundeswehr in certain areas, but also to preserve Germany's position as NATO's important member state in terms of military-technological capabilities and to secure Germany's place in the European and global technology and production chains. The government has identified key technologies in the following fields: command (mainly encryption), reconnaissance (mainly sensor technology), impact/effort (mainly armoured vehicles and underwater

¹⁵ Rainer Arnold, 'Ausverkauf deutscher Panzer an Frankreich verhindern!', *Frankfurter Allgemeine Zeitung*, 8 July 2015, <http://www.faz.net/aktuell/politik/inland/ruestungsindustrie-keine-deutschen-panzer-an-frankreich-13690282.html>

¹⁶ Bundesregierung, Strategiepapier der Bundesregierung zur Stärkung der Verteidigungsindustrie in Deutschland, 9 June 2015, <http://www.bmwi.de/BMWi/Redaktion/PD-F/S-T/strategiepapier-bundesregierung-staerkung-verteidigungsindustrie-deutschland,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf>. The last government document concerning the sector was the list of key national technological and production competencies agreed between the Ministry of Defence and the Federation of German industries (BDI) in 2007. See 'Bundesverteidigungsministerium und BDI, Gemeinsame Erklärung zu Nationalen Wehrtechnischen Kernfähigkeiten, 20 November 2007, <http://www.bdsv.eu/de/Taetigkeitsfelder/Themen/Technologien.htm>

¹⁷ Justyna Gotkowska, 'Germany's idea of a European army', *OSW Analysis*, 25 March 2015, <http://www.osw.waw.pl/en/publikacje/analyses/2015-03-25/germanys-idea-a-european-army>

units), and support (mainly protection). Maintaining these technologies in Germany need not be contradictory to the 'Europeanisation' of the German industry; this may be assured through bilateral or multilateral agreements with the partners.

In the strategy, the government also listed the instruments it will use to support the German arms industry, with special focus on key technologies. (1) These include arrangements and joint priority setting between ministries with regard to the allocation of research and development funding for defence companies (including for the development of dual-use products). (2) The government has also pledged to support the arms exports to NATO and EU countries, and also to third countries (if congruent with the political guidelines discussed above) through instruments of Ministry for Economic Affairs and the Ministry of Defence (e.g. training in use of arms and military equipment provided by the Bundeswehr). The government also intends to conclude inter-ministerial or intergovernmental agreements to boost the chances of German companies in large foreign procurement programmes. (3) The maintenance and development of key technologies are to be supported through preferences in the purchases of arms and military equipment by the German MoD and through an appropriate industrial policy. Finally, the government has called for a broader public debate on the role of the arms industry and its exports for the German economy and the German and European security policy, in order to make public discourse on the issue more factual and less one-sided.

Germany's strategy for its arms industry is founded on the belief that there is no alternative to European consolidation of that industry, but the terms and conditions of consolidation should be shaped, to a much greater extent than they have been hitherto, by the German

government. The KMW-Nexter merger is an example of an increasingly clear trend for private German defence companies to merge with foreign partners. However, because of the negative experiences with such mergers in previous years, the German government wishes to have more control of the process, so that consolidation with (for instance) French companies does

Defining the key technologies is intended as an instrument for guaranteeing national interests in the German arms industry as it 'Europeanises' itself.

not take place at the expense of German technology clusters, production plants or subcontractors. To this end, key national technologies were identified, which will be supported and protected, also through the conclusion of inter-governmental agreements on strategic defence co-operation issues¹⁸. Those deals may regulate such issues as the ownership structure of joint companies, the locations for the development of technologies and production, subcontractors and exports of the jointly developed arms and military equipment¹⁹. In relation to the KMW-Nexter merger, such an agreement between Germany and France is expected to be concluded in the autumn of 2015.

¹⁸ Minor parliamentary question concerning the merger of Krauss-Maffei Wegmann and Nexter, BT-Drucksache 18/5511, 30 July 2015, www.bmwi.de/BMWi/Redaktion/PDF/P-R/Parlamentarische-Anfragen/2015/18-5511,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf

¹⁹ Martin Greive, Thorsten Jungholt, Gesche Wüpper, 'Wie Deutschland die Rüstungskompetenz verscherbelt', *Die Welt*, 2 August 2015, <http://www.welt.de/wirtschaft/article144714023/Wie-Deutschland-die-Ruestungskompetenz-verscherbelt.html>

APPENDIX

List of Germany's largest arms manufacturers

Name	Main products	Plants in Germany	Number of employees in Germany	Revenue
Airbus Defence & Space Airbus Group division	satellite subassemblies, probes and satellites, Eurofighter aircraft, unmanned aircraft, radar technologies, A400M military transport aircraft; servicing of Bundeswehr aircraft	Ottobrunn/Bavaria, Friedrichshafen/Baden-Württemberg, Manching/Bavaria, Ulm/Baden-Württemberg, Bremen	around 20,000 in Germany (of a total of 45,000)	€12.7 billion (2014) for the entire company, not just in Germany
Rheinmetall Defence part of the Rheinmetall AG concern; different subsidiaries (also foreign) operate within three divisions	Combat Systems division: wheeled armoured personnel carriers (Fuchs, Boxer; co-operation with KMW), infantry fighting vehicles (Marder, Puma; in co-operation with KMW), tanks (Leopard 2; co-operation with KMW), self-propelled howitzers (PzH 2000; co-operation with z KMW), turrets, cannons and ammunition; Electronic Solutions Division: air defence system (Mantis), 'soldier of the future' system, command and reconnaissance systems, sensors, simulators and trainers; Wheeled Vehicles Division: military trucks	Headquarters in Düsseldorf, manufacturing plants in various locations including Lower Saxony, North Rhine-Westphalia, Baden-Württemberg, Bavaria, Schleswig-Holstein	around 8000-9000 in Germany (of a total of 10,000)	around €2.2 billion (2014) (the revenue of the entire Rheinmetall AG concern is €4.6 billion euro)
Airbus Helicopters Airbus Group division	Helicopters: H135, H145, Tiger, marine version of NH90; helicopter servicing	Donauwörth/Bavaria, Kassel/Hesse	around 7000 in Germany (of a total of 20,000)	€5.9 billion (2014) for the entire company, not just in Germany
ThyssenKrupp Marine Systems (TKMS) – business area within ThyssenKrupp Industrial Solutions (TKIS) at the ThyssenKrupp concern	submarines (class 209, 210, 212A, 214, 216); naval surface vessels: frigates (124 and 125, MEKO A-200, MEKO 600, MEKO CSL; corvettes (MEKO 80, 90, A-100, 130), patrol boats (MEKO OPV), Berlin-class combat support ship)	Kiel/Schleswig-Holstein, Hamburg, Emden/Lower Saxony	around 3200 in Germany (of a total of 18,000 TKIS employees and 157,000 employees of the ThyssenKrupp concern)	around €1.7 billion (2013/2014) (the revenue of TKIS is €6.2 billion euro)
Diehl Defence part of the Diehl concern which includes: Diehl BGT Defence and subsidiaries (AIM, JUNGHANS Defence) and the joint ventures (Diehl Raytheon Missile Systeme, Diehl&Eagle Picher, Euro Spike, PARSYS, RAM-Systeme)	guided missiles: Sidewinder family (in co-operation with Raytheon), IRIS-T family of missiles, LFK NG missiles (in co-operation with MBDA Deutschland), IDAS missiles (in co-operation with TKMS), RBS15 Mk3 missiles (in co-operation with Saab Dynamics), the RAM system (in co-operation with MBDA Deutschland and Raytheon), PARS 3 LR missiles (co-operation with MBDA Deutschland), Spike LR missiles (in co-operation with z Rheinmetall and Rafael) Air defence system: IRIS-T SLM Ammunition: hand grenades, ammunition for artillery and boat cannons SIMONE surveillance and reconnaissance systems for warships and civilian vessels	Überlingen/Baden-Württemberg, Nonnweiler/Saarland, Röthenbach/Bavaria, Troisdorf/North Rhine-Westphalia Schrobenuhausen/Bavaria, Ottobrunn/Bavaria, Dunningen/Baden-Württemberg	around 2800 in Germany	around €500 million (2014)

Name	Main products	Plants in Germany	Number of employees in Germany	Revenue
Kraus-Maffei Wegmann (KMW)	combat systems: Leopard 1 and 2 main battle tanks (in co-operation with Rheinmetall Defence), Puma infantry fighting vehicles (in co-operation with Rheinmetall Defence), air defence systems (Fennek armed with Stinger missiles), artillery (AGM, DONAR, MARS II, PzH 2000 – in co-operation with Rheinmetall Defence), command systems support systems: Dingo 2, Fennek, Mungo multitask armoured vehicles (reconnaissance, command post, NBC reconnaissance, transport), engineer equipment (combat bridges, ferries) armament systems: mechanical gun mounts, remote controlled weapon stations training and simulations: civilian and military, battlefield simulators	Munich/Bavaria, Kassel/Hesse, Hamburg, Konstanz/Baden Württemberg, Kölleda/Thuringen, Mainz/Rheinland-Palatinat, Inglostadt/Bavaria, Freisen/Saarland	around 2600 in Germany (of a total of around 3200 KMW employees)	around €1 billion (2014)
Lürssen Defence one of the two Fr. Lürssen Werft business areas	fast patrol boats, offshore patrol vessels, corvettes and frigates (in co-operation with TKMS), minesweepers & minehunters, fleet support vessels	Bremen, Hamburg, Lemwerder/Lower Saxony, Wilhelmshaven/Lower Saxony, Berne/Lower Saxony, Wolgast/Mecklemburg-Vorpommern, Rendsburg/Schleswig-Holstein	around 1600 in Germany	around €400 million (2013) (the revenue of Fr. Lürssen Werft is €829 million)
MBDA Deutschland daughter company of MBDA	co-operation in the manufacture of air defence systems: PATRIOT, MEADS, LFK NG; manufacture of guided missiles: Taurus KEPD 350, PARS 3 LR, RIM ESSM, MILAN	Schrobenhausen/Bavaria, Aschau am Inn/Bavaria, Ulm/Baden-Württemberg	around 1300 in Germany	around €400 million
Heckler & Koch	pistols, submachine guns, assault rifles, machine guns, precision rifles, 40-mm systems	Oberndorf/Baden-Württemberg	around 730 in Germany	around €220 million (2013)

Author's own research

EDITORS: Adam Eberhardt, Anna Kwiatkowska-Drozdź,

Katarzyna Kazimierska, Anna Łabuszewska

TRANSLATION: OSW

CO-OPERATION: Jim Todd

DTP: Bohdan Wędrychowski

The views expressed by the authors of the papers do not necessarily reflect the opinion of Polish authorities

Centre for Eastern Studies

Koszykowa 6a, 00-564 Warsaw

phone: +48 | 22 | 525 80 00

e-mail: info@osw.waw.pl

Visit our website: www.osw.waw.pl