Volkswagen's Military Shift: From Cars to Iron Dome Systems

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The news is concrete, even though the agreement is not yet finalized: **Volkswagen** is in talks with the Israeli company **Rafael Advanced Defense Systems** to convert the **Osnabrück** site in **Lower Saxony** from car production to the manufacturing of **components** for the **Iron Dome** missile defense system. According to information reported by **Reuters**, citing the *Financial Times*, Volkswagen has clarified that it **excludes** direct production of **weapons**, but is exploring industrial alternatives for the site, where about **2,300 people** work and where production of the **T-Roc Cabriolet** is set to end in **2027**.

To understand the significance of the matter, it is important to remember that **Iron Dome** is one of the most well-known defense systems in the world: Rafael describes it as a **multi-mission** platform for protection against short-range threats, already operationally deployed for years. For this reason, Volkswagen's potential entry into its supply chain would not be a simple tactical operation but a sign of a broader European industrial transformation.

The central issue is the future of **Osnabrück**. After the labor agreement at the end of **2024**, Volkswagen committed to finding a reuse for the site instead of letting it shut down without alternatives. In this sense, the Rafael path appears as a possible industrial outlet capable of safeguarding jobs and manufacturing skills at a time of significant pressure on the group.

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Not an Isolated Case: German Auto Seeks Defense Outlets

The possible agreement with **Rafael** does not arise in a vacuum. In recent months, Volkswagen has explored multiple avenues in the **defense** sector. In March **2025**, the CEO of **Rheinmetall** described the Osnabrück site as “very suitable” for military production, and in March **2026**, Volkswagen also showcased prototypes of vehicles developed at the plant at an industry fair to test market interest. However, talks with Rheinmetall did not lead to an operational solution.

In parallel, **Rheinmetall** is now a key player in European rearmament and is linked to the Italian **Leonardo** in a joint venture, **Leonardo Rheinmetall Military Vehicles**, created to develop and produce new land military vehicles. This confirms that a more integrated defense industrial supply chain is consolidating in Europe, within which even historical pieces of the automotive industry can find new functions.

Thus, the real news is not just that a car factory might produce for **Iron Dome**. The news is that **Germany** is seriously considering converting part of its industrial power towards productions considered strategic. We are no longer facing a theoretical hypothesis: we are in a phase where the German manufacturing industry is seeking new markets, and **defense** is now one of the most evident.

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The Real Causes: Auto Crisis, Chinese Competition, and European Rearmament

The push towards these conversions primarily stems from the crisis in part of the European and German automotive industry. Volkswagen has initiated a tough restructuring in Germany, with over **35,000** future job cuts announced at the end of **2024** and the decision to cease production in **Osnabrück** in **2027** if a new industrial project does not emerge.

Also weighing in is the **Chinese competition**, which cannot be dismissed as merely a political slogan: the European Union imposed compensatory tariffs on Chinese electric cars from October **2024** after concluding that their supply chain benefited from **distorting public subsidies**. Meanwhile, the presence of Chinese manufacturers in Europe continues to grow, while German manufacturers are losing ground in **China**, which had been one of their crucial markets.

However, an important correction must be added: it is not entirely accurate to speak today of a **generalized collapse** of electric cars in Europe. **ACEA** data shows that in **2025**, **battery electric** cars reached **17.4%** of the EU market, up from **13.6%** in 2024, and in the first two months of **2026**, they rose to **18.8%**. The problem, therefore, is not just weak demand: it is mainly the difficulty of European groups to defend **margins**, market shares, and competitiveness within a much tougher transition than expected.

Finally, there is the geopolitical dimension. With the Bundestag vote on **March 18, 2025**, Germany approved a historic shift in public spending, easing the debt brake for **defense** and opening up to a massive increase in strategic investments. It reflects two converging fears: on one hand, the threat made evident by the Russian invasion of **Ukraine**, and on the other, the idea that Europe can no longer take American protection for granted. In this context, the operational successes of missile defense systems in the Middle East make investing in air defense more urgent; but, based on available sources, the **Volkswagen-Rafael** negotiation appears primarily as the product of an ongoing **German industrial conversion**, rather than a direct effect of the war with Iran.

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