

Policy Brief

A Look at the New Germany: The First 100 Days of the Three-Party Coalition

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The 2021 German federal election brought about a historic reshuffle of the political parties' hierarchy in Europe's biggest economy. The Social Democratic Party are back in control of the Chancellery for the first time since 2005, as part of a three-party coalition at the federal level with the Greens and the Liberals, a first in Germany's post-war history. Now, the federal government has turned its gaze towards its founding mission: more progress. The first 100 days of the three-party coalition were difficult. Facing both temporary and systemic crises, the new Germany is undoubtedly changing, especially after the tragic return of history in the East of Europe.



THINK • STIMULATE • BRIDGE

INTRODUCTION

Is a new Germany emerging? This is what many have been wondering since the 2021 federal election that resulted in a historic change to Germany's political landscape. The Christian Democrats suffered their worst post-war electoral defeat. For the first time at federal level, a three-party coalition¹ composed of the Social Democrats, the Greens, and the Liberals, is leading Europe's biggest economy. During coalition negotiations, the spoils were delicately divided between the parties to balance the heterogeneous coalition. The Social Democrats picked up the Chancellery, and the key ministries of justice, defense, development cooperation, and labor. For the Liberals, the sine qua non condition for government participation, control over the powerful finance ministry, was also met. Finally, the Greens took control of the four key ministries of foreign affairs, environment, agriculture, and for the first time, economic affairs and climate action (previously the ministry of economy and energy).

Table 1:

Germany' Federal Cabinet, Opposition Parties and Affiliations

FEDERAL CABINET				
Political Party	Leader(s)	Allocated Ministries	Seats in the Bundestag	Affiliations
Social Democratic Party (Sozialdemokratische Partei Deutschlands)	Saskia Esken Lars Klingbeil	<ul style="list-style-type: none"> Chancellery. Interior and Community. Defence. Labour and Social Affairs. Health. Economic cooperation and development. Housing, Urban Development and Building. 	206	<p>Global</p> <ul style="list-style-type: none"> Progressive Alliance. <p>European</p> <ul style="list-style-type: none"> Progressive Alliance of Socialists and Democrats. Party of European Socialists.
Green Party (Bündnis 90 /Die Grünen)	Ricarda Lang Omid Nouripour	<ul style="list-style-type: none"> Economic Affairs and Climate Action. Foreign Affairs. Family affairs, Senior Citizens, Women and Youth. Food and Agriculture. Environment, Nature Conservation, Nuclear Safety, and Consumer Protection. 	118	<p>Global</p> <ul style="list-style-type: none"> Global Greens. <p>European</p> <ul style="list-style-type: none"> European Green Party. Greens/ European Free Alliance.

1. Also called the traffic light coalition because of the political parties' traditional colours.

Free Democratic Party (Freie Demokratische Partei)	Christian Lindner	<ul style="list-style-type: none"> • Finance. • Justice. • Digital and Transport. • Education and Research. 	92	Global <ul style="list-style-type: none"> • Liberal International. European <ul style="list-style-type: none"> • Alliance of Liberals and Democrats for Europe. • Renew Europe.
OPPOSITION				
Political Party	Leader(s)	Seats in the Bundestag	Global and European Affiliations	
CDU/CSU Union (Unionsparteien)	Friedrich Merz (Christian Democratic Union) Markus Söder (Christian Social Union)	197	Global <ul style="list-style-type: none"> • International Democrat Union. • Centrist Democrat International. European <ul style="list-style-type: none"> • European People's Party. 	
Alternative for Germany (Alternative für Deutschland)	Tino Chrupalla	80	European <ul style="list-style-type: none"> • Identity and Democracy. 	
The Left (Die Linke)	Janine Wissler Susanne Hennig-Wellsow	39	European <ul style="list-style-type: none"> • Party of the European Left. • Left in the European Parliament – GUE/NGL. 	
4 Independent Members				

The three-party coalition has a clear objective: to revitalize Germany. Although a potent economic actor, Germany lags in high-tech industries, most notably in modern digital infrastructure and services. According to the Speedtest Global Index², it ranks 44th in the world in terms of fixed broadband speed. On digital public services, Germany ranks 17th out of the European Union's 27 member states³. On climate, Germany's policies require a

2. The Speedtest Global Index was developed by Speedtest, the flagship project of Ookla, which provides free analysis of internet-access performance metrics, such as connection data rate and latency.

3. Digital Economy and Society Index (DESI). 2021 Digital public services. European Commission.

thorough examination. In April 2021, the German Federal Constitutional Court published a ground-breaking decision that required a revision of the Federal Climate Change Act by the end of 2022, arguing that the national climate targets are partially unconstitutional as they do not sufficiently protect fundamental rights for the future. Consequently, Germany passed a new climate law in June 2021 pulling forward climate neutrality to 2045. In terms of energy consumption, coal remains essential in Germany's energy mix, accounting for 31.9% of the electricity generated in the third quarter of 2021⁴. However, renewable energy is gradually gaining importance in Germany's energy mix, increasing its share in Germany's gross power production from 16.7% in 2010 to 40.9% in 2021⁵. The three-party coalition objective for coal is that it should be "ideally" phased out by 2030 but articulating a social plan that mitigates the impact of the phase-out is a major challenge.

These are the challenges of the future that the new Germany wants to overcome, and it is convinced that as an individual state, it can only do so through the European Union (EU). The EU is indeed taking energy, technological, and climate issues seriously. In the technological domain, the ongoing negotiations on the Digital Market Act and the Digital Services Act intend to make the EU a rule-maker rather than a rule-taker in digital regulation. Meanwhile, climate change is a central theme for the three-party coalition, and the European Green Deal provides the opportunity for Germany to bolster its domestic and foreign agendas. The EU is thus well placed to remain a major actor in the future global economic order.

But the three-party coalition has grander ambitions for the EU. It wants stronger political integration between member states, and to build a European federal state. No member state shares the same zeal for integration, but with Germany on board, a new direction for EU foreign, security, and trade policies are highly likely.

Finally, the outbreak of the Russo-Ukrainian war will be seen in the history books as a disruptor for post-war Germany. The war revealed that the merging of geopolitical challenges with geo-economics, especially on energy and technology, is shaping the global geopolitical chessboard. Germany's capacity to address these challenges will be crucial to define its place in the world.

It is too early for a definitive judgment of the three-party coalition's performance. This policy brief seeks to highlight certain key elements of the first 100 days of post-Merkel Germany.

ENERGY AND CLIMATE

The federal government faced the global surge in energy prices early on. According to Reuters, 4.2 million German households will see their electricity bills rise by an average of 63.7% in 2022, while 3.6 million face gas bills 62.3% higher than in 2021⁶. As such, displaying long-term climate ambitions was not enough for Germany to reduce the impact of rising energy prices; urgent, targeted measures were needed. The federal government offered a €130 million package of one-time grants to low-income households, which will be paid to households over the summer when households receive their bills from energy suppliers⁷,

4. Coal and fossil fuel share of German electricity rises in 3Q. (December 14, 2021). DW.

5. Contribution of renewable energy to the German energy mix from 2010 to 2020. Statista.

6. German finance minister backs early end to green energy levy. (January 30, 2022). Reuters.

7. As UK households feel pressure, how are other European countries tackling energy crisis? (January 30, 2022). The Guardian.

and decided to reduce by 43% the Erneuerbare-Energien-Gesetz (EEG)⁸ surcharge, from 6.5 to 3.7 cents per kilowatt hour of electricity.

Rising energy prices are becoming the new reality as energy markets enter a phase of volatility. Accelerating the Energiewende (energy transition) and protecting consumers is Germany's long-term energy challenge. Still, the phase-out of nuclear power plants, scheduled for 2022, added a significant layer of urgency.

Nuclear energy was an initial test for the federal government at European level. The European Commission included nuclear energy and natural gas in the EU taxonomy⁹ but the three-party coalition was against such a move, and could even challenge it at the EU Court of Justice. The three-party coalition has little political space on this issue since a resolution of the Green party called on the federal government "to examine whether the delegated legal act [EU Taxonomy] is tenable and, if it is not, to file a separate lawsuit against the classification of nuclear energy and natural gas in the EU taxonomy to initiate or alternatively join the lawsuit to join Austria and Luxembourg in the matter"¹⁰. However, the dividing line on the taxonomy is not only between the federal government and the European Commission, but also within the coalition, with the Social Democrats supportive of labelling natural gas as green investment. Such a stance would be hard for the Greens to dispute since gas is expected to play a critical role in Germany's—and Europe's—energy transition.

Regarding renewable energy, time is of the essence. The federal government admitted that it missed its 2021 greenhouse gas emissions-cut targets and needs to reduce emissions from 2022 to 2030 by 40 million tons a year on average. Therefore, new measures to expand the roll-out of solar, wind, and hydrogen are expected, with legislative proposals aimed at doubling the renewables share in the energy mix to 80% by 2030¹¹. A thriving domestic policy for green energy is also vital for the federal government's climate foreign policy. In this regard, Germany bolstered its climate foreign policy by appointing Jennifer Morgan, head of Greenpeace, as its special envoy for international climate policy, and the Ministry for Economic Affairs and Climate Action approved a €900 million funding instrument, H2Global, to accelerate the development of green hydrogen production plants in non-EU countries¹².

The outbreak of the Russo-Ukrainian war has meant Germany needs to review its energy trajectory. Germany suspended the Nord Stream 2 certification process, with Robert Habeck calling it a "cluster risk from the Baltic Sea"¹³. Yet, in a context of post-pandemic global economic recovery, Germany needs to ensure the stability of its energy supplies. The Chancellor stated Germany needs to change course to reduce its dependence on Russian gas, through building up a gas and coal reserve by increasing storage via long-

8. The EEG is a legislative act to support the development of renewable energy, and the renewable surcharge is a financial mechanism aimed at expanding the use of renewables by households and industries. Available at link: <https://www.bmwi.de/Redaktion/EN/Artikel/Energy/electricity-price-components-state-imposed.html>

9. A classification system, establishing a list of environmentally sustainable economic activities. It could play an important role helping the EU scale up sustainable investment and implement the European green deal". European Commission.

10. Beschluss (vorläufig). EU-Taxonomie: Klare Kante gegen Atom und Gas – kein Greenwashing. 28.- 29. Januar 2022.

11. Germany spells out 'gigantic' effort to cut emissions and boost renewables. (January 11, 2022). Politico.

12. "€900 million for H2Global hydrogen project Minister Habeck: Launch of hydrogen economy market ramp-up". (December 23, 2022). Press Release. Ministry for Economic Affairs and Climate Action.

13. "Ein Klumpenrisiko durch die Ostsee". (February 23, 2022). Tagesschau.

term options, the acquisition of natural gas from other suppliers, and the rapid construction of its first ever liquefied natural gas terminals in the northern towns of Wilhelmshaven and Brunsbüttel¹⁴.

Finally, Germany will need to resort to coal power plants to ensure the stability of its electricity supply as it phases out its nuclear power plants. With a war in Europe, pragmatism beats all political consideration, but this measure will be especially unpopular among the Greens. Even more, it could derail the EU's climate objectives.

Table 2:

Chief Climate and Energy Priorities of the Three-Party Coalition

Renewable Energy	<ul style="list-style-type: none"> • 80% in the electricity sector. • 2% of land for onshore wind power, and offshore wind: 2030: 30 gigawatt (GW); 2035: 40 GW; 2045: 70 GW. • Rooftop solar mandatory for new commercial buildings.
Coal	<ul style="list-style-type: none"> • Coal phase-out <i>“ideally”</i> by 2030. • Federal government support for a just transition in coal mining regions.
Gas	<ul style="list-style-type: none"> • Gas necessary until renewable energies can secure energy supply. • Use gas power plants for hydrogen.
Hydrogen	<ul style="list-style-type: none"> • Reach electrolysis capacity of 10 GW by 2030. • Develop hydrogen on an industrial scale that sets technological and innovation norms. • Pursue the production of green hydrogen.
CO2	<ul style="list-style-type: none"> • Renewable energy surcharge will be paid from the federal budget, from January 1, 2023, to encourage the expansion of renewable energies by industries and households. • Increase CO2 price and implement social compensation for consumers. CO2 price for heating and transport fuels to remain the same until the energy price is socially acceptable. • Just division of the CO2 price on heating between landlords and tenants.

14. Policy statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag. (February 27, 2022). The Federal Government.

National Climate Action	<p>Climate Protection</p> <ul style="list-style-type: none"> • Reform the federal climate action law in 2022. • Develop a climate adaptation law. • Develop an action program for climate protection. • Ministries must ensure new law proposals are compatible with climate targets. • Monitoring of climate targets by cross-sectoral and multi-year overall assessment analogous to the Paris Climate Agreement. • Increase sales of climate-friendly products. <p>Industry</p> <ul style="list-style-type: none"> • Put in place an industrial strategy that stops carbon leakage. • Make Germany a leader in research and innovation for battery cells. <p>Transport</p> <ul style="list-style-type: none"> • Minimum of 15 million fully-electric passenger cars by 2030. • Expansion of charging infrastructure. • Make Germany a leading market for electric vehicle technology. <p>Buildings</p> <ul style="list-style-type: none"> • Every new heating system must be operated on 65% renewable energies by 2025. • 50% climate neutral heating by 2030. <p>Agriculture</p> <ul style="list-style-type: none"> • Comprehensive policy for climate protection of forests. • Significant cut of ammonia and methane emissions from livestock. • Support farmers for a just transition towards climate neutrality. • Reduce pesticides and develop policies for soil protection.
European and Global	<ul style="list-style-type: none"> • EU carbon floor price under the Emissions Trading System. • Establish an EU CO2 price in the building and transport sectors. • Introduce an EU carbon border adjustment mechanism compliant with WTO rules. • Introduce regulations for climate protection in the EU's Common Agricultural policy. • Accelerate the development of green hydrogen at a European and global scale. • Create an international climate club.

ECONOMY

Tasked with reinventing the German economy, the Chancellor clarified his intention to foster higher investment related to climate change and digitalization. The economic measures must also leave no one behind by raising the minimum wage to €12/hour, and channeling more public investment to support communities affected by the economic and climate transformation.

But the Chancellor's immediate priority was to face a stubborn foe, Omicron. The COVID-19 variant slowed down Germany's production apparatus by disrupting supply chains in the automotive, mechanical, electrical and engineering industries. Restrictions caused by the variant also affected sectors of social consumption such as the service and retail industries. This resulted in a decline in private consumption by 1.1% in the last quarter of 2021. At the same time, supply bottlenecks were a worry for German retailers. In February 2022, 76.3% of retailers stated that they did not receive all the goods they ordered¹⁵.

15. Supply Problems Worsening Again in German Retail. (March 1, 2022). Press Release. ifo Institute.

Key Forecast Figures for Germany

	2020	2021	2022	2023
Gross domestic product (percentage change over previous year)	-4.6	2.5	3.7	2.9
Employment (1,000 persons)	44898	44884	45293	45604
Unemployment (1,000 persons)	2695	2616	2359	2235
Unemployment rate (in % of civilian labor force)	5.9	5.7	5.2	4.9
Consumer prices (percentage change over previous year)	0.5	3.1	3.3	1.8
General government financial balance	2020	2021	2022	2023
- EUR billion	-145.2	-161.8	-82.4	-21.2
- in % of GDP	-4.3	-4.6	-2.2	-0.5
Balance on current account	2020	2021	2022	2023
- EUR billion	234.4	228.3	206.4	238.4
- in % of GDP	7.0	6.4	5.5	6.0

Source: Federal Statistical Office; Federal Employment Agency; Deutsche Bundesbank; 2021 to 2023: forecast by the ifo Institute.

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Higher energy and commodity prices also mean inflation will remain high for 2022, rising to 3.3% from 3.1% in 2021. Finally, the government budget deficit was at €162 billion due to an expansionary fiscal policy aimed at tackling the pandemic. The deficit is expected to shrink in 2022, reaching €80 billion¹⁶.

All indications point to a healthy return to pre-crisis growth in 2022. According to IHS Markit's Purchasing Managers' Index, the manufacturing and services sectors¹⁷ grew at their fastest rate for six months in February 2022, with the composite PMI rising to 56.2 compared

16. ifo Export Expectations Virtually Unchanged (February 2022). (February 23, 2022). ifo Institute.

17. According to Statista: Two sectors that account for two thirds of the German economy. Available at link: [Germany - GDP distribution across economic sectors 2020 | Statista](#)

to 53.8 in January¹⁸. Finally, the federal cabinet backed, on February 16, the Fourth Corona Tax Relief Act, which provides a tax exemption for care workers up to €3,000, and a battery of tax relief measures for businesses worth almost €11 billion through to 2025¹⁹.

Nonetheless, several structural problems, including slow digital transformation, lack of investment in hard infrastructure, and high energy costs, will remain. But in the short-term, the labor shortage is the priority. A survey of around 9,000 German companies conducted by the Ifo Institute for Economic Research found that 43% of respondents lack skilled workers, especially among accommodation, transport, and logistics companies²⁰. Although Germany issued 60,000 visas in 2021 for skilled workers under the Skilled Immigration Act, the minister for economy and climate stated that Germany needs 390,000 workers. The federal government is expected to roll out further measures to attract skilled workers and improve training for personnel in several fields.

Lack of high skilled labor is also critical for another top priority, pushing the powerful German production apparatus away from conventional energy sources. The influential Bundesverband der Deutschen Industrie (Federal Association of German Industry) wants the federal government's climate policies to safeguard the interests of German industry. Moreover, the current sticking point for the Association is the EU Carbon Border Adjustment Mechanism, which it believes requires further examination as it can lead to backlash from key trading partners and dampen the competitiveness of German industries.

Hitting national climate targets would require almost €900 billion in investment in Germany, with the federal government needing to massively invest in infrastructure, and to create financial incentives for private investment in critical sectors such as transport and construction²¹. In this regard, in January 2020, Germany repurposed unused coronavirus funds worth €60 billion into climate spending²². However, German skepticism about public investment in green energy through debt remains strong, especially at European level. Presiding over the Council of the EU until June 2022, France wants to reform the Union's Stability and Growth Pact to channel higher public investment to the green and digital transitions. For Germany, such a reform would make EU fiscal rules irrelevant²³.

The Russo-Ukrainian war will impact on German economic policies. First, the rise in energy prices threatens the purchasing power of consumers. In response, the Chancellor announced "lifting the surcharge under the Renewable Energy Sources Act by the end of this year, as well as an increase in the commuter tax allowance, a heating subsidy for low earners, subsidies for families and tax relief measures"²⁴. Second, the colossal sum of €100 billion to upgrade the Bundeswehr (Germany's army) put in the spotlight the need to increase government investment in the energy transition, due to pressure from the Greens, with finance minister, Christian Lindner, announcing the federal government's plan

18. German economy grows at fastest rate for six months in February – PMI. Reuters. February 21, 2022.

19. Viertes Gesetz zur Umsetzung steuerlicher Hilfsmaßnahmen zur Bewältigung der Corona-Krise (Viertes Corona-Steuerhilfegesetz). (Februar 25, 2022). Bundesfinanzministerium.

20. Shortage of Skilled Workers Is Increasingly Becoming a Burden on the German Economy. (December 2021). ifo Institute.

21. Germany needs to invest \$1 trillion to hit climate target. (October 21, 2022). Reuters.

22. German parliament approves climate spending with unused COVID support funds. (January 27, 2022). Reuters.

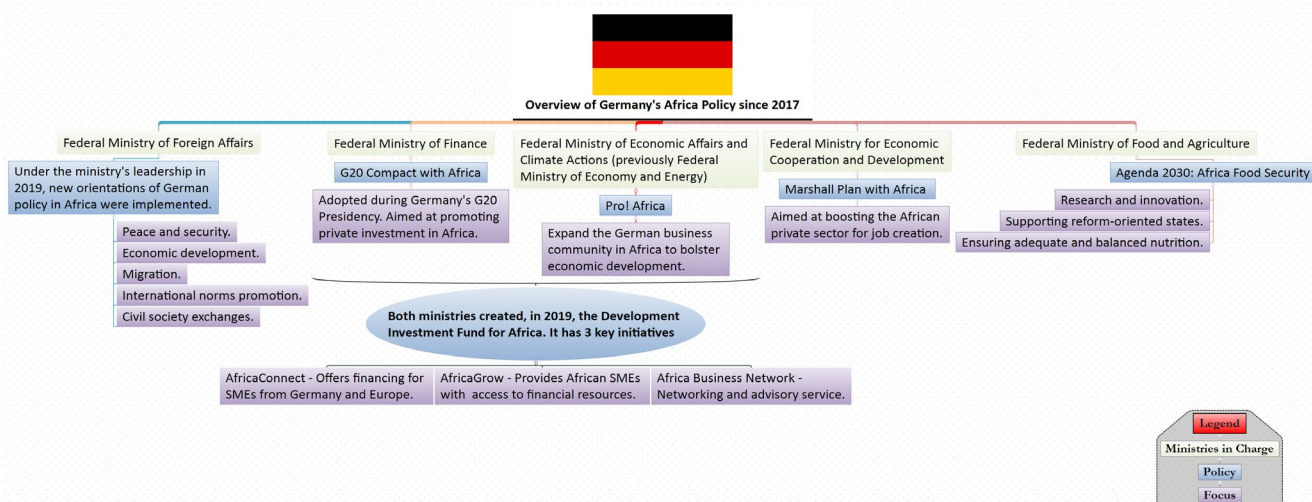
23. France's Bruno Le Maire tells Germany not to 'close doors' on EU budget reforms. (February 11, 2022). Politico.

24. Policy statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag. (February 27, 2022). The Federal Government.

to channel €200 billion into climate protection until 2026²⁵, in order to pacify his coalition partners. Finally, these amounts indicate that public borrowing might become a bigger issue for German finances than expected, although the finance minister carefully described the €100 billion for the army as “investments”²⁶.

AFRICA

Africa appears four times in the Koalitionsvertrag (coalition agreement). It is thus a normal reflex to believe Africa is not a priority for Germany. Such an assessment is misleading. Since 2017, German initiatives for closer cooperation with African countries have multiplied, and Germany has become one of Africa’s leading donors and investors. From 2016 to 2020, €9.7 billion of foreign direct investment in Africa came from Germany²⁷, and was the world’s second-largest donor in development cooperation, with most of Germany’s aid for Africa heading towards North Africa, while sub-Saharan Africa’s share grew from 18% in 2015 to 23% in 2019²⁸.



Germany’s Africa policy had a fresh beginning with the European Union-Africa Union Summit in February 2022, which emphasized stronger cooperation on green energy, climate protection, digitalization, and health cooperation. Germany has developed strong ties with the African private sector through its G20 Compact with Africa, Pro!Africa, and the Marshall Plan with Africa. Also, German companies are prominent players in major infrastructure projects. For example, Siemens is building various high-speed railway lines for freight and passenger transport in Egypt.

The Summit provided Germany with the opportunity to reform its image, which was perceived by some critics as “paternalistic” or “misinformed” in Africa²⁹. In this regard, the German Chancellor’s call to include African countries in an international climate club is an attempt to break away from past criticism. Germany is intent on deepening its engagement in Africa with three main priorities:

25. Berlin to unleash €200 billion for climate protection until 2026. (March 7, 2022). Euractiv.

26. Speech by Christian Lindner at the Bundestag’s special session on the war in Ukraine. (February 27, 2022). The Federal Ministry of Finance.

27. Reset for growth: fast forward. EY Attractiveness Report. Africa. (November 2021). Ernst & Young. Page 20.

28. Germany. Donor tracker.

29. Schlegel, A., Ziai, A. (Septembre 2021). La politique africaine de l’Allemagne Vers la reconduction d’un modèle de coopération asymétrique ? IFRI. Page 7.

The first priority is health. The alarming disparity between Europe and Africa in COVID-19 vaccination rates is poised to diminish as Germany's BioNTech plans to establish vaccine manufacturing facilities in Africa³⁰. The second priority is deepening regional value chains. Germany wants Africa to be more integrated into global value chains, especially in green hydrogen and electric vehicle manufacturing, and there is a degree of German self-interest in these two sectors, since green hydrogen is perceived as a critical for Germany's future energy mix. Meanwhile, producing German vehicles in the ever-growing African market is similarly important for the German auto industry, with Africa expected to have by 2025, 100 cities with more than one million inhabitants, twice as many as in Latin America³¹.

Finally, Germany intends to see the EU rival China's economic clout in the continent³². The Global Gateway, the EU's flagship program for connectivity projects, will mobilize in Africa €150 billion (half the budget) in investments for infrastructure, and the green and digital transitions. As a leading provider of investment to Africa, Germany should support the EU in investing its resources more strategically by improving the coordination of allocation of funds between EU member states, financial institutions and the EU institutions, as well as by focusing on providing the technical expertise for projects to have a long-term impact, instead of being short-term fixes.

Cultivating new economic partnerships is not the only item on Germany's African agenda. Security is also a priority. In Mali, the Bundeswehr has deployed more than 300 troops as part of the EU training mission, and almost 1,100 soldiers in the UN peacekeeping mission in Mali. German deployment in both missions will expire in May 2022³³. In the context of deteriorating relations between Mali and France and the EU, and the end of France's military engagement in Mali, the German military presence in the West African state is most likely to come to an end. Still, Berlin will likely remain active on humanitarian issues.

NO MORE POST-COLD WAR EUROPE

Confronted from the start with a geopolitical crisis in Europe, the three-party coalition has been thrust into the reality of great power competition that threatens Europe's security order. In the modern history of Germany, there will be a 'before' and an 'after' the Russo-Ukrainian war, as the return of armed conflict on European soil will change German policy on numerous issues.

Prior to the outbreak of the Russo-Ukrainian war, Germany was perceived as the hesitant actor in the West/Russia confrontation for various reasons:

- **Energy dependence on Russia:** Germany imports almost 50% of its gas from Russia³⁴. Hence, Germany hesitated initially to acknowledge that Nord Stream 2 would be sanctioned, while such a move had support from the United States and within the EU. This dependence is chiefly the result of a German energy policy that did not prioritize the diversification of energy supplies.
- **Russian-German relations:** The Russian-German reconciliation was a major event in Germany's modern history. In this sense, Germany has been caught by its past as

30. BioNTech to ship mRNA vaccine factory kits to Africa. (February 21, 2022). World Economic Forum.

31. African cities will double in population by 2050. Here are 4 ways to make sure they thrive. (June 27, 2018). World Economic Forum.

32. China is Africa's biggest investor since 2010.

33. Germany mulls end of military mission in Mali. (February 2, 2022). DW.

34. Which European Countries Depend on Russian Gas? (February 24, 2022). Statista.

it pursued towards Russia a policy of 'keeping the peace at all costs', maintaining economic interests unharmed. Finally, Germany was (and remains) convinced that long-term security in Europe cannot be realized without Russia on board.

- **A hesitant ally:** Germany initially refused and blocked the provision of arms to Ukraine, citing its policy of not exporting arms to conflict zones and opting for the symbolic gesture of sending 5,000 protective helmets to Ukraine. This move drew heavy criticism from allies and raised questions about the three-party coalition's leadership. But for German state and society, sending weapons to a potential war zone in Europe was controversial.
- **Lack of adaptation:** Faced with the Ukraine crisis early on, the three-party coalition lacked a clear strategy, although tensions with Russia were mounting. Germany's security response was unfocused and confused, and its foreign policy lacked the hard power capabilities to impose its views. These are structural problems that significantly reduce Germany's global impact.

German hesitancy was broken first by Russia's recognition of the two breakaway republics of Donetsk and Luhansk which broke Germany's first taboo, suspending Nord Stream 2 certification. Following the outbreak of the war, Germany supported a package of economic sanctions that banned transactions with the Russian Central Bank and froze its assets, excluded Russian banks from SWIFT (although banks handling energy payments were not excluded), prevented Russia from accessing critical technology, banned investments across the Russian energy sector thus hitting oil majors Transneft, Gazprom Neft and Rosneft (but the EU will continue to import energy from them), and cut Russian state businesses from financing. From a country that championed the cause for an open global economy, these sanctions were significant and most likely burdensome for the German economy as they could encourage retaliatory measures from Russia such as cutting its energy supplies.

Furthermore, the shock of the war made Germany aware of its powerlessness. In a special Bundestag session on February 24, the German Chancellor announced a *Zeitenwende* (turn of an era) in security policy. Considering that the war can "turn back the clock to the nineteenth century and the age of great power competition"³⁵, Germany announced a special fund of €100 billion of investments in upgrading its armed forces, to be enshrined in the Basic Law (Constitution). The sum is almost double Germany's defense spending in 2021³⁶. Also, Germany will invest in capabilities by upgrading Eurofighter jets with new electronic warfare system, purchasing Israel's armed Heron drone. The Chancellor also announced Germany would adhere in the future to NATO's commitment of spending 2% of GDP on defense, a commitment Germany has not fulfilled since 1990³⁷. Finally, in a historic policy shift, Germany decided to provide weapons to Ukraine, sending 1,000 anti-tank weapons and 500 Stinger anti-aircraft systems, and allowed the Netherlands and Estonia to send grenade launchers and howitzers to Ukraine that belonged to Germany.

Is this the geopolitical awakening of Germany? By signaling its readiness to include the military in its international toolbox, the revolution in Germany's security policy is significant. Furthermore, it will be firmly anchored in Europe, with the Chancellor linking it with European sovereignty, starting by building the next generation of combat aircraft and tanks

35. Policy statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag. (February 27, 2022). The Federal Government.

36. Trends in World Military Expenditure. (April 2021). Sipri. Page 9.

37. Military expenditure (% of GDP) – Germany. World Bank. Available at link: [Military expenditure \(% of GDP\) - Germany | Data \(worldbank.org\)](https://data.worldbank.org/SD/SH.UV.XD)

in a European framework, while strengthening transatlantic ties by the purchase of F-35s to replace outdated Tornado Jets³⁸. Finally, Germany's awakening in the military sphere will further advance the EU's defense policy. The Council of the EU's decision to approve finance for the first time through the European Peace Facility (EPF) to fund up to €450 million of lethal weapons for a country at war would have been unthinkable in the past³⁹. The EU is becoming aware of geopolitical realities, and with Germany on a board, the Union could emerge as a different actor after the war by developing and broadening its defense toolkit, like the use of the EPF. But on defense, the question for the EU remains not on capabilities, but on coordination, which is eminently linked to the political will of member states.

CONCLUSION

Germany's three-party coalition started its mandate with several crises. Some were temporary, such as the COVID-19 variant Omicron, while others are systemic: great power competition, energy and decarbonization, and economic recovery. The Russo-Ukrainian war was the real turning point for a new Germany. Faced with its self-inflicted powerlessness, Germany realized the refusal of power is no longer an option, and the revolution in its security policy is a testament that the times are changing. The context is also favorable for Germany's security revolution. As it formulates its National Security Strategy, the establishment of the strategic frameworks of the EU and NATO provides ample material for Germany to conceptualize its role in the world, and identify the means for significant geopolitical clout.

But Germany needs a strategy not only in the military field, but also for energy, climate, and economy. What if the three-party coalition fails in charting the right path for the decarbonization of Germany's economy? Will the German production apparatus remain competitive in the path to zero emissions? Can the coalition implement effective measures that mitigate the socio-economic impact of global uncertainty on the wellbeing of German citizens? These are the issues that will determine whether the three-party coalition will survive beyond the 2025 federal elections, or if its existence was only a product of unique circumstances.

38. Policy statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag. (February 27, 2022). The Federal Government.

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About the Policy Center for the New South

The Policy Center for the New South: A public good for strengthening public policy. The Policy Center for the New South (PCNS) is a Moroccan think tank tasked with the mission of contributing to the improvement of international, economic and social public policies that challenge Morocco and Africa as integral parts of the Global South.

The PCNS advocates the concept of an open, responsible and proactive « new South »; a South that defines its own narratives, as well as the mental maps around the Mediterranean and South Atlantic basins, within the framework of an open relationship with the rest of the world. Through its work, the think tank aims to support the development of public policies in Africa and to give experts from the South a voice in the geopolitical developments that concern them. This positioning, based on dialogue and partnerships, consists in cultivating African expertise and excellence, capable of contributing to the diagnosis and solutions to African challenges.

The views expressed in this publication are those of the author.

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