

Germany 2025: A Transitional Year Toward an Uncertain Future

Shimon Stein | No. 1933 | January 19, 2025

On February 23, elections for the Bundestag will be held in Germany due to the failure of the current coalition government to address pressing issues: asylum seekers, the war in Ukraine, the energy crisis, and the economic slowdown. The next government will also need to contend with the implications of policies likely to be introduced by President Donald Trump regarding NATO, the Russia–Ukraine war, and international trade. In any case, the principle introduced by Chancellor Angela Merkel that “Israel’s security was and will remain part of Germany’s *raison d’état*” is expected to continue guiding the next government in its relations with Israel.

Under normal circumstances, Germany’s general elections would be scheduled for September 2025, marking four years since the last elections. However, these are not normal times. The “traffic light” coalition (a first-of-its-kind experiment in German politics) was forced to end its term earlier than expected. This coalition, which defined itself as a “coalition of progress,” set ambitious goals after 16 years under Chancellor Angela Merkel, whose rule was characterized by a lack of reforms and the preservation of the status quo. However, the aspirations of its coalition partners (the Social Democrats, the Greens, and the Liberals) quickly proved unrealistic due to the ideological differences among them, coupled with the lackluster leadership of outgoing Chancellor Olaf Scholz. Additionally, the government faced poor starting conditions, having to address urgent issues: refugees, the war in Ukraine, the energy crisis, and an economic slowdown.

The big question is whether the incoming coalition following the February 23 elections will be able to bring about the necessary turnaround to pull Germany out of its structural (and some say existential) crisis. Polls conducted in recent months indicate that the largest opposition party (comprising the Christian Democratic Union and its Bavarian sister party, the Christian Social Union) is expected to win the elections and form the government, led by its chancellor candidate Friedrich Merz, who lacks ministerial experience. The second-largest party is expected to be the far-right Alternative for Germany (AfD). To date, none of the democratic parties considers it a potential coalition partner.

The Social Democratic Party is expected to be the third largest party. The outgoing chancellor, who continues to lead the party, hopes for a repeat of the “miracle” that occurred in the last elections when his party won against all early predictions. It is followed by the Green Party, whose popularity has somewhat dimmed due to some voters’ disappointment with its positions and the problematic performance of its leader, who served as minister of economy

and energy despite the party's efforts to mitigate the effects of the energy crisis after the cessation of gas supplies from Russia.

A reflection of the fragmentation in Germany's political landscape can be seen in Sahra Wagenknecht, who left the Left Party to form her own party, combining populist elements from both the right and left. This party, which is anti-American and has pro-Russian leanings, achieved notable success in last year's elections in the former East German states; it is likely to surpass the five-percent electoral threshold. The Liberal Party (whose leader is "blamed" for dissolving the coalition) and the Left Party are unlikely, as of now, to be represented in the incoming Bundestag.

A combination of internal and external circumstances surrounding the incoming government will make fulfilling its mission to bring about change exceedingly difficult. Some argue that this is the most severe crisis Germany has faced since its founding. The "German model," which made Germany a politically stable, economically prosperous, and socially cohesive state, has collapsed. This model was built on three pillars:

1. Cheap energy from Russia, which continued to flow even during the Cold War, fueling Germany's energy-intensive industries—steel, petrochemicals, and automobiles. Germany's embargo on purchasing oil and gas from Russia forced it to seek alternative (and more expensive) sources of gas, while the crisis occurred at a time when the German economy was far from completing its transition to renewable energy.
2. The Chinese market, which not only bought German products but also allowed large-scale German investments, particularly in China's automotive industry. The rapid transition of the Chinese market to electric vehicles has displaced German cars, while China has simultaneously increased its electric vehicle exports. Germany, which was late to the production of electric vehicles, has been pushed out of several markets. Moreover, the transformation of the automotive industry will have significant repercussions on the German economy, where automobile exports play a considerable role. This transition will also lead to a notable reduction in the workforce and a temporary increase in unemployment (although unemployment rates are still currently low).
3. Security. For the past seven decades, the primary burden has been borne by the United States, which provided a nuclear umbrella to Germany (and other European NATO members), in addition to stationing American troops on German soil. Repeated calls by successive US administrations to share the burden went unanswered. Instead of increasing its defense budget, Germany invested its resources in welfare programs. It was President Donald Trump during his first term, and later Russia's invasion of Ukraine, that forced Chancellor Scholz to acknowledge the need for change (in a speech delivered in February 2022). This realization led to an increase in Germany's defense budget to 2% of GDP, implementing a NATO decision made nearly a decade earlier.

Additional factors contributing to a slowdown/negative growth as well as significant harm to Germany's competitiveness include a lack of massive investments (in infrastructure, security,

and decarbonization), insufficient innovation, excessive bureaucracy, lagging digitalization, demographic challenges, a shortage of skilled labor, outdated infrastructure, an underfunded education system, and a welfare/health system with high expenditures.

Aside from the economic crisis and its wide-ranging implications, the incoming government will inherit the issue of asylum seekers/refugees, which has been on Germany's—and Europe's—agenda since 2015. Since then, an additional one million refugees from Ukraine have arrived. Beyond the challenges of housing, social assistance, and education, this issue has political, social, and security dimensions that German society and the political system struggle to address. A direct consequence of this situation is the rise of the "Alternative for Germany" party, which capitalizes on the public's feelings of insecurity and anxiety about foreigners (a minority of whom are involved in terror attacks) and what is perceived as the authorities' inability to handle the problem. It is clear that any incoming government will need to tackle this issue, and the lack of a solution will have implications for Germany's political and democratic stability. Furthermore, the absence of a pan-European solution will make it even harder for Germany to find one.

As if this were not enough, external constraints will also affect Germany's security and economy. Russia's invasion of Ukraine forced the outgoing coalition (particularly the Social Democrats and the Greens) to reconsider their policy toward Russia. The misguided hope underpinning this policy was that changes in Russian behavior could be achieved through trade and rapprochement. However, President Putin's statements over the past decades about his intention to alter the post-Soviet status quo and restore past glories should have served as a wake-up call. This realization was reflected in Chancellor Scholz's speech a few days after Russia's second invasion of Ukraine (following the annexation of Crimea). In addition to increasing the defense budget—which will need to be expanded in the coming years given the Russian threat—Germany has contributed to Ukraine's efforts in humanitarian, financial, and military areas.

While public support for Ukraine remains strong, fatigue and a desire to resolve the crisis have become evident as the war drags on, especially given the burden of Ukrainian refugees. Statements by President-elect Trump about his desire to see the war end quickly have sparked not only hopes for such an outcome but also concerns about the nature of the solution (as Ukraine is not viewed as critical to US national interests). Such a resolution might come at the expense of the security of both Germany and Europe. Trump's remarks about NATO's future and his demand that Germany and other member states increase their contributions to the alliance's budget (to 5% of GNP, according to his latest statements) are expected to place additional burdens on the incoming government. The uncertainty surrounding the continuation of US nuclear commitments will force Germany to consider alternatives, such as relying on France's (and possibly the United Kingdom's) nuclear deterrence. To date, both Chancellor Scholz and his predecessor Merkel have avoided addressing this issue.

Beyond security concerns, Trump's threats of imposing tariffs and pursuing protectionist trade policies—which could harm German exports—pose significant risks to Germany's export-dependent economy, which relies on open markets. Trump's policies toward China—still a

crucial market for Germany, despite efforts to reduce dependency and seek alternative markets—will also have repercussions for Germany. Together with the European Union (which governs its member states' trade policies), Germany will likely need to align its stance with that of the United States.

American isolationism, coupled with reduced security commitments to Germany and other NATO members, will likely compel the incoming German government to strengthen the security framework within NATO or alternatively focus on adopting President Macron's proposal for European sovereignty/autonomy. Nonetheless, Macron's 2017 proposals did not resonate with either Chancellor Merkel or Chancellor Scholz at the time, reflecting the strained relations between France and Germany, which are supposed to act as the engine of European integration.

However, these relations are not mentioned in the Christian Democratic Party's election platform, which calls for the creation of a "troika" that would include Poland alongside France and Germany. This proposal aims to adapt the EU to changes brought about by its expansion. In foreign policy, continuity is expected, with an emphasis on the importance of relations with the United States. The significance of the transatlantic partnership will also be highlighted, assuming the United States remains a reliable partner. One lesson revealed during the Ukraine war is the need to strengthen defense industries. The Christian Democratic Party's platform mentions plans to establish an internal market for defense products and guidelines for defense exports. A shift is also expected in reducing the emphasis on values and feminism in foreign policy—issues championed by the Green Party.

"Israel's security has been and will remain part of Germany's *raison d'état*"—a principle incorporated into political discourse by Chancellor Merkel that continues to guide German policy (despite its ambiguities)—is mentioned in the Christian Democratic Party's platform. This principle will continue to inform the next government's relations with Israel, which are given high priority in the platform, listed immediately after relations with the United States and ahead of those with France, which have seen better days under Chancellors Adenauer and Kohl.

In conclusion, the famous quote from Giuseppe Tomasi di Lampedusa's novel *The Leopard* is often cited: "If we want things to stay as they are, things will have to change." Indeed, a Herculean task lies ahead for the next government—or, rather, for German society as a whole: If it wishes to preserve the status quo—economic prosperity, social cohesion, and democratic governance—it must undertake the necessary changes.

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