

MAIN POINTS

- Chancellor Olaf Scholz's proclamation of a 'new era' (*Zeitenwende*) on 27 February 2022 was determined by external factors, but it also resulted directly from previous strategic mistakes in Germany's policy. Russia's invasion of Ukraine, as well as the defenders' resistance and fighting spirit, became the immediate trigger for initiating the changes. However, the deeper reason for the decision was the conviction that the previous strategy, namely the conscious and deliberate pursuit of the country's prosperity and security based on cooperation with Russia, including the supplies of cheap Russian gas, had been a failure. From the point of view of Poland and the whole Central & Eastern European region, the most damaging part of that course was Germany's persistent pursuit of a 'Russia first' policy in many areas, which failed to take into account either the changing external conditions or the interests of Germany's allies in the EU and NATO.
- Following the proclamation of this 'new era', Germany has experienced a change in mentality, and also introduced tangible, radical reforms in selected spheres. However, both of these have only occurred in those areas that have been defined as essential, where a failure to refocus would endanger the security of the country and its citizens. In the medium and long term, the SPD-Greens-FDP cabinet is likely to incorporate the *Zeitenwende* concept into the implementation of its programme that forms part of the coalition agreement. The 'coalition of progress' had pledged a profound transformation towards a zero-carbon economy, an acceleration of the digital transformation, and efforts to break Germany of its investment and export dependencies.
- The narrative about the even more urgent need for radical changes will intensify by the end of the Scholz government's term, and probably also in the years to follow (if the mainstream parties hold onto power). Against the backdrop of the 'new era' in politics (not only in Germany, but also around the world) and the current wartime environment, the government will depict these costly reforms as necessary sacrifices, but above all as investments in the future. This portrayal of the *Zeitenwende* and its priorities will be touted as the driving force for building Germany's new economic (and by extension) political strength. The *Zeitenwende* project, understood as the modernisation of Germany and the reinforcement of its economic and political power, may also encompass the post-war reconstruction of Ukraine.

- At present, the most striking expression of the ‘new era’ policy is Germany’s decoupling from Russia in the field of energy. As a result of decisions taken by either the West or the Kremlin, imports of the main raw materials (coal, natural gas and oil) from Russia were interrupted in 2022, which forced Germany to diversify its supplies at a lightning pace and high cost. Russia’s and Germany’s decisions also led to the severance of most business ties between them; the companies that had previously underpinned the alliance became the biggest ‘casualties’ of the decoupling. The German government’s decisions to nationalise Gazprom’s assets and seize control of Rosneft’s companies in Germany, as well as Russia’s decisions to take over Uniper and Wintershall Dea’s assets in Russia, were unprecedented. However, it is likely that in the longer term, should the West and Russia normalise their relations, elements of Germany’s economic and political elite will call for a restoration of trade cooperation with Russia, including the resumption of energy imports – although certainly not on the scale that was seen before 2022.
- The gas sector is another part of the German energy industry where the *Zeitenwende* has brought about profound changes. The most important of these is the altered structure of German gas imports, which cover around 94% of the country’s demand. In 2022, Germany lost its largest gas supplier, Russia, which had accounted for around half of the country’s gas imports in recent years. The invasion of Ukraine and the resulting collapse of the concept of an energy alliance with Russia forced Germany to change its approach to creating the infrastructure for LNG imports, which it had not previously had. The federal government went into emergency mode and committed enormous funds when it took the decision to build Germany’s own terminals in record time and on an unprecedented scale. Implementing these plans will allow the country to become permanently independent from Russian supplies. At the same time, the discontinuation of Germany’s cooperation with Gazprom has forced it to look for alternative sources of imports. In this field the US has become the most important new partner, accounting for up to three quarters of gas imports to German terminals.
- Neither the energy crisis related to Russia’s aggression against Ukraine nor the *Zeitenwende* policy have changed the basic assumptions of the German model for transforming the country’s electricity sector. These still include the desire to make this sector increasingly reliant on renewable sources and to continue & expand the complementary, bridging role of natural gas. The government’s narrative has even used the crisis as another compelling

argument for the accelerated implementation of the *Energiewende*, as previously agreed by the coalition partners.

- The Russian attack on Ukraine also prompted the SPD-Greens-FDP government to overhaul its foreign policy, mainly in the area of eastern policy (*Ostpolitik*). The SPD has dominated the discussion on its new shape, and the proposals so far indicate that despite seeing Russia as the main threat to Europe's security, Germany is not ruling out a return to cooperation with it after the war ends, if political change occurs in the Kremlin, and if Russia renounces its imperial policy. At the same time, though, Germany has been reticent about supporting Ukraine's ambitions for EU and NATO membership.
- The invasion of Ukraine has made it clear to Germany that it is now impossible to shape European security together with Russia. The German government has come to understand that it is necessary to strengthen NATO's collective defence, increase the Alliance's presence on its eastern flank, and arm Ukraine in the face of the Kremlin's aggressive actions. Germany is now ready to bear the costs of investing in its own and NATO's defence over the next few years, and of continuing military aid to Ukraine.
- The concept of a new security order in Europe that would imply a long-term, systemic and costly confrontation with Russia remains outside Germany's thinking on European security for the time being. It appears that after the war ends and if changes occur in the Kremlin, the Chancellery would like to see a partial return to the post-Cold War project of shaping security in Europe with Russia's participation to some degree. This attitude may be modified in the future if Washington's stance changes, for example with the official termination of the NATO-Russia Founding Act and the granting of US security guarantees to Ukraine. This in turn may depend on domestic political developments inside Russia itself.
- The 'new era' has sparked a discussion on the limits of globalisation and economic dependence on autocratic countries. The issue of China, Germany's foremost trading partner and a major destination for German investments, has attracted particular attention. The concept of decoupling, that is disengaging and reducing trade, has never been popular in Germany because of its economic costs. In the end, the idea of de-risking prevailed in the debate. This states that the government will protect critical infrastructure and high-tech companies from takeovers by foreign investors. In terms of

external relations, this is hardly a radical step: there is no question of scaling down ties with China, but rather of balancing them with new channels of cooperation, for example with India, African countries and Brazil. Hence, the *Zeitenwende* will lead to more globalisation rather than less.

- The *Zeitenwende* does not imply more German support for a radical deepening economic integration within the EU. Quite the contrary: the economic crisis is pushing Germany towards renationalising its tools for supporting the economy. Germany has seized the opportunity to increase state aid to its own companies while blocking the launch of a new EU fund for ‘strategic sovereignty’. There are several other indications that Germany is leaning towards putting the brakes on integration: it has refused to approve the creation of a common insurance for bank deposits or the finalisation of a banking union, and it has also maintained a hardline stance on the issue of reforming the EU’s fiscal discipline rules, which would allow indebted countries to choose more flexible and lengthier paths to debt reduction in order to boost investment.
- The war in Ukraine and the energy shock have pushed Germany into ‘stagflation’, that is, economic stagnation combined with high inflation. Disputes over how to respond to this crisis are one of the features of the *Zeitenwende*. The country has seen a resurgence of the conflict between supporters of economic liberalisation and advocates of interventionist ideas envisaging a greater role for the state. One attempt to break the stalemate is the concept of transformative supply-side policy, which combines the features of both approaches and grants the government a key role in boosting investments. Germany hopes that this will bring about a ‘new economic miracle’, although critics of the idea point to the growing risk of deindustrialisation and the weakening of Germany as a result of what they see as a misguided policy.
- The war in Ukraine has accentuated the existing differences between the east and west of Germany. The population in the west has seen and continues to see any changes and transformations as an evolutionary adaptation to new social and economic conditions. For the residents of the eastern *Länder*, this series of transformations (especially the one in 1989/1990) have entailed radical breaks with their previous patterns of behaviour, often forcing a U-turn in their lifestyles. The smaller resources of the former GDR’s population (the lack of savings, lower pensions and reduced mobility in the labour market) have added to their fears of transformation.

In the eastern *Länder*, there is a greater sense that people have no agency and that the state has lost control. As the country faces a new round of the refugee crisis involving people from Ukraine and other areas while the core *Zeitenwende* project (changes to the energy sector) sparks opposition, the anti-establishment AfD party has been gaining support.

- As time since the start of Russia's full-scale invasion of Ukraine has passed, it is becoming increasingly difficult to convince voters that the changes are necessary. At the same time, avoiding deeper divisions among the population is a prerequisite for ensuring popular approval for the implementation of the *Zeitenwende*. However, the greatest threat to the progress of the transformations initiated in February 2022 comes from the labour shortage in the German economy. Unless tens or even hundreds of thousands of new workers can be recruited each year, major changes such as the transformation of the energy sector and the overhaul of the economic model will face delays or even prove unfeasible in many areas. The next debate about Germany as an immigrant state, especially in the context of the ongoing refugee crisis, will take centre stage in the campaign ahead of the Bundestag elections scheduled for 2025.