



**POLITICAL
INTELLIGENCE**

Meet Germany's New Traffic Light Government

Daring more progress

**By Maike Haas,
Johanna Mündlein and
Rica Hülseberg**



Contents

3| Introduction

4| Climate change focus and friction

5| Approach to the EU: more transparency, trade, and human rights

6| Germany on the global stage: tougher on Russia and China

7| Who's who



Introduction

Germany's first three-party government has taken office, led by new chancellor, Olaf Scholz, the respected former vice-chancellor and finance minister in the previous administration. The "traffic light" coalition, named after the respective colours of the parties – the Social Democratic Party (SPD), the Greens and the Free Democratic Party (FDP) – ends 16 years of conservative administrations led by Angela Merkel who chose not to run again. Scholz, an experienced but uncharismatic politician, won plaudits for managing the country's economy through the Covid crisis. But after being noted for imitating Merkel's mannerisms during the election campaign in an effort to present himself as the continuity candidate, the quietly-spoken 63-year-old must now step into her shoes for real. In typically understated fashion, Scholz tweeted "I said 'yes'" from his official account, alongside a photo of him standing among lawmakers on the floor of the Bundestag after accepting the vote, wearing a facemask and holding a large bouquet of flowers.

For the government to make progress on its wide-ranging agenda Scholz will need to maintain a constructive relationship between the SPD and Greens, traditional left-leaning allies, and the business-friendly FDP, whose leader Christian Lindner is the new finance minister.

The surprisingly rapid and calm way the coalition agreement was negotiated bodes well. Despite initial expectations of protracted talks to find common ground between the ideologically disparate parties, they unveiled a detailed 177-page coalition deal in late November, just two months after the elections. The document, entitled "Daring more progress – Alliance for freedom, justice and sustainability", a nod to former SPD chancellor Willy Brandt's slogan "Daring more democracy", includes an ambitious agenda for the green transformation of Europe's largest economy, a commitment to maintain fiscal discipline, and a tougher approach to China and Russia. Although it is not binding, the coalition agreement lays the foundation for the government's plans for the next four years. Some of the more eye-catching policies include an accelerated plan for phasing out of coal-fired power generation by 2030 and legalising cannabis.

This Dods German Political Intelligence report provides an introduction to the new German government, including its plans for tackling climate change, and approach to the EU, and other foreign affairs issues. It concludes with short profiles of the top figures in the administration.



Climate change focus and friction

Tackling climate change stands out as a key ambition in the coalition agreement, after it featured prominently in the election campaign. However, the issue proved to be one of the harder nuts to crack in the talks and could be a bone of contention in future, especially between the Greens and the business-friendly FDP.

The coalition's commitment to phase out energy production from coal "ideally" by 2030 marks an acceleration on the previous goal of 2038, but the cautious language has raised some eyebrows. As a coalition partner in the previous government, the SPD faced criticism for not pushing Merkel's Christian Democratic Union party to commit to the 2030 target. Some of Scholz's critics remain unimpressed that the coalition's commitment is not firmer, and Scholz can hardly blame the Greens for dragging their feet on the issue. To achieve the coal goal, much will depend on the effectiveness of measures to ramp up production of energy from renewable sources, especially as the coalition has remained committed to phasing out nuclear power. On the international front, the SPD has pushed through its proposal for a climate club for countries to join to give additional impetus to the implementation of the Paris

Agreement. Scholz wants to advance this initiative while Germany holds the rotating presidency of the Group of Seven in 2022.

The new coalition has agreed on revising the country's Climate Change Act and adopting a climate protection emergency programme by the end of 2022. The overall targets remain unchanged – reducing emissions by 65% by 2030, 88% by 2040 and reaching net zero by 2045 at the latest – however more tangible measures have been designed to help the industry to implement the goals. Some of the measures, for example on greening transport, could be a source of conflict between the Greens and FDP. The Greens secured the coalition goals of setting up one million charging stations, having at least 15 million electric vehicles on the road by 2030, and only permitting CO2-neutral vehicles on the streets by 2035. But the FDP managed to prevent the complete phase-out of the combustion engine by ensuring that vehicles which can run on E-Fuels only will continue to be permitted after 2035. It is down to Robert Habeck (Greens), Minister for Economy and Climate Protection, and Volker Wissing (FDP), Minister for Transport and Digital Infrastructure, to resolve any tensions between the coalition partners on net zero and transport.



Approach to the EU: more transparency, trade, and human rights

The SPD, FDP and the Greens undoubtedly make for a very pro-European coalition – and they have big plans for the EU. The coalition agreement states that the parties want to strengthen the EU's economic and monetary union and that they remain open to developing the bloc's fiscal rules, the Stability and Growth Pact. The text says they want to foster growth, maintain European debt sustainability, and champion climate-friendly investments. It adds that any further development of the fiscal policy rules should reflect these core goals, and the Stability and Growth Pact should also be simpler and more transparent to strengthen its implementation.

In terms of the Brussels institutions, the parties have said jointly that they want to strengthen the European Parliament, which will be music to the ears of MEPs. The coalition is also determined to introduce more transparency into the work of the European Council and implement a consistent voting process across member

states at the EU-level. The aim, according to the agreement, is to “develop the EU into a federal European state”, although some analysts have noted a lack of detailed measures to drive forward the coalition's European agenda. While the Greens did not secure everything they wanted in the coalition agreement, they did secure the right to nominate the next German EU Commissioner after the next European elections in 2024 should the Commission president not stay with Germany. The new government has also committed to ensuring the financial aid member states have received as part of Next Generation EU will help Europe bounce back economically after the pandemic and repayments won't lead to cuts in other areas. Strengthening internal trade and EU-level free trade agreements to prevent protectionism and unfair trading practices from external powers is another vital point on the shared agenda, as is seeking higher social, ecological and human rights standards in trade agreements.



Germany on the global stage: tougher on Russia and China

The new government has accepted that Germany's economic power comes with global responsibility and said its foreign, security, and development policy will seek to defend the country's values of freedom, democracy, and human rights. The government has also said it will fulfil its commitments to NATO, though it remains to be seen whether that will involve spending more on defense, a longstanding bone of contention with Washington during the Trump era.

Experts have noted that the coalition's approach to Russia and China bare the hallmarks of the new Minister of Foreign Affairs, Annalena Baerbock, who has long been an outspoken critic of the two regimes. While the coalition agreement says the parties will seek cooperation with China where possible and a constructive dialogue with Russia, she has spoken of the responsibility of Germany and the EU to emphasise human, social, and ecological rights and respect for international rules when negotiating commercial matters. Experts suspect this indicates a more muscular approach from Europe's largest economy towards Moscow and Beijing than the pragmatism of the Merkel era. The coalition agreement explicitly states that an investment agreement between the EU and China is not currently considered a viable option. It also says the government will "take into account different threat perceptions and focus on a common and coherent EU policy towards Russia."

The three governing parties said they will combat protectionism, while another passage in the agreement promises to rigorously apply European competition law to push back against unfair market practices employed by authoritarian regimes. This stance could have implications for the development of the controversial Nord Stream 2 pipeline which aims to carry Russian gas to Europe. Scholz – like his predecessor – has been supportive of the pipeline, as has the FDP who want to resolve possible geopolitical conflicts by diplomatic means rather than stopping the project. However, the Greens have been critical along with the US and Ukraine over concerns it could give Moscow additional political leverage over Europe.

Berlin struck a deal with Washington on the Nord Stream 2 pipeline in July, and there are signs the new government is keen to do more to strengthen Germany's diplomatic and commercial ties with the US and Canada. The coalition agreement states that now is the time for Europe to rekindle its relationship with the US and encourage trade and investments. However, it remains to be seen whether the parties' commitment to high ecological and social standards will enable the coalition to realise this ambition, especially given the Social Democrats' and Greens' past opposition to Transatlantic Trade and Investment Partnership (TTIP) and EU-Canada Comprehensive Economic and Trade Agreement (CETA).

Who's who



Olaf Scholz (SPD) – Chancellor - Widely praised for supporting the German economy through the Covid-19 crisis, Scholz's focus, at least initially, will be on domestic issues and less on the foreign policy concerns that characterised the late Merkel era. Within the SPD, Scholz is regarded as a centrist. The Lower Saxony-born politician has been an active member of the party for more than 45 years and has held several senior positions including one term as secretary general and Mayor of Hamburg from 2011 to 2018. Experts say a Scholz government is likely to focus on developing fair fiscal policies, following on from his work to advance OECD plans to revolutionise the taxation of multinational companies



Robert Habeck (The Greens) - Vice-Chancellor and Minister for Climate Protection and Economic Affairs -

The co-leader of the Green party is Germany's new vice-chancellor and minister for Economic Affairs and Climate Protection. This newly formed "super" ministry demonstrates the government's commitment to include environmental considerations into all government policies. Negotiating consensus with the FDP-led Ministry of Finance on the financial budget for Germany's climate commitment will be a key challenge for Habeck. In the past, Habeck has expressed interest in being finance minister due to the importance of the role for pushing through policies to tackle

climate change. Despite losing the race to be the Green's candidate for chancellor Annalena Baerbock, Habeck grew in prominence as Baerbock's election campaign flagged, giving him the platform to secure the vice-chancellor role. Habeck originates from the northern Schleswig-Holstein region where he served as Deputy Prime Minister and State Minister for Energy, Agriculture, Environment and Rural Areas.

Who's who



Christian Lindner (FDP) – Minister of Finance - While Lindner had said he wants to reduce debt levels in the euro zone and campaigned on a platform to cut reducing Germany's borrowing and respect the country's constitutional debt limits, he has also said he wants to invest in Germany's digital economy and education system. As finance minister, Lindner holds the power to veto all other ministers in the cabinet. However, the veto may be overruled by a simple majority and is therefore considered strategically unlikely. Lindner has led the FDP since 2013. His second stint in the Bundestag started in 2017, after previously serving between 2009 and 2012. Lindner is originally from North

Rhine-Westphalia where he was a member of the state-level parliament for more than ten years. He hasn't held any government positions yet but has been credited for leading his party back into Bundestag in 2017.



Annalena Baerbock (The Greens) – Foreign Minister - Baerbock's academic background in human rights and dedication to tackling environmental issues is expected to guide her thinking as foreign minister. As the Greens' candidate for chancellor, she energised voters early in the election race with the promise of a "new start", but her campaign flagged after a series of mishaps experts put down to her relative inexperience. Born in a small town in Lower Saxony, Baerbock was a talented young athlete and came third in Germany's national trampolining championship. After studying law in Germany and the London School of Economics, she was a Parliamentary

Advisor to an MEP in Brussels from 2005 to 2008 and then a Board Member of the European Green Party from 2009 to 2012. Baerbock will face multiple challenges as foreign minister such as helping resolve the Belarus migration crisis, improving relations with the US and working with France on EU reforms. For the first time, the Foreign Office will take over responsibility on international climate policies from the Ministry for the Environment, modelling the French approach. Baerbock will therefore become the chief negotiator for Germany at the United Nation Climate Conferences.



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