

## NIAS-Europe Studies Brief

# Germany-Russia Relations: What Next?

Himani Pant,

*Research Fellow, Indian Council of World Affairs, New Delhi*

The developments in Ukraine since February 2022 have raised fresh challenges for Germany's policy towards Russia. This paper delves into the broad contours of Germany-Russia relations and highlights the notable policy decisions made by Germany since the beginning of the Russia-Ukraine war.

## Introduction

Russia has emerged as the most divisive issue in the European Union (EU) over the past three decades. In the 1990s, EU members found it relatively easier to settle on a common approach towards Russia that was considered to be gradually "Europeanising".<sup>1</sup> The challenges and divisions in dealing with Russia began manifesting in the early 2000s as the EU prepared for its 'big bang enlargement' to include Central and Eastern European countries in 2004.<sup>2</sup> In anticipation of the enlargement and to deal with new neighbours in extended neighbourhoods, the EU introduced the European Neighbourhood Policy (ENP). The policy was initially envisaged to deal with all southern and eastern neighbours, including Russia. The ENP generated a negative response from Russia<sup>3</sup>, and it expressed its discontent with its inclusion in the ENP along with other smaller neighbours of the EU.<sup>4</sup> Later four EU-Russia common spaces were created to include economic issues and environment; issues of freedom, security and justice; external security; and research and development, including cultural ties.<sup>5</sup>

<sup>1</sup>Maria Lipman and Alexey Malashenko, "The Shifting EU-Russia Relationship in An end of an Era in EU-Russia Relation" (ed.) Dmitri Trenin, *Carnegie Moscow Center*, May 2013, [https://carnegieendowment.org/files/new\\_era\\_russia\\_eu.pdf](https://carnegieendowment.org/files/new_era_russia_eu.pdf)

<sup>2</sup>European Parliament, The Enlargement of the Union, <https://www.europarl.europa.eu/factsheets/en/sheet/167/the-enlargement-of-the-union>  
New Members that joined the EU included: Cyprus; Czech Republic; Estonia; Hungary; Latvia; Lithuania; Malta; Poland; Slovakia; Slovenia.

<sup>3</sup>In the 1990s, Russia was dealing with a difficult phase of political transition, domestic uncertainties, and economic decline. However, the Russian economy began to rebound in the early 2000s, primarily owing to "oil price growth and a global investment boom". Even after the global financial crisis of 2008-2009, the country managed to keep public debt in control. It also had a strong central leadership with the arrival of Vladimir Putin as President since 2000 which led to some political stability in the country. As a result of all these factors, it was not willing to deal with the EU on junior terms. EU's enlargement and neighbourhood policy that included territories of former Soviet Union caused unease in Moscow.

<sup>4</sup>The ENP governs the EU's relations with 16 of the EU's closest eastern and southern neighbours; to the south: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia; and to the east: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. The ENP was launched in 2003 and developed throughout 2004, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and instead strengthening the prosperity, stability, and security of all. It was based on the values of democracy, rule of law, and respect of human rights. Later, an offshoot of the policy-Eastern Partnership Initiative (EaP)—was launched to deal with the eastern neighbours.

<sup>5</sup>European Commission, "EU/Russia: The four Common Spaces", 18 March 2005, [https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_05\\_103](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_05_103)

In addition, the new EU members had a troubled history with the former Soviet Union, which gave way to their security concerns and guided their individual policies towards Russia. Broadly speaking, the EU began to oscillate between two approaches after its expansion in 2004. At one end of the spectrum were those who still considered Russia as a potential partner at a bilateral and EU level. At the other end were new member states that viewed and treated Russia as a security threat. Germany was in the first set of countries that favoured cooperation and engagement with Russia.

Notwithstanding Europe's concerns regarding Russia as well as the latter's criticism of EU policies, both Berlin and Moscow continued to accord high strategic priority to one another. Over the decades, both countries continued diplomatic engagement and promoted economic relations. In September 2001, the German government invited Russia's new president, Vladimir Putin, to address the assembled Bundestag, where President Putin spoke of a "joint contribution to building a common European home".<sup>6</sup> Further, Germany had previously promoted the NATO-Russia Council and favoured intensifying Russia's contacts with NATO; it had also raised concerns over 'premature NATO enlargement to the former Soviet space, partly because of Russia's opposition'. In 2008, German Chancellor Angela Merkel and the then French president, Nicolas Sarkozy, blocked NATO's membership invitation to Ukraine during an alliance summit in Bucharest as the two countries viewed it as a provocation to Russia.<sup>7</sup> Nevertheless, the 2014 Ukraine crisis and the latest attack on Ukraine by Russia in 2022 have been defining moments in German-Russian history and have impacted Germany's approach towards Russia. The fallout of these crises has been discussed in subsequent sections.

### **Germany's Policy towards Russia**

Conciliation between the Germans and Russians after the Second World War has remained an important aspect of German-Russian shared history.<sup>8</sup> Since the adoption of the Ostpolitik policy in the 1970s by the then Chancellor of West Germany, Willy Brandt, which resulted in the Moscow Treaty between the Soviet Union and West Germany, cordial relations with Russia have been a defining feature of German foreign policy. A cooperative relationship with Russia has been viewed as the essential foundation for peace in Europe. This approach, along with a push for strong economic linkages<sup>9</sup> with Russia, is defined as *Wandel durch Handel* or change through trade to foster overall close bilateral ties.<sup>10</sup> Thus, Germany's interaction with Russia, at the level of the EU as well as on a bilateral level, stood out owing to their close ties despite their (mainly EU-level) differences. Over the decades, the German leadership has consistently pursued economic and political engagement with Russia.

In terms of volume of trade, both have been major business partners. The main products exported from Germany to Russia were packaged medicaments, cars, motor vehicles, and parts and

<sup>6</sup> Speech in the Bundestag of the Federal Republic of Germany, The Kremlin, 25 September 2001, <http://www.en.kremlin.ru/events/president/transcripts/21340>

<sup>7</sup> NATO allies divided over Ukraine and Georgia, The Guardian, 2 December 2008, <https://www.theguardian.com/world/2008/dec/02/ukraine-georgia>

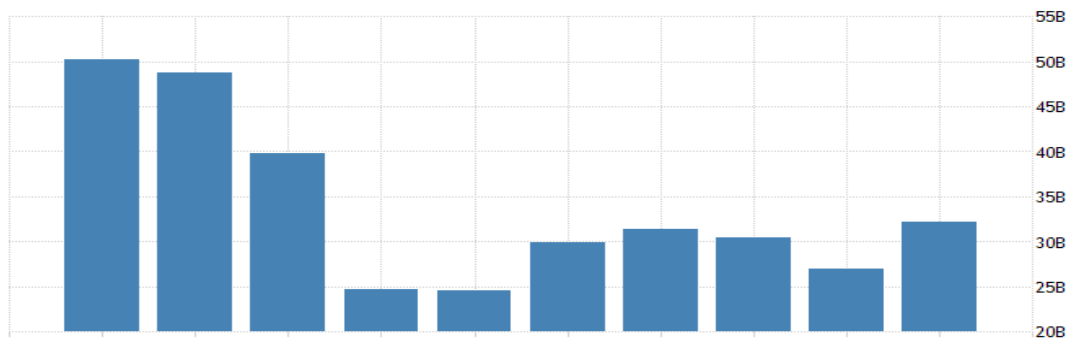
<sup>8</sup> Policy statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag, 27 February 2022 in Berlin, The federal Government, 27 February 2022, <https://www.bundesregierung.de/breg-en/news/policy-statement-by-olaf-scholz-chancellor-of-the-federal-republic-of-germany-and-member-of-the-german-bundestag-27-february-2022-in-berlin-2008378>

<sup>9</sup> Growing economic ties (including energy ties) have been a driving factor in the German-Russian partnership. The roots of the economic between the two countries are also deep-rooted. Germany was Russia's biggest trading partner before the First World War, throughout the inter-war period, and again after the Cold War. Even during the Cold War, Germany was the Soviet Union's biggest Western economic partner.

<sup>10</sup> Isabel Muttreja and Bernhard Blumenau, How Russia's invasion changed German foreign policy, Chatham House, <https://www.chathamhouse.org/2022/11/how-russias-invasion-changed-german-foreign-policy>

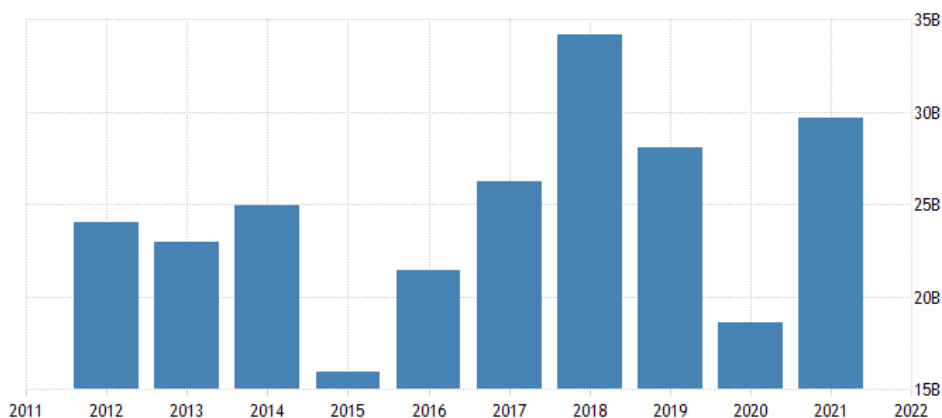
accessories, among others. The main products exported from Russia to Germany include crude and refined petroleum and coal briquettes. Germany's imports of oil and gas from Russia have been higher than any other European country or the world. Germany has also been Russia's main supplier of investment goods. Figures 1 and 2 provide a snapshot of Germany's exports to and imports from Russia. As is evident, trade was impacted in the aftermath of the Russian annexation of Crimea in 2014 but gradually picked up in subsequent years despite various economic sanctions levied on Russia and the countersanctions imposed by Russia. The momentum was affected again following the COVID-19 pandemic in 2020 but witnessed significant progress in 2021. The developments following February 21, 2022, have once again resulted in a decline in trade between the two.

Figure 1: Germany's Exports to Russia



Source: COMTRADE

Figure 2: Russia's Exports to Germany



Source: COMTRADE

### Germany's Russia Policy and Ukraine Crisis-2014

The largely positive outlook towards Russia began to change in 2012 when President Putin announced his decision to run for the presidency again. After winning a controversial election that was followed by protests (which Russia alleged the West had orchestrated), Putin accused the West of interfering in Russia's internal affairs and took measures to limit foreign influence in the country. As part of this process, the administration curtailed the activities of Russian NGOs with overseas funding. Restrictions were also imposed on a number of foreign foundations, including those from Germany. These restrictions were met with reservations in Germany. In addition, Russia also began to push for the integration of post-Soviet economies like Ukraine within its Eurasian Economic Union (EAEU), which ran counter to the EU's ENP and EaP.<sup>11</sup>

<sup>11</sup> Dmitri Trenin, "Russia and Germany: From Estranged Partners To Good Neighbors". Carnegie Moscow Center, June, 2018, [https://carnegieendowment.org/files/Article\\_Trenin\\_RG\\_2018\\_Eng.pdf](https://carnegieendowment.org/files/Article_Trenin_RG_2018_Eng.pdf)

A major fissure in the German-Russian ties emerged in 2014 following the first wave of crisis in Ukraine, and it marked “a more decisive end to the era of friendly cooperation between Russia

and Germany”. Russia’s annexation of Crimea in 2014 was met with strong reservations in Germany. It caused some shift in Germany’s Russia policy as Chancellor Angela Merkel became more vocal in her criticism of Russia and led a European response to stabilise Ukraine that included imposing economic sanctions on Russia.

However, even though the German government led by Chancellor Angela Merkel was critical of Russia and led Ukraine-related European sanctions against the country, it did not abandon economic and energy engagement with Russia. Germany continued to promote energy cooperation with Russia and also refused to deliver weapons to Ukraine. In addition, as a participant in the Minsk negotiations following the beginning of the Ukraine crisis in 2014, Germany, along with France, worked towards diffusing the tension between Russia and Ukraine.

Energy supplies through the Nord Stream 1 pipeline continued. This pipeline via Baltic Sea was completed in 2011 to facilitate direct gas supply from Russia to Germany and bypassed traditional transit route via Ukraine to Western Europe. At the same time, Germany continued to cooperate on the construction of Nord Stream-2 pipeline which was intended to double the amount of gas supply from Russia to Germany.<sup>12</sup>

Figure 3: Nord Stream Pipelines

**Nord Stream pipelines from Russia**



Source: BBC

<sup>12</sup> The Nord Stream is a twin pipeline running through the Baltic Sea from Vyborg, Russia to Lubmin near Greifswald, Germany. The pipelines were built and are operated by Nord Stream AG. The Nord Stream route crosses the Exclusive Economic Zones of Russia, Finland, Sweden, Denmark, and Germany, as well as the territorial waters of Russia, Denmark, and Germany. The 1,224 km-long Nord Stream pipeline runs from Vyborg in northwest Russia to Lubmin in north-eastern Germany. The company behind the project is Nord Stream AG, which was established in Switzerland in 2005 in partnership with Gazprom. In 2015, Gazprom and five other European firms announced plans to build Nord Stream 2, a \$11 bn project that would run from Ust-Luga in Russia to Greifswald in Germany through the Baltic Sea and carry 55 bn cubic metres of gas per year. The construction of the 1,200 km-long pipelines was completed in 2021, but Germany’s energy regulators suspended approval for the project in November of that year, and the pipeline was finally scrapped on February 22, 2022. For further details, refer to <https://indianexpress.com/article/explained/explained-global/us-bombed-nord-stream-gas-pipelines-journalist-claims-8434423/>

The country's support for expanding the Nord Stream 2 gas pipeline impacted relations with and several EU and NATO member states that saw Germany's stance towards Russia as 'soft'. Amid the war in Ukraine, a series of leaks were reported in the Nord Stream and Nord Stream 2 pipelines. Initially, the Nord Stream 2 AG- operator of the Russian Nord Stream 2 pipeline reported a gas leak of unknown causes in one of the two pipelines of the infrastructure near the Danish Island of Bornholm. Later, leaks in two lines of the parallel Nord Stream 1 pipeline were also reported. Russia termed the explosions as terrorist attacks and accused the West of having deliberately sabotaged the pipelines. The Nord Stream stalemate has been a problematic consequence for Germany as it is caught between managing the standstill of Russian pipeline gas supplies and energy shortages as well as high gas prices for its domestic consumption.

### **Shift in Germany's Foreign Policy towards Russia in 2022**

Since the beginning of the Russia-Ukraine war on February 24, 2022, some noticeable shifts in Germany's policy towards Russia have taken place. In February 2022, German Chancellor Olaf Scholz made a surprise speech at the German parliament. He said that the Russian invasion of Ukraine was a turning point (*Zeitenwende*) for Europe that "threatens our entire post-war order." He announced a radical shift in German policy as a result of the situation in Ukraine and pointed out that "it is our duty to do our utmost to support Ukraine in defending itself against Vladimir Putin's invading army...Germany stands closely by Ukraine's side."<sup>13</sup> His *Zeitenwende* speech is regarded as the most important revision of German foreign policy since unification in 1990.

A reflection of this statement has been evident in Germany's policymaking since then. Germany has, since February 2022, taken several radical measures to decouple itself from Russian energy supplies while extending diplomatic, financial, and military aid to Ukraine. Chancellor Scholz laid out detailed plans to disengage with Russia, which marked a radical break with Germany's traditional Russia policy (*Ostpolitik*).

In addition, Germany froze the Nord Stream 2 gas project as the Ukraine crisis deepened in February, which had been designed to double the flow of Russian gas directly to Germany when Russia formally recognised two breakaway regions in eastern Ukraine—Donetsk and Lugansk (Donbas) region—on February 21, 2022, and launched an attack on Ukraine three days later. At the same time, it made efforts towards sourcing mainly liquid natural gas to fill its energy storage.

This decision marked a major departure in German foreign policy with massive implications for energy security and Berlin's broader position towards Moscow. In an unprecedented move, Germany reversed its policy of not supplying weapons to conflict zones and, unlike in 2014, decided to send weapons to Ukraine. It also decided to increase its defence expenditure to more (2 per cent of GDP). Approximately 100 bn euros (\$113 bn) was sanctioned for investments for the army in 2022 alone. The commitment goes above the two percent target fixed by NATO. However, as later developments reflected, this move has had its own challenges. There has also been criticism that Berlin's delivery of weapons is slow and inadequate. Chancellor Olaf Scholz's '*Zeitenwende*' commitments have drawn criticism for their slow implementation.<sup>14</sup> The German position and response have been seen as "ambivalent" and characterised by "mixed signals" wherein it is felt that "part of the '*Zeitenwende*' seems to fall victim to such typical

<sup>13</sup> Chancellor Olaf Scholz quoted in Politico, "Germany to send Ukraine weapons in historic shift on military aid", *Politico*, 26 January 2022, <https://www.politico.eu/article/ukraine-war-russia-germany-still-blocking-arms-supplies/>

<sup>14</sup> Liana Fix, CFR Expert and Caroline Kapp, "One Year After: How Putin Got Germany Wrong", CFR, 17 February 2023, <https://www.cfr.org/in-brief/one-year-after-how-putin-got-germany-wrong>



German problems as indecisiveness, timidity, and bureaucracy.”<sup>15</sup> The country has been criticised for “walking a fine line since Russia invaded Ukraine,” and “its response has been seen to be far more muted than that of other allies” within Europe.<sup>16</sup>

For instance, German Defence Minister Christine Lambrecht resigned<sup>17</sup> days before the German government announced the delivery of Leopard 2 tanks to Ukraine<sup>18</sup> after facing immense pressure. Further, amid severe pressure and after much hesitation, Germany also announced its decision to supply Leopard 2 battle tanks to Ukraine’s forces by early April 2023. At the same time, there have also been incidents of protests from civilians who feel that Germany has done enough. The Ukraine crisis-related restrictions have become more painful in the aftermath of the coronavirus pandemic.

The war in Ukraine has had inevitable consequences for the European security architecture. Within this context, Germany, as Europe’s biggest economy, faces several challenges as it tackles its national (energy) interests vis-à-vis those of the EU. So far, Germany has had some limited success in finding alternatives to Russian energy supplies. For instance, in an attempt towards diversification, Germany has finished building its first import terminal for liquified natural gas on its North Sea coast. German Chancellor Scholz went on a three-day Africa tour in May 2022 to explore new energy agreements. During his visit, the African Energy Chamber (AEC) advocated for a strong German-Africa Partnership, recognising Germany’s role in advancing energy security across the continent. At the EU level, the crisis has renewed calls for reducing Europe’s dependence on Russian energy, which includes gas, oil, and coal imports over time. Following the deliberations in March 2022, the European Commission in May presented a REPowerEU Plan, which proposed “energy savings, diversification of energy supplies, and accelerated roll-out of renewable energy to replace fossil fuels in homes, industry, and power generation”.<sup>19</sup> As such, its main objective is to transform Europe’s energy system to phase out the EU’s dependence on Russian fossil fuels in its entirety. The Plan suggests that to diversify imports, the EU needs to increase its purchases of liquefied natural gas (LNG) from other countries such as Qatar, the US, Norway, and Africa. Energy-related challenges have also been viewed as an opportunity to tackle the oft-talked-about calls for tackling climate change.

Taking into account the vast potential of gas reserves in Africa, the energy ministers from Algeria, Nigeria, and Niger, on June 20, 2022, agreed to accelerate the work on the proposed \$13 bn and 4128 km long Trans-Saharan gas pipeline (TSGP), which could carry 30 bn cubic metres per year of gas exports from these three countries to Europe. A Memorandum of Understanding was signed with Egypt and Israel for LNG exports to EU countries via the eastern Mediterranean. The European Commission also signed a Memorandum of Understanding with Azerbaijan to double imports of Azeri natural gas to at least 20 bn cubic metres (bcm) a year by 2027.

<sup>15</sup> Judy Asks: Are France and Germany Wavering on Russia?, 8 December 2022, *Carnegie Europe*, <https://carnegieeurope.eu/strategieurope/88588>

<sup>16</sup> Christoph Hasselbach, Ukraine: What is Germany’s strategy?, Deutsche Welle, 30 May 2022, <https://www.dw.com/en/war-in-ukraine-what-is-germanys-strategy/a-61977500>

<sup>17</sup> German defence minister quits ahead of key decision on arming Ukraine, France 24, 16 January 2023, <https://www.france24.com/en/europe/20230116-german-defence-minister-quits-ahead-of-key-decision-on-arming-ukraine>

<sup>18</sup> Bundestag, 23 January 2023, <https://www.bundesregierung.de/breg-de/aktuelles/bundesregierung-kuendigt-lieferung-von-leopard-2-panzern-an-die-ukraine-an-2160236>

<sup>19</sup> European Commission, REPowerEU: affordable, secure, and sustainable energy for Europe, 18 May 2022, [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repower-eu-affordable-secure-and-sustainable-energy-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repower-eu-affordable-secure-and-sustainable-energy-europe_en)

The phasing out of Russian supplies via diversification as well as a reduction in general of such imports are seen as measures that would accelerate the investment in renewable energies in Europe, given its commitment to reduce carbon emissions. In this respect, there are deliberations on rethinking the wholesale electricity pricing system in the EU, “which is currently driven for all energy sources by gas prices, even though gas-fired power generation is a very small fraction of the whole.”

However, despite these attempts, fresh challenges await as the amounts are not sufficient enough for the long term. Switching to other (non-Russian) gas sources may result in significant financial costs for Europe when the European economy is already struggling with inflation and high interest rates.

### **Conclusion**

In the last three decades, Germany’s interaction with Russia, both at the level of the EU and on a bilateral level, has stood out owing to their close ties despite their (mainly EU-level) differences. Over the years, German leadership had consistently pursued economic and political engagement with Russia. Though the relationship suffered some fissures during the 2014 crisis in Ukraine, the German approach did not alter much in practical terms. This dynamic has changed since Russia recognised the Donbas region and the attacks on Ukraine on February 24, 2022. For the first time in three decades, Russia has dominated the political discourse as a security risk rather than an economic benefit. The German economy also had to accept sanctions because of political calculations and rising pressure from fellow EU member states.

As the war in Ukraine continues, the future of Germany-Russia relations remains uncertain. German response to the war in Ukraine, although unprecedented in its severity, is less proactive when compared with the reaction of other eastern countries, such as Poland and the Baltics, among others. These states joined the EU in 2004, and their security concerns vis-à-vis Russia have shaped their policy which is in stark contrast to Western European countries such as Germany and France. In this respect, the East-West divide in dealing with Russia has manifested itself again while comparing the German response with Central and Eastern European countries. Nevertheless, Chancellor Scholz’s *Zeitenwende* speech marks a huge departure from Germany’s traditional approach towards Russia. Germany is Europe’s biggest economy, and its traditional approach, in general, has focused on strong business and energy ties instead of hard security. In this respect, the decision to increase defence spending and supply arms to Ukraine marks a significant departure in its approach to security and its engagement with Russia.

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### **About the author**



#### **Dr Himani Pant**

Himani Pant is a Research Fellow at the Indian Council of World Affairs, New Delhi. She has done her PhD from the Centre for European Studies, School of International Studies, Jawaharlal Nehru University. She focuses on the domestic and foreign policy of the EU, the US and Russia.