



Delhi Policy Group

Advancing India's Rise as a Leading Power

FOCUS EUROPE

JANUARY 2026

Authors

Ruchira Kamboj
Arshiya Chaturvedi

Volume II, Issue 1



January 2026: Gandhinagar, India



Delhi Policy Group

Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

www.delhipolicygroup.org



Delhi Policy Group

Advancing India's Rise as a Leading Power

Focus Europe

Vol. II, Issue 1

January 2026

ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

At a time of disruptive change in the global order, DPG aims to deliver research based, relevant, reliable and realist policy perspectives to an actively engaged public, both at home and abroad. DPG is deeply committed to the growth of India's national power and purpose, the security and prosperity of the people of India and India's contributions to the global public good. We remain firmly anchored within these foundational principles which have defined DPG since its inception.

Authors

Ambassador Ruchira Kamboj, Senior Fellow for International Security and Global Affairs, Delhi Policy Group

Arshiya Chaturvedi, Research Associate, Delhi Policy Group

The views expressed in this publication are those of the authors and should not be attributed to the Delhi Policy Group as an Institution.

Cover Images:

Indian Prime Minister Narendra Modi and German Chancellor Friedrich Merz visit the Sabarmati Gandhi Ashram in Ahmedabad during the latter's official visit to India on January 12, 2026. Source: [X/@narendramodi](#)

Prime Minister Narendra Modi and German Chancellor Friedrich Merz held high-level delegation talks on January 12, 2026, in Gandhinagar, Gujarat. Source: [X/@narendramodi](#)

© 2026 by the Delhi Policy Group

Delhi Policy Group

Core 5A, 1st Floor,

India Habitat Centre,

Lodhi Road, New Delhi- 110003

www.delhipolicygroup.org

Focus Europe:

India-Germany Relations: Expanding Strategic Horizons

Contents

Executive Summary	1
Germany's New Government and Its Policy Direction	1
The Chancellor's Visit: Key Outcomes and Strategic Signals	4
From Optics to Tangible Outcomes: Way Forward.....	6
Conclusion.....	7

India-Germany Relations: Expanding Strategic Horizons

by

Ambassador Ruchira Kamboj & Arshiya Chaturvedi

Executive Summary

Germany has long been Europe's economic powerhouse and a pivotal actor in shaping global affairs. It is the world's third-largest economy, with globally competitive sectors spanning automotives, machinery and chemicals. It also boasts a world-class research and development ecosystem and is home to some of the world's most acclaimed corporate brands. However, underlying structural vulnerabilities have come to the fore in recent years as the German economy has faced stagnation, labour shortages, and productivity slowdowns. This has fuelled political unease and public disappointment, culminating in the fall of the previous government on December 16, 2024.¹

In February 2025, Germany's snap election brought the CDU-CSU, led by Friedrich Merz, to the fore as the largest parliamentary bloc with 28.6 per cent of the vote², paving the way for a governing coalition with the SPD³. On taking office, Merz prioritised reinforcing Germany's transatlantic anchor, deepening support for Ukraine, strengthening NATO deterrence, and reasserting leadership within the EU, alongside a tougher stance on Russia and calibrated de-risking from China.⁴ Merz's first official visit outside NATO and to Asia was to India, underscoring New Delhi's status as a "desired partner" in Germany's evolving Indo-Pacific and global strategy⁵.

Against this backdrop, the present brief analyses and evaluates the policy approach of the new German government in fulfilling its election commitments to strengthen national power and security, while also assessing India's significance and potential role in Germany's strategic calculus.

Germany's New Government and Its Policy Direction

¹ McGuinness, Damien. "Germany: Chancellor Olaf Scholz Loses Vote of Confidence." BBC, December 16, 2024. <https://www.bbc.com/news/articles/ckg36pp6dpyo>.

² Clarke, Seán, and Harry Fischer. "German Election 2025: Results in Full." the Guardian. The Guardian, February 24, 2025. <https://www.theguardian.com/world/ng-interactive/2025/feb/23/german-election-2025-results-in-full-live>.

³ Cole, Deborah. "Conservative CDU/CSU and SPD Form Coalition Government in Germany." the Guardian. The Guardian, April 9, 2025. <https://www.theguardian.com/world/2025/apr/09/conservative-cdu-csu-centre-left-spd-coalition-government-germany>.

⁴ Press and Information Office. "First Government Statement on 14 May 2025 | Federal Government." The Federal Government | Bundesregierung, May 14, 2025. <https://www.bundesregierung.de/breg-en/news/first-government-statement-chancellor-merz-2347710>.

⁵ Laskar, Rezaul H. "Modi, Merz Meeting." Hindustantimes, 2026. <https://epaper.hindustantimes.com/Home/ShareArticle?OrgId=1319f574cac&imageview=0>.

In his inaugural address to the Parliament on May 14, 2025⁶, Merz underscored the need for a structural reorientation of the German system, enabling the country to play a much greater and more responsible role in the global order. He articulated a German foreign policy that is more assertive, with a particular emphasis on expanding political and military contributions within NATO and the EU. Further, Merz affirmed Germany's strong support for Ukraine in achieving a just and lasting peace. Outlining Germany's policy stance on Israel, Merz reiterated⁷ that "Israel's existence and security is a *raison d'État* for Germany." At the same time, he underscored his government's commitment to peace in the Gaza Strip and, in August 2025⁸, criticised Israel's military actions, describing them as no longer understandable or justifiable.

The Chancellor also clearly signalled the primacy of the neighbourhood through his early diplomatic outreach, including inaugural visits to France and Poland, which were seen as an attempt to revive the Weimar Triangle.⁹ In these bilateral engagements, defence and security assumed particular prominence and yielded significant outcomes, including the establishment of a Franco-German Defence and Security Council.¹⁰ This emphasis on defence cooperation was subsequently extended to other key European partners, including the United Kingdom¹¹, through enhanced bilateral defence arrangements.

This strong focus on defence reflected Friedrich Merz's long standing advocacy of greater defence and security self-reliance for both Germany and Europe. He has consistently supported calls for committing a higher percentage of GDP to defence and, in line with this approach, has earmarked a dedicated €108 billion corpus for security and defence in the 2026 budget framework¹².

Other initiatives introduced by the new government to strengthen Germany's security architecture include the creation of a National Security Council (NSC) to improve

⁶ Supra Note 4.

⁷ Press and Information Office . "Government Statement on 24 June 2025 | Federal Government." The Federal Government | Bundesregierung, June 24, 2025. <https://www.bundesregierung.de/breg-en/news/govt-stmt-june-chancellor-merz-2356892>.

⁸ Sawant, Nimish. "Germany Signals Policy Shift on Israel as 'Unjustified' War on Gaza Rages On." The Hindu, August 19, 2025. <https://www.thehindu.com/news/international/germany-signals-policy-shift-on-israel-as-unjustified-war-on-gaza-rages-on/article69952507.ece>.

⁹ Press and Information Office . "Inaugural Visit to Warsaw by Federal Chancellor Merz | Federal Government." The Federal Government | Bundesregierung, 2026. <https://www.bundesregierung.de/breg-en/news/merz-tusk-2346010>.

¹⁰ Press and Information Office . "Chancellor's Press Conference after Franco-German Council | Federal Government." Website of the Federal Government | Bundesregierung, 2025. <https://www.bundesregierung.de/breg-en/news/press-conference-merz-macron-toulon-2383332>.

¹¹ Auswärtiges Amt. "For Security and Prosperity in Europe: Germany and the United Kingdom of Great Britain and Northern Ireland Conclude a Treaty on Friendship and Bilateral Cooperation." German Federal Foreign Office, 2025. <https://www.auswaertiges-amt.de/en/aussenpolitik/laenderinformationen/grossbritannien-node/2727346-2727346>.

¹² NATO. "Joint Press Conference by NATO Secretary General Mark Rutte with German Federal Chancellor Friedrich Merz." North Atlantic Treaty Organization (NATO), 2025. <https://www.nato.int/en/news-and-events/events/transcripts/2025/12/11/joint-press-conference-by-nato-secretary-general-mark-rutte-with-german-federal-chancellor-friedrich-merz>.

strategic planning and coordination¹³, as well as the passage of legislation by the German Parliament to reform military service arrangements.

In an effort to stimulate the economy, the new German leadership proposed a set of strategic action points: the infusion of substantial investment; the enhancement of industrial competitiveness with a focus on the labour force; and the rationalisation of social benefits. Emphasising the need to provide a conducive environment for businesses to be established and grow, Merz pledged to streamline bureaucracy, simplify financial regulations, and support a cutting-edge technology ecosystem.¹⁴ In July 2025, the German Parliament approved the first tax relief package, worth €46 billion (approximately \$54 billion) for the 2025–2029 period, a proposal advanced by the Merz government to support businesses and reward performance.¹⁵ To address labour shortages and productivity challenges arising from an ageing population, the Chancellor also outlined a set of policy measures, including raising the minimum wage, reforming the healthcare system, establishing a pension commission, and replacing existing citizens' benefits with a new basic security framework.¹⁶

These measures sought to expand labour-force participation by offering work incentives that encouraged a faster return to the labour market, while also restructuring the social system to make long-term unemployment less attractive.

A further key priority in the government's political agenda is investment. Merz has consistently argued for the mobilisation of large-scale public and private investment to revitalise Germany's economic slowdown. Even before forming his government, Friedrich Merz, then Chancellor-in-waiting, successfully lobbied for easing Germany's debt brake (Schuldenbremse), with parties including the CDU/CSU and the SPD voting in support to secure a parliamentary majority.¹⁷ Notably, these were the same parties that had introduced the debt brake in 2009 under Angela Merkel.

This marked a significant departure from Germany's traditionally strict fiscal conservatism and laid the groundwork for the Merz government's proposed Special Fund for Infrastructure and Climate Neutrality. The fund aims to boost the economy by developing infrastructure, generating employment, and fostering economic growth. The first economic plan under the Fund was adopted in October 2025, with

¹³ Press and Information Office. "In the Federal Cabinet: National Security Council | Federal Government." The Federal Government | Bundesregierung, August 27, 2025.

<https://www.bundesregierung.de/breg-en/news/cabinet-security-council-2381754>.

¹⁴ Supra Note 4.

¹⁵ Martinez, Maria. "German Upper House of Parliament Approves \$54 Billion Corporate Tax Relief Package." *Reuters*, July 11, 2025. <https://www.reuters.com/markets/europe/german-upper-house-parliament-approves-53-billion-corporate-tax-relief-package-2025-07-11/>.

¹⁶ Supra Note 4.

¹⁷ Tankersley, Jim, and Christopher F Schuetze. "Germany Is Lifting a Foot off Its 'Debt Brake.' Here's Why." *The New York Times*, March 18, 2025.

<https://www.nytimes.com/2025/03/18/world/europe/germany-debt-brake.html>.

retrospective effect from January 2025, while the second plan for 2026 was adopted by Parliament in November 2025.¹⁸

Another policy area where the Merz government has charted a different approach from its predecessor is migration. It has signalled a clear intent to curb illegal migration, citing law-and-order concerns and the economic and political pressures involved, while simultaneously seeking to attract skilled foreign labour to address Germany's ageing population.

The Chancellor's Visit: Key Outcomes and Strategic Signals¹⁹

Merz visited India from January 12–13 with a high-level delegation of CEOs and industry leaders. This marked his first-ever visit to India, but also his first visit to any country in Asia as Federal Chancellor. What made it especially significant was the marking of 75 years of bilateral relations and 25 years of the India–Germany strategic partnership.

The political signalling, both in Ahmedabad and Delhi, was unmistakable. The Chancellor emphasised India and Germany's core commonalities as prominent democracies and economic powers, while also highlighting their strategic complementarities – India's dynamic market and Germany's technological prowess. It was this convergence that aligned the interests of the two countries, making partnership with India a high priority for Germany.

Bilateral discussions during the visit reflected a shared sense of purpose and yielded wide-ranging outcomes. The two leaders signed 19 memoranda of understanding and announced several new policy initiatives across six broad areas: trade and economy; defence and security; technology, innovation, science and research; green and sustainable development and renewable energy; education, skilling, mobility and culture, and the Indo-Pacific, connectivity and global issues.

On trade and the economy, the two sides noted a positive trajectory in India-Germany bilateral trade in 2025, surpassing USD 50 billion in goods and services, representing about a quarter of India's total trade with the EU. To sustain this momentum, the leaders decided to establish a CEO's Forum as a platform for leading CEOs and industry leaders from both countries to interact, collaborate and invest in critical

¹⁸ Federal Ministry of Finance. "Special Fund for Infrastructure and Climate Neutrality - Federal Ministry of Finance - Issues." Bundesministerium der Finanzen, 2020.

<https://www.bundesfinanzministerium.de/Web/EN/Issues/Public-Finances/SVIK/special-fund-infrastructure-and-climate-neutrality.html>.

¹⁹ Federal Ministry of Finance. "Special Fund for Infrastructure and Climate Neutrality - Federal Ministry of Finance - Issues." Bundesministerium der Finanzen, 2020.

<https://www.bundesfinanzministerium.de/Web/EN/Issues/Public-Finances/SVIK/special-fund-infrastructure-and-climate-neutrality.html>.

Media Centre. "India – Germany Joint Statement (January 12, 2026)." Ministry of External Affairs, Government of India, 2026. https://www.mea.gov.in/bilateral-documents.htm?dtl/40581/India_Germany_Joint_Statement_January_12_2026.

sectors, including technology, automotives, defence, smart infrastructure, pharmaceuticals, chemicals, biotechnology, industrial engineering and energy. They also looked forward to the prospect of concluding an FTA at the at the EU-India Summit scheduled on January 27 in New Delhi.

On defence and security, the German side expressed interest in deepening cooperation through participation in defence exercises and training, which was well received by India. These included the Exercise MILAN, the 9th Indian Ocean Naval Symposium Conclave of Chiefs, and the Air Combat Exercise TARANG SHAKTI. Germany announced the deployment of a Liaison Officer to the Information Fusion Centre-Indian Ocean Region (IFC-IOR), a key Indian Navy initiative. A Joint Declaration of Intent to develop a Defence Industrial Cooperation Roadmap was signed and discussions were held for continued cooperation in existing projects, including submarines, helicopter obstacle-avoidance systems, and Counter Unmanned Aerial Systems. The leaders strongly condemned terrorism and violent extremism in all its forms and manifestations and called for concerted international efforts to counter this effectively.

Under the head of technology, innovation, science and research, the two countries signed several joint declarations of intent to foster cooperation in key areas, such as the semiconductor ecosystem, critical minerals, and telecommunications. Other key outcomes included the extension of the tenure of the Indo-German Science and Technology Centre, an intent to enhance cooperation in space, and the signing of an MoU between the All-India Institute of Ayurveda and Germany's Charité University to foster collaboration in traditional medicine practices for affordable healthcare.

With respect to the Green and Sustainability pillar, the two leaders took stock of the India-Germany Green and Sustainable Development Partnership under which Germany has committed €10 billion to India till 2030, to support projects in sustainable development, climate action, and the green economy. Since 2022, Germany has contributed €5 billion through this partnership, backing several of the Government of India's flagship programmes and projects, notably the PM e-Bus Sewa, the Solar Rooftop Programme, the National Green Hydrogen Mission, the Bangalore Metro Rail Project, and Water Vision 2047. Agreements were also signed in the energy sector, including a memorandum of understanding between the Petroleum and Natural Gas Regulatory Board and Germany's Technical and Scientific Association for Gas and Water Industries, as well as an off-take agreement under National Green Hydrogen Mission for the supply of green ammonia.

In the areas of education, skilling and mobility, the leaders agreed to deepen cooperation in education, research, vocational training, culture and youth exchanges through the Migration and Mobility Partnership Agreement (MMPA). This reflected recognition of the Indian community's valuable contribution to the German economy and the alignment of such cooperation with Germany's skilled labour strategy.

They also announced the creation of an Indo-German Comprehensive Roadmap on Higher Education to facilitate institutional linkages, welcoming initial contacts between the Indian Institutes of Technology and Germany's Technical Universities. The Indian side also invited major German universities to establish campuses in India. There were also joint declarations of intent signed for a Global Skills Partnership and the establishment of a Centre of Excellence for Skilling in Renewable Energy.

The visit reflected keen interest in contemporary multilateral issues, including the Indo-Pacific, connectivity initiatives and UN reform. On Indo-Pacific strategy, the two countries announced a new bilateral Indo-Pacific Consultation Mechanism. While considering the connectivity dimension, the leaders expressed strong support for the India-Middle East-Europe Economic Corridor (IMEC) initiative and welcomed the prospect of the first IMEC ministerial meeting. On institutional multilateralism, they reiterated their stance on the need for comprehensive UN reforms, and on broader geopolitics, a commitment to fair and lasting peace in Ukraine, as well as Gaza.

From Optics to Tangible Outcomes: Way Forward

The visit by the German Chancellor to India reflected a high degree of positivity. Both sides signalled clearly and deliberately the deepening of the bilateral partnership, undertaking a number of important commitments and launching significant initiatives across domains of converging interests. A series of high-level exchanges is set to sustain the momentum through the year, including the next round of India-Germany Inter-Governmental Consultations, to be held in Berlin later in 2026 with the participation of Prime Minister Modi.²⁰

However, intent alone is insufficient, and for the partnership to deliver, commitments must be translated into results through sustained implementation. This assumes added significance in light of the fact that India-Germany relations, notwithstanding steady engagement and positive rhetoric, have historically remained constrained in terms of tangible outcomes.

Looking ahead, the two countries must identify priority areas and make targeted adjustments, including streamlining bureaucratic processes and better aligning regulatory frameworks. The focus should be on building a partnership around complementary strengths, prioritising sectors where collaboration can deliver the strongest and fastest results. One of such areas could be defence co-development and co-production. By combining India's strengths in skilled, cost-efficient large-scale manufacturing and its expanding defence industrial base with Germany's advanced R&D capabilities and high-end engineering expertise, both countries could potentially co-develop defence equipment that is technologically sophisticated, cost-effective, and globally competitive.

²⁰ Ibid.

Another promising domain could be technology and innovation. India has earned global recognition for its strengths in information technology, digital innovation, defence and space research, supported by a large pool of engineers and a vibrant startup ecosystem. Germany, on the other hand, possesses expertise in advanced research and development, industrial innovation, and effective industry-academia connections. With these complementarities, the two countries could jointly drive innovation in emerging technologies, generating long-term economic and strategic advantages. To do so, they would need to focus on building strong institutional infrastructure, including the establishment of joint research centres and incubation hubs in both countries. This would enable greater exchanges among scientists, engineers, researchers and industry experts, while promoting co-learning through expanded student mobility between their universities.

Conclusion

In a world order marked by protracted conflicts, economic uncertainty, supply-chain disruptions and shifting geopolitical alignments, India and Germany are increasingly seeking to reduce strategic dependencies and diversify partnerships through deeper engagement with like-minded democracies. It was therefore unsurprising that Merz characterised India as a “desired partner” or “partner of choice” for Germany. While there is strong political will to expand the bilateral partnership, the focus going forward should be on ensuring that the partnership delivers real value by yielding economic, strategic and societal dividends.

Achieving progress will require sustained high-level political commitment, clear strategic prioritisation, effective institutional and bureaucratic coordination, adequate financial support, active private-sector engagement, and robust monitoring mechanisms to ensure accountability and timely delivery. Ambition must be accompanied by execution.



Delhi Policy Group

Core 5A, 1st Floor,
India Habitat Centre, Lodhi Road
New Delhi - 110003
India

www.delhipolicygroup.org