



GERMANY VIRTUAL OFFICE

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We read the future in the details of today.

Insights German

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Editorial

Europe, and particularly Germany, is at a critical juncture in June 2026. The echoes of conflict from the Middle East, specifically the ongoing Iran War, reverberate across global markets and geopolitical landscapes. This edition of German Insights delves into the multifaceted impacts of these developments, examining Germany's economic resilience, its evolving social fabric, and its strategic position within a reconfigured international order. The recent signing of the U.S.-Iran Memorandum of Understanding (MoU) in mid-June marks a significant turning point, shifting the focus from active conflict to the delicate balance of de-escalation and the complex path to a lasting peace. We explore the immediate implications for global trade, energy prices, and regional alliances. Domestically, Germany grapples with the economic fallout, navigating a technical recession while simultaneously addressing long-term demographic shifts through progressive immigration policies. This issue aims to provide a comprehensive overview, offering expert perspectives, statistical trends, and a forward-looking analysis to illuminate the path ahead for Germany and its partners.

Editorial Board

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German Expert Opinion

German experts view the current geopolitical and economic landscape with significant concern, particularly in the wake of the Iran War. The immediate economic impact is predominantly felt in energy markets, leading to higher costs for both industry and households. Daniel James Muncaster from IW Köln highlights that while the crisis may not directly enrich the Gulf, it certainly raises costs for Germany. The German Institute for Economic Research (DIW Berlin) and the ifo Institute have consistently pointed to the energy price shock as a primary driver of Germany's economic slowdown.

There is a consensus that the 2026 Iran conflict marks a definitive end to certain geopolitical assumptions, necessitating a re-evaluation of Germany's energy security and broader strategic autonomy. Robin Wagener, a Greens MP, and Loyle Campbell, a DGAP energy security expert, have discussed how the war is forcing Germany to fundamentally rethink its energy strategy, likely accelerating the transition to renewable sources to reduce dependency on volatile regions.

Additional Perspectives from June 2026, Post-MoU Signing:

• Kiel Institute for the World Economy (IfW): Economists Stefan Kooths and Klaus-Jürgen Gern, in their June 2026 "World Economy in Summer 2026" report, noted that global growth slowed to %2.8 due to the war, with the U.S. showing resilience thanks to the AI boom. They emphasized that a prolonged closure of the Strait of Hormuz remained the "main risk" to the global economic forecast, directly impacting Germany's recovery. The MoU's immediate impact on oil prices and the reopening of the Strait are seen as crucial for a potential Q2026 3 recovery.



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German Expert Opinion

- German Council on Foreign Relations (DGAP): While acknowledging the de-escalation, Loyle Campbell and Sabrina Schulz critically assessed the February 2026 U.S.-Central and Eastern Europe Joint Statement, questioning whether it truly represented "European Energy Security or Acquiescence" to U.S. interests. Dominik Tolkendorf highlighted the strategic risk of relying on the U.S. under a Trump administration for defense procurement, advocating for greater German autonomy. Tobias Lindner further argued that Europe must reduce its dependencies on the U.S. and increase the "cost of decoupling" for Washington to strengthen its bargaining power, a sentiment that remains relevant even with the MoU.
- German Institute for International and Security Affairs (SWP): Azadeh Zamirirad and Hamidreza Azizi questioned whether European diplomacy on Iran was "outdated" in light of the 2026 war, calling for a "paradigm shift" in regional engagement. Eric Ballbach also warned that North Korea's military support for Russia posed a direct security threat to Europe, adding another layer to the complex security landscape. The MoU, while a step toward peace, does not address all underlying security concerns.
- Public opinion reflects this concern, with a large majority of Germans expecting rising prices not only for energy but across various sectors. Furthermore, a significant portion of the German populace (%81) believes their country should avoid direct involvement in the Iran War, underscoring a desire for diplomatic solutions over military engagement. This sentiment is particularly strong in East Germany, where %73 rejected military action.



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TRENDS IN NUMBERS

International Agenda

- **Geopolitical Realignment**
Shifting alliances and power dynamics
- **Economic Resilience**
Adapting to global market fluctuations
- **Technological Innovation**
AI, quantum computing, and space exploration
- **Environmental Challenges**
Climate change, biodiversity loss, and sustainable development
- **Public Health**
Pandemic preparedness and global health equity
- **Societal Shifts**
Demographic changes, migration, and social inequality
- **Geopolitical Realignment**
Shifting alliances and power dynamics



As of mid-2026, the global landscape is characterized by profound realignments across political, economic, and systemic dimensions. The world is navigating a period of heightened volatility, driven by the resurgence of nationalist policies, the weaponization of economic and technological tools, and the rapid integration of artificial intelligence into core societal functions. This report synthesizes the major trends shaping the international agenda, drawing on recent analyses from leading institutions and experts.



POLITICAL AND GEOPOLITICAL TRENDS

Germany, as Europe's largest economy, continues to navigate the complex aftermath of the Iran War. The nation remains in a precarious economic position, though recent diplomatic breakthroughs offer potential paths toward stabilization.

The Rise of the "Donroe Doctrine" and Interventionism

The United States, under the second Trump administration, has embraced a more muscular and transactional approach to foreign policy. This is exemplified by the so-called "Donroe Doctrine," a modern corollary to the Monroe Doctrine, which asserts aggressive U.S. influence in the Western Hemisphere. This approach has manifested in military deployments in the Caribbean and threats of intervention in Latin American countries, signaling a departure from traditional multilateralism toward unilateral action.

Global Fragmentation and the "Privatization of Peace"

The breakdown of multilateral frameworks has led to an increase in localized, short-term conflicts and border clashes globally, from Africa to Asia. Concurrently, there is a trend toward the "privatization of peace," where diplomatic and conflict-resolution efforts are increasingly transactional and driven by the interests of major powers rather than international law or human rights considerations.





Electoral Shifts and Polarization

In the United States, the upcoming 2026 midterm elections are expected to further entrench political polarization rather than deliver significant policy shifts. With narrow majorities in Congress, the focus remains on intense partisan competition in swing states, which may constrain the executive's legislative agenda but is unlikely to alter the broader trajectory of U.S. foreign policy. In Latin America, a crowded electoral calendar is facilitating a shift from left-leaning incumbents toward right-wing, market-friendly candidates, driven by economic dissatisfaction and security concerns.





ECONOMIC TRENDS

The global economy in 2026 is grappling with the dual challenges of energy shocks and persistent inflationary pressures, exacerbated by geopolitical conflicts.

Growth Slowdown and Inflationary Pressures

Global economic growth has weakened significantly following the outbreak of conflict in the Middle East, which disrupted energy supplies and drove up commodity prices. The OECD projects global growth to slow to %2.8 in 2026, down from %3.4 in 2025, under a scenario of time-limited disruption. In the European Union, GDP growth is projected at a modest %1.1 for 2026, while inflation is expected to rise to %3.1, driven by the energy shock.

The New Economic Nationalism

A defining economic trend is the globalization of the U.S. industrial strategy playbook, characterized by state interventionism and transactional dealmaking. Governments worldwide are increasingly acting as major players in the corporate arena, moving away from laissez-faire policies. This shift requires businesses to navigate greater regulatory scrutiny and manage competing demands from multiple capitals.



EU-China Trade Tensions

Tensions between the European Union and China are escalating as Europe confronts the fallout from Chinese industrial overcapacity. While electric vehicles (EVs) remain a primary flashpoint, the focus is broadening to include wind components, solar technology, and mature node semiconductors, potentially prompting a new wave of trade measures and procurement restrictions.



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SYSTEMIC TRENDS: TECHNOLOGY, CLIMATE, AND INSTITUTIONS

Systemic shifts in 2026 are driven by the maturation of critical technologies, the urgent need for an energy transition, and the ongoing crisis in global governance.

The AI Revolution and "Change Fitness"

Artificial Intelligence has moved from experimentation to becoming a central platform for workflows and decision-making. The focus in 2026 is on building organizational "change fitness"—the capacity to adapt to continuous AI-driven transformations. Key technological trends include the rise of AI-native development platforms, multi-agent systems, and physical AI (robotics and smart equipment). However, there are growing concerns about the second-order effects of AI, particularly regarding the potential loss of meaning in work as AI assumes more core functions.

The Energy Transition and Critical Minerals

The transition away from fossil fuels is accelerating, with renewable energy generation eclipsing total electricity demand growth. However, this transition is heavily dependent on critical minerals, the supply chains for which are highly concentrated and vulnerable to geopolitical coercion, particularly by China. In response, the U.S. and its allies are forming critical mineral alliances and employing muscular industrial policies to secure traceable and resilient supply chains.



The Crisis of Global Governance

Global governance institutions are facing a crisis of effectiveness and legitimacy. The existing architecture struggles to accommodate the shifting economic weight of emerging powers and the complexities of new global challenges. The resurgence of nationalist, strongman regimes has further undermined transnational cooperation and foundational international norms. Consequently, there is a growing reliance on alternative governance models, including middle-power cooperation, regional institutions, and public-private partnerships, to address global issues.





GLOBAL INDICATORS (JUNE 2026)

This section provides a snapshot of key global indicators across economic, social, environmental, and technological domains, reflecting the trends discussed above.

Economic Indicators

Indicator Value (2026)	Global GDP Growth	G20 Inflation
	%2.9	%4.0
EU GDP Growth	Euro Area GDP Growth	EU Inflation
%1.1	%0.9	%3.1
Euro Area Inflation	EU Unemployment Rate	Euro Area Unemployment Rate
%3.0	%6.0	%6.4
EU Deficit	Euro Area Deficit	
-%3.5 of GDP	-%3.3 of GDP	

Environmental Indicators



Indicator Value (2025/2026)

Human-induced Warming (relative to 1900-1850) 1.37 °C (in 2025)

GHG Emissions (2024-2015 average) 5.5 ± 54.6 GtCO₂e per year

Marine Heatwaves More than tripled (2025-1991)

Social Indicators



Indicator Trend (2026)

Human Mobility Expected to continue growing, driven by poverty, insecurity, conflict, and environmental factors

Net International Migration (U.S.) Large drop from 2024 to 2026 due to decreased immigration and increased emigration

Technological Indicators



Indicator Trend (2026)

AI Adoption AI is becoming mainstream, central to workflows and decision-making

Key Tech Trends AI-Native Development Platforms, AI Supercomputing, Confidential Computing, Multi-agent Systems, Physical AI



Geopolitical Trends Radar

The global geopolitical landscape in June 2026 is dominated by the recent signing of the U.S.-Iran Memorandum of Understanding (MoU), which has initiated a fragile peace process and reshaped regional dynamics.

Key Geopolitical Trends in June 2026:

- **US-Iran MoU Signed:** On 17 June 2026, the U.S. and Iran digitally signed a -14point MoU, with a formal signing in Switzerland. This agreement immediately terminates military operations and sets a -60day window for negotiating a final UN-endorsed deal.
- **Strait of Hormuz Reopened:** A key provision of the MoU is the immediate reopening of the Strait of Hormuz, with Iran agreeing to allow safe passage for commercial vessels without charge for the initial 60 days. This has already led to a significant drop in global oil prices. However, maritime industry bodies like BIMCO remain cautious, citing concerns about mine-clearing and safe routes.
- **Lebanon as a Bargaining Chip:** Even with the MoU, Hezbollah and Iran continue to link Israeli capitulation in Lebanon to broader U.S.-Iran negotiations, aiming to delay discussions on Iran's nuclear program and control over the Strait of Hormuz. Lebanese officials still express concern about their country being used as a bargaining chip.
- **Shifting Alliances in the Arab World:** Iran continues its efforts to exploit anti-Israel sentiment among Gulf states, highlighting growing ties between the UAE and Israel to drive a wedge between them and their neighbors. This dynamic persists amidst the new peace framework.



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SPECIAL ANALYSIS

U.S.-Iran Conflict

The signing of the U.S.-Iran Memorandum of Understanding (MoU) on June 2026 ,17, has entered its sixth day as of 23 June, marking a pivotal transition from active conflict to a structured -60day negotiation phase aimed at a final peace agreement. This analysis incorporates the latest developments regarding the executive structure of the talks, the regional ceasefire, and ongoing challenges.



KEY ASPECTS OF THE CONFLICT AND NEGOTIATIONS:

Executive Structure of the 60-Day Talks:

Following technical meetings in Switzerland, a clear structure for the -60day negotiation period has emerged. The process will be managed by four specialized committees:

- Nuclear Committee: To address the future of Iran's nuclear program.
- Sanctions Committee: To handle the termination of economic restrictions.
- Monitoring Committee: To oversee compliance with the MoU terms.
- Regional Reconstruction Committee: This committee will manage a proposed 300\$ billion fund dedicated to rebuilding regional countries affected by the conflict.

The negotiations are being overseen by Iranian Parliament Speaker Mohammad Baqer Qalibaf and U.S. Vice President JD Vance, with communication currently occurring through mediators rather than direct contact.

Economic and Sanctions Relief:

The U.S. Treasury has already begun implementing a two-month waiver on oil and petrochemical sanctions, a move seen as a direct result of the Switzerland summit. Iran has asserted that it has full freedom to use its released frozen assets without restrictions. These developments have led to a recovery in flows through the Strait of Hormuz, contributing to a drop in Brent crude futures to approximately 77.04\$ per barrel.



Nuclear Program and Security:

Tensions regarding the nuclear program remain high. Iran has stated there are currently no plans for international inspections of nuclear facilities that were previously targeted in military strikes. While the MoU outlines a -60day window for nuclear discussions, Israeli politicians like Avigdor Liberman have criticized the emerging deal, claiming it effectively allows Iran to become a nuclear-armed state with U.S.-blessed ballistic missile capabilities.

Lebanon Ceasefire and Regional Linkage:

A fragile ceasefire in southern Lebanon is now in its fourth day, supported by a new monitoring mechanism involving Iran, Qatar, Pakistan, the United States, and Lebanon. However, significant obstacles persist:

- **Lebanese Sovereignty:** A Lebanese delegation is heading to Washington for a fifth round of direct talks, demanding a full Israeli withdrawal and the deployment of the national army.
- **Hezbollah's Stance:** The group has rejected "experimental zones" and demands a clear withdrawal timetable.
- **Israeli Defiance:** Israeli Finance Minister Bezalel Smotrich has stated that the U.S.-Iran negotiations "mean nothing" to Israel, vowing that Israeli forces will not withdraw from Lebanon until Hezbollah is eliminated.

Negotiation Challenges:

The primary challenge remains the gap between the diplomatic framework and the reality on the ground. While Iranian President Masoud Pezeshkian has linked the success of the talks to the precise implementation of agreed-upon terms, the continued Israeli military presence and rhetoric in Lebanon threaten to derail the -60day roadmap.

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GERMANY LENS

Germany, as Europe's largest economy, continues to navigate the complex aftermath of the Iran War. The nation remains in a precarious economic position, though recent diplomatic breakthroughs offer potential paths toward stabilization.

Economic and Energy Outlook

The German economy remains in a technical recession, with the 2026 GDP growth forecast standing at just %0.8. However, the implementation of the U.S.-Iran Memorandum of Understanding (MoU) has begun to impact global energy markets. Brent crude futures have fallen to 77.04\$ per barrel as oil and gas flow through the Strait of Hormuz recover following the lifting of the U.S. naval blockade. The U.S. Treasury's decision to implement a two-month waiver on oil and petrochemical sanctions is expected to further stabilize prices, providing much-needed relief to Germany's energy-intensive industrial sector.

Geopolitical and Defense Shifts

Germany's strategic focus is increasingly dominated by the regional security architecture emerging from the -60 day U.S.-Iran negotiation roadmap. A newly established 300\$ billion Regional Reconstruction Fund aims to rebuild conflict-affected areas, a project in which German industry could play a significant role. Meanwhile, Germany continues its own historic military rearmament, with a 2026 defense budget exceeding 108€ billion, aiming to establish the strongest conventional army in Europe to counter regional instability.

Political and Social Landscape

The rise of the far-right Alternative for Germany (AfD), currently polling at a record %29, continues to put pressure on Chancellor Friedrich Merz's coalition. The government is under intense scrutiny to deliver economic results as the "-60day clock" for a final U.S.-Iran settlement ticks down. The linkage of the Lebanon conflict to these negotiations remains a critical point of concern for German diplomacy, as any re-escalation between Israel and Hezbollah could reverse the recent energy price gains and deepen the domestic economic crisis.

Migration and Skilled Labor

Germany continues to implement the Skilled Immigration Act 2026 to address its labor shortage, while simultaneously managing stricter border controls in line with the EU Pact on Migration and Asylum. The success of these social and economic reforms is seen as vital for the political survival of the mainstream coalition ahead of crucial state elections in autumn 2026.





IMPACT ON EUROPE AND THE ARAB WORLD

The Iran War has had profound and divergent impacts on both Europe and the Arab World, reshaping regional dynamics and international relations.

Impact on Europe:

- **Energy Insecurity and Economic Slowdown:** Europe has been particularly vulnerable to the energy price shock resulting from the conflict, leading to economic slowdowns and increased inflation across the continent. Germany's technical recession is a prime example of this vulnerability.
- **Security Architecture Re-evaluation:** The conflict has prompted a re-evaluation of Europe's security architecture. The European Union is expected to release a framework document to shape its policy response to the security challenges. There is a growing call for a paradigm shift in how Europe views its security, emphasizing interoperable defense systems and a new middle powers bargain.
- **Fracturing of the Western Order:** Some analyses suggest the Iran War has revealed exposed Europe at its worst, potentially fracturing the Western order and forcing European governments into difficult positions regarding their alliances.

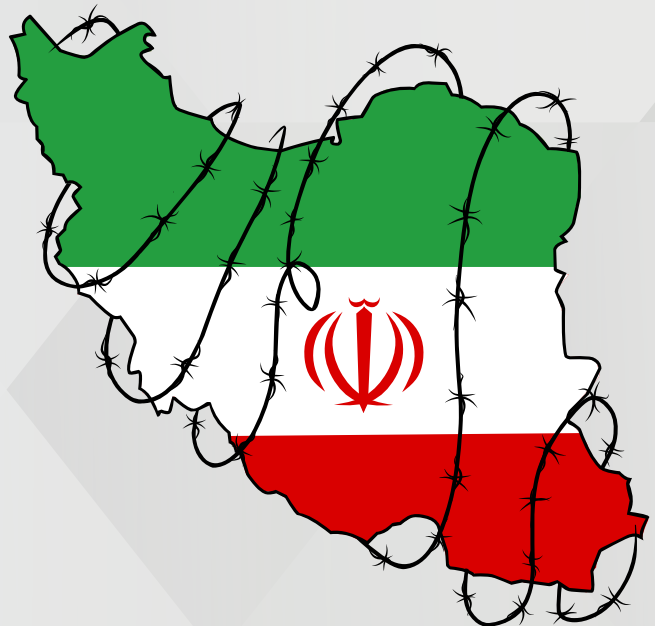


Impact on the Arab World:

- **Economic Instability:** The conflict has significantly impacted the economies of the Gulf Cooperation Council (GCC) states. The IMF estimates a %7 cumulative output loss over five years, with negative effects persisting for a decade. Financial analysis firms like Moody's have forecast drastic drops in sectors like hotel occupancy in Dubai.
- **Security Recalibration:** The war has introduced a new wave of uncertainty in the Gulf, threatening regional stability. The GCC states are grappling with security challenges, and there is a reordering of regional security, with the Gulf learning to operate within a new security architecture.
- **Lebanon as a Proxy Battleground:** Lebanon has become a critical component of the broader U.S.-Iran negotiations, with Hezbollah's disarmament remaining a major

issue. The Lebanese government views its country as a bargaining chip in the larger conflict, with its future uncertain and subject to external pressures.

- **Shifting Regional Dynamics:** Iran's attempts to drive a wedge between the UAE and other Gulf states by highlighting growing ties with Israel underscore the complex and evolving regional dynamics.



THOUGHT CORNER

The events of June 2026 serve as a stark reminder of the profound interconnectedness of global affairs. A conflict in one region, such as the Iran War, has triggered a cascade of economic, social, and political repercussions that resonate across continents. For Germany, Europe's largest economy, this period has underscored critical vulnerabilities in its energy supply and highlighted the urgent need for greater strategic autonomy and resilience.

Germany's response to these multifaceted challenges is characterized by a pragmatic approach. Economically, the nation is grappling with a technical recession and persistent inflation, direct consequences of the energy price shock and rising commodity costs exacerbated by the conflict. This has, however, accelerated the country's energy transition, with a notable shift towards renewable sources to reduce reliance on imported fossil fuels and enhance long-term energy security. Politically, the government faces internal pressures, with Chancellor Merz's coalition struggling amidst a surge in support for the far-right AfD, fueled by economic anxieties and debates on migration. Concurrently, Germany is undertaking a significant rearmament effort, committing over 108€ billion to defense in 2026, aiming to establish itself as a leading conventional military power in Europe.



The recent U.S.-Iran Memorandum of Understanding (MoU) on 17 June 2026¹⁷, while a crucial step towards de-escalation, underscores the deep-seated mistrust and complex historical grievances that continue to challenge lasting peace. The -60day negotiation period for a final deal is fraught with complexities, including Iran's efforts to fortify its nuclear sites by booby-trapping uranium caches, complicating any future disarmament efforts. The linkage of the Lebanon conflict to these broader negotiations further highlights the fragility of the peace process, with Israeli defiance regarding troop withdrawal posing a significant threat to the ceasefire.

The establishment of a 300\$ billion Regional Reconstruction Fund within the MoU framework signals a potential shift towards post-conflict recovery and stability, offering opportunities for international cooperation, including for German industry. However, the success of these initiatives hinges on the ability of all parties to engage in constructive dialogue, prioritize de-escalation, and adapt to rapidly changing geopolitical

realities. The future of the Strait of Hormuz, the fate of Iran's nuclear program, and the stability of Lebanon are not merely regional issues but global concerns with far-reaching implications for international trade, energy markets, and collective security. As we move forward, the capacity of nations to navigate these intricate interdependencies will determine the trajectory of the coming years.





FORWARD OUTLOOK: WHAT COMES NEXT?

The immediate future is now definitively shaped by the U.S.-Iran Memorandum of Understanding (MoU), signed on 17 June 2026¹⁷. This agreement marks a significant step towards de-escalation, initiating a -60day period of "technical negotiations" to finalize implementation details and address remaining issues. However, the complexities surrounding Iran's nuclear program, the full release of frozen assets, and the intertwined conflict in Lebanon suggest that achieving a comprehensive and lasting peace will remain a protracted process, with the success of these upcoming negotiations being paramount.

For Germany and Europe, the imperative to accelerate the energy transition will intensify. Reducing reliance on fossil fuels from volatile regions will be a key strategic objective, driving investment in renewable energy sources and energy efficiency. Economically, Germany will focus on navigating the technical recession, with policies aimed at stimulating growth and mitigating the impact of inflation.

In the Arab world, the focus will remain on regional stability and economic recovery. The evolving relationships between Gulf states, particularly in light of the Iran conflict, will be crucial. The role of international mediation and diplomacy will be vital in managing regional tensions and fostering a more secure environment.



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We read the future in the details of today.