



German Election Results: Key Takeaways for In-house Counsel

Government



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Germany's recent election [resulted in a victory](#) for Friedrich Merz's center-right CDU/CSU, but forming a government could take weeks as coalition negotiations unfold in an increasingly fragmented political environment. High voter turnout reflected widespread concerns over immigration, economic stagnation, and energy policy — issues that will have direct implications for businesses and legal teams navigating regulatory uncertainty.

The Union parties — a political alliance of the Christian Democratic Union of Germany (CDU) and the Christian Social Union in Bavaria (CSU) — won 28.5 percent of the popular vote in the snap election. The far-right Alternative for Germany (AfD) party surged to 20.8 percent, while Chancellor Olaf Scholz's Social Democratic Party (SPD) suffered its worst defeat in decades (16.4 percent).

Beyond the political headlines, this election outcome signals potential regulatory shifts that could impact corporate governance, compliance, and business strategy across Europe. In-house counsel should be prepared for a period of legal and economic recalibration.

As a new coalition government takes shape, some key regulatory and economic implications for in-house counsel and corporate legal teams may include:

- **Debt-brake reform.** A potential easing of Germany's fiscal spending cap, which could impact

investment incentives, infrastructure projects, and corporate taxation, requiring legal teams to assess contract obligations and financial risk exposure.

- **Corporate taxation and business climate:** Possible tax cuts and pro-business reforms under a CDU-led government could influence corporate structuring and investment decisions. Legal teams should prepare for possible tax law revisions affecting multinational operations.
- **EU and global trade policies:** Merz's stance on increasing European economic independence from the United States and conditional military aid to Ukraine may shift EU trade and regulatory dynamics.
- **Labor and immigration policies:** Stricter immigration rules or economic policies targeting skilled labor shortages could affect workforce planning and compliance.
- **Regulatory uncertainty:** Lengthy coalition talks could lead to a transitional period that prolongs regulatory uncertainty (33 percent of European CLOs identified regulatory uncertainty as the biggest barrier facing their legal department, from the [European Supplemental Report](#) to the 2025 ACC CLO Survey), affecting compliance timelines and investment strategies. In-house counsel should anticipate shifting compliance timelines and proactively adjust risk mitigation strategies.

More broadly, the surge in support for AfD reflects a global shift in populist and pro-nationalist victories, which highlights the growing geopolitical risk that business must navigate — requiring increased vigilance by in-house counsel. Businesses operating in Germany or across the European Union may need to reassess political risk factors, supply chain stability, and potential compliance challenges in an evolving regulatory landscape.

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Additional angles for legal teams to monitor

The change in the German government's leadership, and subsequently their priorities, could also signal changes to the country's role in the broader business environment within the European Union and globally. In-house counsel should consider:

- **Impact on Germany's energy transition laws and climate policies.** A CDU-led government may adjust Germany's ambitious energy transition laws, potentially slowing green investment incentives or revisiting regulations on emissions and renewables.
- **Potential shifts in competition law enforcement and EU antitrust policies.** Any coalition with pro-business policies could lead to less aggressive antitrust enforcement, while an SPD-influenced deal might maintain a stricter EU-aligned regulatory stance.
- **Changes to digital regulation, data privacy, and cybersecurity laws.** Changes in government priorities could impact the implementation of the [EU's Digital Markets Act \(DMA\)](#)

[and Digital Services Act \(DSA\)](#), affecting compliance for organizations operating in Europe.

- **Effects on Germany's role in shaping EU financial market regulations.** Germany's stance on financial stability, banking supervision, and capital markets regulation could shift, influencing EU-wide policymaking and corporate compliance requirements.
- **Implications of any coalition agreements on cross-border corporate M&A.** Potential tax and regulatory reforms, as well as coalition-driven economic policies, could impact deal structuring, due diligence considerations, and foreign investment approval processes.
- **Decreasing bureaucracy.** A broad approach to reducing bureaucracy could have effects on business across industries, especially in conjunction with recent initiatives from the European Union.
- **Geopolitical ramifications.** The CDU leader has promised to prioritize bolstering European defense in light of shifting US foreign policy, [according to Politico](#).

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