

# Bundestagswahl



## What the German elections mean for Europe

by Sophia Besch

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The outcome of Germany's general election matters for the rest of Europe. Germany's major political parties are all various shades of pro-European. But they have different views about how to reform the eurozone, and on what kind of foreign policy Germany should pursue.

Six parties are set to enter the Bundestag in September: the conservative Christian Democrats (CDU/CSU), the Social Democrat Party (SPD), the liberal Free Democrats (FDP), the Green Party, the far-left party Die Linke and the far-right Alternative for Germany (AfD). None will be able to govern on their own.

Chancellor Angela Merkel has ruled out CDU/CSU coalition government with Die Linke and the AfD, but has otherwise kept her options open. Voters prefer a 'grand coalition' with the SPD, closely followed by a CDU/CSU-FDP government. But the Green party, standing at a similar level in the polls as the FDP, is also keen to enter power. Based on current surveys, SPD candidate Martin Schulz could become chancellor only if his party went into coalition with the Greens and Die Linke.

What would these differing coalition options mean for the prospect of eurozone reform? French President Emmanuel Macron wants a common eurozone budget, a European finance minister and a eurozone parliament, and thinks Germany and the EU should boost investment. The CDU/CSU, however, is highly sceptical of France's plans. It places a premium on adherence to the eurozone's fiscal rules and opposes proposals that could usher in debt mutualisation. But Merkel knows that

Germany and France need to work together closely to provide the leadership Europe needs. Her next coalition partner will determine whether she has enough leeway to compromise with the French.

If the SPD can swallow its reservations about being the junior partner for another four years, a renewed grand coalition could open the way for some flexibility by the Germans in Merkel's final term: both Schulz and current foreign minister, Sigmar Gabriel, support much of Macron's approach.

If the CDU/CSU enters into government with the Greens, Merkel might also be able to keep the hardliners in her party at bay by claiming her hands are tied. The Greens have embraced all of Macron's reform proposals; they want an end to austerity and a European 'investment offensive'. But they are unlikely to get more than 10 per cent of the vote and might find it difficult to hold their ground in a coalition government.

Should the September election lead to a coalition between the CDU/CSU and the FDP, prospects for eurozone reform would be poor. The FDP sees itself as the economic and regulatory conscience of Germany and would push the CDU/CSU to double down on its calls for fiscal discipline. The

FDP leader, Christian Lindner, has warned that there should be no “friendly gifts” to Macron that threaten European stability, even accusing the SPD of colluding with Macron to undermine European fiscal rules.

What will the election mean for Germany’s foreign and security policy? Under Merkel, Germany has for the first time committed to spending 2 per cent of GDP on defence. She has stood up for sanctions against Russia, overseen the deployment of German soldiers in Lithuania and Mali, and backed initiatives to strengthen EU defence policy. These steps signal a departure from the German abstentionism of the past. But many voters remain sceptical of a greater military role for Germany, and question NATO’s involvement in the conflict with Russia.

In a grand coalition, the SPD would probably keep control of the foreign ministry. The Social Democrats are opposed to increasing Germany’s defence budget, which they see as an attempt by Berlin to cosy up to the United States; Schulz and Gabriel instead want more money for development aid. Leading SPD figures have also criticised NATO’s deterrence activities in Central and Eastern Europe; they are in favour of de-escalation and dialogue with Russia. The SPD is using defence as a campaign issue and might well soften its stance after the election, but it will continue to oppose a more muscular German foreign and defence policy.

The Greens would be an easier partner for the CDU when it comes to defence and security matters. While the Greens reject calls for more defence spending, they have condemned the SPD for its criticism of NATO, support sanctions against

Russia, and are open to military interventions “as a last resort”.

The FDP, much like the CDU/CSU, wants Germany to be an active foreign policy and military power. Lindner would like to see greater German defence engagement in NATO and the EU and supports boosting the defence budget. The liberals are in favour of a tough line on Putin’s Russia and closer co-operation with eastern neighbours like Ukraine. They want a strong transatlantic partnership even under President Donald Trump, and reject the instinctive anti-Americanism of the German left.

Finally, what about the possibility of a SPD-Green-Die Linke coalition under a Schulz chancellorship? The Social Democrats and the Greens would be a good match: both have been supportive of Macron’s reform proposals, and both have spoken out against higher German defence spending in favour of boosting development aid. But they are unlikely to win enough votes to govern without a third party, and voters on both the centre-right and the centre-left are highly sceptical of the socialist Die Linke. The far-left’s refusal to compromise on its foreign policy programme – it wants to dissolve NATO and scrap all intelligence services, and it refuses to condemn Russia’s annexation of Crimea – makes it a near impossible coalition partner for the Greens or the SPD.

Angela Merkel looks set to be re-elected in September. But Europe should look beyond who becomes the next German chancellor – it also matters with whom they enter into coalition.

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## CER in the press

### Prospect

14<sup>th</sup> July 2017

The winner this year of the best UK international affairs think-tank was the CER, which enlightened anyone interested in Britain’s negotiating position.

### The Financial Times

11<sup>th</sup> July 2017

Christian Odendahl of the CER is one of the finest analysts of the German economy writing in English. So it’s worth your time to closely read his review of the country’s labour market reforms of the early 2000s.

### The Financial Times

11<sup>th</sup> July 2017

Camino Mortera-Martinez of the CER says the European Arrest Warrant has made it easier for the UK to extradite criminals but Britain will find it almost impossible to negotiate as good an arrangement after Brexit.

### The Guardian

3<sup>rd</sup> July 2017

Charles Grant, director of the CER, revealed the existence of an unpublished Treasury analysis showing that the costs of leaving without a customs union deal far

outweigh any benefits from future overseas trade deals.

### The Times

15<sup>th</sup> June 2017

[The Brexit negotiations] are no poker game because, as Simon Tilford of the CER, points out, in poker the power of a hand is that it’s secret. Europe knows exactly how few cards we have to play. And if May’s position was weak a month ago, it is infinitely weaker now.

### The Washington Post

13<sup>th</sup> June 2017

“We now have a Parliament

that’s gridlocked,” said John Springford of the CER. “It doesn’t appear that there’s a majority for hard Brexit, or certainly not a majority for remain. It’s a very confused picture.”

### The Financial Times

6<sup>th</sup> June 2017

“The risk for the British if they ally themselves too closely to Trump is that they will give the impression that Britain and the US are now very much of the same mindset,” says Ian Bond of the CER.