

## Summary of Chartwell's Breakfast Discussion, No. 43

### “German Politics & the Impact on Europe”

*A discussion held at the Royal Automobile Club with EU expert Gisela Stuart, MP for Birmingham Edgbaston, and Sir Michael Arthur, UK Ambassador to Germany, 2007-2010.*

*Wednesday 8<sup>th</sup> May 2013*

#### **1. Above all, Germany wants peace and stability...**

The Second World War and Cold War continue to cast their shadow over the German psyche. For policymakers and the electorate alike, the biggest fears remain instability, unpredictability and conflict. After all, ‘German-ness’ and Germany’s geographic borders have only coincided since 1989.

Fear of instability is reflected in Germany’s political system: coalitions, cross-party dialogue and continuity are the norm, and are seen as signs of stability and healthy democracy. Contrast this to the Anglo-Saxon model, in which coalitions are viewed as a sign of failure.

This anxiety also helps explain Germany’s attitude towards Europe: the vast majority of Germans remain committed to the EU and Eurozone because they see it as a framework that can guarantee stability and security on the continent.

#### **2. Germany is reluctant to lead**

The trouble is that, while Germans may want peace, they also want to be left in peace. They don’t like the fact that with economic power comes the responsibility to lead Europe. Contrast this to Germany under Chancellor Kohl, who realised the need for German leadership.

#### **3. German Federal Elections, September 2013: the likely vote breakdown**

Party	Orientation	Likely % of the Vote
CDU/CSU	Centre Right (led by Merkel)	40%
FDP	Liberals	They will barely get above the 5% threshold needed to re-enter the Bundestag.
SPD	Centre Left	30%
Greens	Left	12%
Die Linke	Left	7%
Die Piraten	Nobody quite knows!	5-10%
Die Alternative	Anti-Euro movement	3%

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NB. Die Alternative is not the German equivalent of the UKIP phenomenon. They are a single-issue campaign, not a functioning party. Their increasing prominence might affect the vote for the CDU/CSU and FDP, but it won't shape German policy on Europe. By contrast, UKIP's rise is forcing the mainstream UK parties to harden their EU policy.

#### **4. Angela Merkel will be Chancellor post-September 2013**

On the basis of these figures, the current CDU/CSU-FDP coalition is unlikely to be able to form a coalition. If they do not, then the other likely outcomes are:

- (i) *CDU/CSU-Green*
- (ii) *CDU/CSU-SPD* (a so-called 'Grand Coalition').

Both would put Angela Merkel back in the BundeskanzlerAmt.

[However, Peer Steinbrück, the SPD challenger to Merkel, has ruled out the possibility of serving with her. Disillusion with the Grand Coalition of 2005-2009 was seen by many as the reason for the SPD's worst post-war election performance in 2009 – only 23%.]

#### **5. Whoever wins, austerity will continue**

The feeling among German workers, business owners and politicians is that they made the necessary changes under Chancellor Schröder's Agenda 2010 reform programme (launched in 2003), and now it's up to the rest of Europe to follow suit. They believe the solution to the Eurozone crisis is for the South to be more like them. The South's 'growth' argument doesn't resonate.

#### **6. Tension between the Bundesbank and ECB will remain**

Disagreement between Jens Weidmann and Mario Draghi over the ECB's bond-buying programme and monetary easing will continue. This is because:

- (i) The German view is that a central bank should be lender of last resort when the issue is a lack of liquidity, not insolvency.
- (ii) The fear of Weimar Republic-style hyperinflation still runs deep. In the post-war era, the Bundesbank was seen as the bulwark against it happening again, and this remains the case even within the Eurozone framework.

#### **7. Germany and Britain could drift further apart**

Merkel wants Europe to be competitive and assertive in the face of rising global powers such as China. She believes the UK is important for this goal:

- (i) Britain shares her free market outlook – a useful ally against the more statist France and southern Europe.
- (ii) The UK still has military muscle and is willing to intervene militarily in the world, something Germany is wary of doing.

Therefore Merkel is likely to be 'quite helpful' when David Cameron tries to renegotiate terms with the EU, but only up to a point:

- (i) Few in German politics want treaty change (although Finance Minister Wolfgang Schäuble is an important exception), which is precisely what Cameron is after.
- (ii) The German political class will not agree to changes for Britain alone. It will only agree to concessions that bring about change for all EU members, and this only on a limited basis.

Cameron's ambitious reform programme is therefore unlikely to gain traction. But the glimmer of hope is that many Germans do agree with the UK view on curbing the powers and over-regulation of Brussels; and Germany has said she wants to work with the UK on completing the Single Market and increasing trade liberalisation.

#### **8. The Franco-German relationship will remain tense**

German policymakers are increasingly nervous over France's reluctance to embark on structural reforms. This, combined with poor personal chemistry between Merkel and Hollande, means the Franco-German relationship will remain rocky.

However, the Germans see this relationship as fundamental to the success of Europe and will work hard to get the partnership back in the driving seat of European affairs, especially as the UK relinquishes part of that role.

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