

## EU Centre Commentary Series

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### Uncertainty over next German Government – Growing concern in the EU

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The collapse of Germany’s coalition talks on Sunday (19 Nov) is the latest shock to hit Europe and has raised concerns that the European Union’s (EU) biggest country will send the bloc into paralysis. This is a 180 degree turn from fears of a “[German Europe](#)”- German domination of the EU – to worries on what will happen to EU reforms and policies without a strong German hand.

After four weeks of “exploratory talks” between Chancellor Merkel’s conservative Christian Democrats (CDU/CSU), the liberal Free Democrats (FDP) and the Greens, Christian Lindner of the FDP, announced on Sunday that it will withdraw from the talks, adding that “It is better not to govern at all than to govern badly” The failure of the coalition talks is unprecedented in Germany’s post-war history, something which no one saw coming, since the main sticking points – immigration and climate change policies – were not seen as FDP signature issues. The markets initially reacted to the news, sending the Euro falling, but recovered later on Monday (20 Nov).

Interestingly, the markets for German bonds stayed quiet, possibly reflecting underlying confidence in a politically and fiscally stable Germany.

However, the uncertainty over the shape of the German government for the next four years is getting some European observers worried about what this would mean for the EU. The EU is already grappling with the departure of the UK, the crisis in Catalonia, governance reform and the growing threat from Russia. All issues for which the German leadership is seen as crucial. There were also high hopes of “relaunching” the EU after Brexit last year, with a new Franco-German engine. And although the EU insisted on Monday that the collapse of the coalition talks in Berlin will not have an impact on EU matters, there is a fear amongst policy-makers of a potential [policy pile-up](#) without a stable German government able to take bold decisions. Particularly pressing are [questions over EU reforms](#).

When French President Emmanuel Macron assumed office in May 2017, one of his promises was to reform the EU and the eurozone. There was a lot of talk about the need for a “Franco-German-engine” in order to push forward with such plans, even with Merkel opposing some of his proposals, such as a eurozone finance minister. With recent developments in Germany, Macron's reform agenda has to be put on hold. The French President was quick to state on Monday that he wishes France’s “main partner to be stable and strong,” and in the meantime he will continue to work with Chancellor Merkel because, after all, “the German government is still in place.” However, it is widely understood that no big changes will be possible without Merkel's approval. Without a stable German government in place soon, no major decision is likely to be taken during the December summit to discuss a potential roadmap for reforming the single currency. This could derail what the French has presented as a potentially “groundbreaking” EU summit to reform the monetary union. It is potentially painful for Macron, who has been eager to use the momentum after his election to reform the eurozone. His “window of opportunity” to score some “wins” could close next year, with the looming European Parliament election due in spring 2019.

Yet, some experts believe that issues such as [Brexit](#), the EU’s defence initiative and the budget negotiations are of more immediate concern than Macron’s EU reform plans. There have been reports of Brexiteers urging British Prime Minister (PM) Theresa May to try to take advantage of the German Chancellor’s weakness to gain an upper hand in the Brexit talks. “The political weakness of the strongest EU member state makes our negotiating position stronger,” Tory MP Jacob Rees-Mogg told the Daily Mail, “With manifold domestic troubles not just in Germany, member states need a deal more than we do.” Others, however, believe the political situation in Berlin will have little impact on the negotiations or that Berlin will play an even less active role than it has up to date. “London should be watching with concern as Berlin’s political focus continues to look inward for quite some time and the clock is ticking, making the current EU position unlikely to move,” as Olaf Boehnke, a foreign policy expert at the Rasmussen Global consultancy, put it. The situation in Germany has left a [vacuum in European leadership](#), thus making it harder for the EU to compromise with the UK. However, there was also some speculation that Germany would favour a more Britain-friendly course once Brexit talks enter phase two, in order to protect its economic interests.

Another imminent decision by the EU regarding the renewal of glyphosate, the controversial pesticide, could also be influenced by the German fiasco. The Greens, who were part of the collapsed coalition talks, have pushed vehemently for the EU to ban glyphosate. This has led to Germany abstaining from a vote earlier this month in Brussels on renewing the license of the herbicide for another five years.

Despite concerns over Germany being in limbo the next weeks or even months and its effects on the EU, some officials in Brussels said there would be minimal disruption, since the overwhelming majority of the German Parliament were pro-EU. Margaritis Schinas, the Commission's chief spokesperson said "In the German Constitution, there is a basis for stability and continuity in similar situations ... therefore here at the Commission, we have full confidence that stability and continuity will be maintained."

Much depends now on the next weeks and how Germany will decide to proceed. There are [three options](#) on the table: snap elections, a minority government (both untested waters) or yet another grand coalition between Merkel's CDU and the Social Democrats (SPD). Merkel has indicated that she favours snap elections. However, polls suggest a similarly fragmented Parliament, and possibility of the far-right party AfD (Alternative for Germany) gaining even more votes. The deadlock will unlikely be broken. To complicate things further, snap elections are not as easy as in most other European countries. After the trauma of the failed Weimar Republic, postwar Germany's founding fathers made it hard for Parliament to dissolve itself. It is the [German President](#), currently Frank-Walter Steinmeier (who was formerly with SPD) who has the authority to do so. But Steinmeier indicated on Monday that he was extremely reluctant to call snap elections. "One can't simply give the responsibility back to the voters," he told a news conference, adding that the parties should take a break and reflect on their positions.

The second option would be a minority government. Merkel as the head of a minority government would be deprived of her authority. While minority governments are fairly common in other democracies, Germany has never had such an arrangement at the federal level in its postwar history - for good reason: After the failed Weimar Republic, Germany learned to appreciate stability, a minority government could hardly be described as stable.

The third - and at this point most likely - option would be another grand coalition with the SPD, with whom Merkel has ruled Germany for two of her three terms. Despite the fact that the SPD's leader Martin Schulz (who spent most of his political career in the European Parliament) reiterated last week, that the Social Democrats would not join her in the government again, it seems that the increased pressure by the public had its impact. Since the SPD suffered its worst election result in its history in the recent elections, the party has been very reluctant to be again the junior coalition partner of the CDU/CSU. Therefore, Schulz and some other party leaders believe that it is only by going into opposition that they can rebuild the party. However, Schulz faced a backlash for this stance and the Social Democrats continue to be deeply divided over the issue, but many say that a coalition with Merkel is the only way to avoid snap elections. [Schulz's political survival](#) is also at stake: apart from insisting on being in the opposition in order for the SPD to gain more political relevance again, Schulz also risked -losing his credibility and therefore might not be the party's top candidate in case of a snap election being called.

A meeting took place between Schulz and President Steinmeier on Thursday (23 Nov). As expected the President tried to convince Schulz to pave the way for coalition talks with the CDU. He called on the party's democratic responsibility, and his advice appeared to have been heeded. On Sunday (26 Nov) the SPD came forward with its [conditions for a grand coalition](#) – the first step before another round of “exploratory” talks can commence. Policies on pension, health insurance, migration and refugee issues are seen as the main sticking points. The potential coalition partners are scheduled to meet together with President Steinmeier on Thursday (30 Nov). Also French President Macron would without doubt prefer another grand coalition, with the SPD traditionally being in favour of a pro-European course and further European integration.

While, of course the future is hard to predict, snap elections seem like the least favourable option. There is for one the cost involved. *Süddeutsche Zeitung* gave an estimate of around 92 million Euros for snap elections, with the September elections having a similar price tag. Another serious reason and maybe the only reason for some to give the grand coalition another chance, is that snap elections may result in strengthening the far-right AfD even more. The AfD finished third in September's election, with 13% of the vote. This was the first time that a far-right party entered post-war German Parliament, sending shockwaves across Germany. It is now the responsibility of all other parties to find a compromise, in order to avoid an even stronger AfD. Since none of the parties was able to get an absolute majority, all other options - be it a grand coalition, a Jamaica coalition or a minority government with the Greens - will be a compromise. After all, Germany has a historic responsibility from which it must not shy away.

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