



## Transcript

# The German Election: A Verdict on Europe?

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**Maurice Fraser:**

Ladies and gentlemen, a very warm welcome to this event on the German elections and their significance, and what they might mean going forward. This is an event that Chatham House has organized in association with the British-German Association, many of whose members are here. I am Maurice Fraser, I am professor of European politics at the LSE. The event is being held on the record and it's also being streamed live.

The line-up that Chatham House has assembled with the British-German Association – these will be probably all extremely familiar names to you. Really, I don't think we could have got a better-known group of experts – known for their shrewdness and their perceptiveness and their deep knowledge of German politics – but also painted on a broader canvas – a European and global canvas. As you've probably seen, the idea is to try to consider particularly the implications of the German elections for the EU and Europe as a whole.

First off, I shall be asking Dr Constanze Stelzenmueller to share some thoughts with us. She is senior transatlantic fellow at the German Marshall Fund. She was formerly editor at *Die Zeit*. She's a governor of the Ditchley Foundation, an expert on transatlantic relations – in fact, she gave a talk on that very subject a little bit earlier today. Many strings to her bow – I think that's true for all our speakers actually today, which is always nice. These are Renaissance men and women with particular interest in Germany. So Constanze will kick off.

She will be followed by Thomas Kielinger, who I'm sure also is known – is almost a household name and face over the last thirty-odd years, on the BBC and obviously of *Die Welt* – synonymous with *Die Welt*. Formerly with *Rheinischer Merkur*, I think some moons ago. Really one of the most respected commentators and pundits on German politics, as you all know.

Then we will have a British perspective from David Marsh, who is chairman of SCCO International and co-chairman of the Official Monetary and Financial Institutions Forum. He is deputy chairman of the German-British Forum and has written many books on the euro and on European financial matters, the most recent being *The Euro: The Battle for the New Global Currency*. So he'll be giving a view from outside, as it were.

Without further ado, I would like to invite Constanze to share some thoughts with us.

**Constanze Stelzenmueller:**

First off, thank you very much for this very generous and over-generous introduction, and for the invitation to Chatham House. I am most impressed by the crowd here. Not all of you look German. There appears to be some interest, that's fascinating. It used to be that we only thought of ourselves as a moral superpower; now these days one gets the distinct impression that people actually think we have a role to play. That's slightly unsettling for us.

I'm also very happy to be here on the panel with David and Thomas – Thomas being, I think, the only German who has an even more RP accent than I do, which I'm always deeply impressed by. In my case it's because I spent my first childhood years here.

Maurice has just told me I'm supposed to be the first speaker. I am not going to regurgitate the daily news at you. I will say what I think is going to happen in the next couple days and then speculate a tiny bit about foreign policy, and then hand over to you two.

You've all seen the numbers. You've read the headlines. What is going to happen? There is a surprising amount of speculation about what I think is an incredibly obvious outcome. There is speculation about whether – some people even spending precious printers' ink on the question of whether Angela Merkel might not be so upset by the prospect of another grand coalition that she would be willing to call new elections. This is not going to happen. It's just not going to happen, nor – there's another ludicrous suggestion out there that people are spending time on – nor will there be a tolerated minority government by Angela Merkel. Not going to happen.

Also, there will not be a Black–Green coalition. The CSU (Christian Social Union), now run solely by Horst Seehofer, who amazingly got an absolute majority in the Bavarian elections a week ago – after having fathered an illegitimate child and done a couple of rather spectacular u-turns on policy issues – astonishing for most of us but there you are. He's got a fair amount of say. So I think as long as the CSU doesn't like the prospect of a coalition with the Greens and as long as half the Greens would be utterly miserable with that prospect, we're not going to have a Black–Green coalition. Much as there still are some Greens and quite a lot of conservatives who would be thrilled by that– but I think it is very unlikely.

So what we're faced with is the prospect of another grand coalition, which we had four years ago. The SPD (Social Democratic Party) didn't like it– it ended up in a miserable – in fact, their worst post-World War polling ever, 23 per cent. They've landed barely north of that this time. They know it's going to be

miserable but they have promised and they would be staking their last bits of their credibility if they now turned around and said: we'll do a Red-Green coalition. That's not going to happen either. So the SPD has no choice but to face Angela Merkel and another coalition, which is going to be interesting for foreign policy and security policy works like me because the Social Democrats last time around had the foreign ministry. They had a couple other ministries. They are running out of personnel, it has to be said. But that is where we are.

We've just been speculating on how long coalition negotiations might take. Last time around it took nearly two months and it wasn't pretty— when we had a grand coalition. Thomas and I were disagreeing on why it needs to be that nasty again. My personal feeling is we've been there, we've done it, we'll do it again — let's get it over with. But I may not be getting something here. It's also, quite frankly, not quite my expertise.

It is possible that we would have to wait until November for the formation of a government. The Bundestag will meet for the first time on October 22 — that we do know. That's the first order of business right now— is for the parties to have so-called *kleine Parteitage* (party conferences), which is another name for 'Night of the Long Knives', where people blame each other and decide who is out. The Greens have done the sort of lemming thing — I think 22 of them announced that they would resign, only some of them then said they would immediately run again. But I think we will expect that an entire generation of leadership, not just in the liberals but in the Greens and in the Social Democrats, will make a decision to leave politics or at least leave the party leadership. So we don't quite know yet the tableau with which the Bundestag will be put together and the Bundestag leadership will be put together, and in particular who in the end will end up being the small group of people that the Germans would refer to as *ministrabe* — available and able to fill a ministerial posting. Particularly not in some of the key postings.

So there you are. That's a reason why it's somewhat difficult to speculate on what kind of European foreign and security policy will come out of Berlin next. I will do so anyway, having been a journalist for a long time. I think what you're going to see, since the euro crisis is not over — everybody has very kindly held their breath for the last weeks until we had our election but I think after this we can expect bad news out of Greece, bad news out of Italy, bad news out of Spain. None of the metrics there are looking particularly good, even if some of them have improved. As a result, this next German government will be spending a great amount of time, as before, on managing the crisis and concomitantly less, as before, on other stuff.

That said, I think there will be some shifts, and you've already seen some. Syria, for example. I'll stop with that because I presume some of you will have more detailed questions and I also don't want to take up too much airtime. But on Syria, [Guido] Westerwelle, the outgoing foreign minister, who is a liberal, did say on August 26 in a speech that Germany would support whatever consequences there were. At the time he was thinking of limited military strikes. That was a message to the rest of the world, particularly to the Europeans and the Americans, that we were not going to be doing another Libya. Good news, I would think. Participating in military operations, particularly limited military operations, was never on the cards. We weren't going to be asked to do that. But the appetite for that, of course, is very limited in the rest of the world anyway and, it has to be said, with regard to Syria.

So my sense is that the Germans will be fully occupied with crisis management. We'll probably get into the weeds on that a little bit, on what that means in terms of policy. I think there will be an outstretched hand to Great Britain in particular – no one really wants to see the UK leave the EU at all, but nobody wants to signal from Berlin that we'll pay whatever price. With that, I'll stop for the moment.

### **Thomas Kielinger:**

Thank you, Constanze – a hard act to follow, I must say. In the olden days when we had such a thing as a nuclear theology, you always had to be aware of the decapitating first strike, and you launched one against me – which makes it hard for me to see if there is enough for me to add to your splendid presentation. Since you have concentrated on the non-predictability of Europe, which I share, I will try and concentrate on facts.

My most important fact is that Angela Merkel has lost the election. She is a bereaved political widow: she lost her married partner, the Free Democrats (FDP). That is the flip side of her victory, which of course is patently obvious: she lost the election in that she did not manage to make sure that her coalition partner stayed afloat. That, in German history since 1949, is a terrific landslide, the first time since the inception of the Federal Republic that the liberal party has disappeared. We haven't yet figured out what that may mean because the remaining parties outside Angela Merkel's combination CSU/CDU (Christian Democratic Union) are all left-wing or centre-left parties. There's no other sort of bourgeois– shall I say– party left to go into cahoots

with. That is a difficult situation for her and makes the choice— even if this is a renewal of the grand coalition— so much harder for her.

Angela Merkel is a black spider: she kills off everyone who goes into bed with her. The SPD suffered their worst result at the end of 2009, the first time in government with her, by registering 23 per cent, which was an abominable result. The FDP, the next time around, disappeared. So this is what Angela Merkel wreaks on you when you decide to go into government with her. You have to be, if you are the SPD, very careful under what conditions you go back into a liaison— into bed with her. I predict that they will insist on pretty stiff demands— the SPD— they're not going to sell themselves cheaply, because they know that they are practically the only game in town, the only choice she has left. She can't form a government with the Greens. What have the Greens left as a national policy? Well, one vegetarian day in official canteens every week. That is what the once-great party of Hans-Dietrich Genscher and [Alexander Graf] Lambsdorff has ended up with, a vegetarian day once a week in official canteens. I know I'm slightly being disingenuous here, they have a few more things to say, but the most important tenet of their faith, their ideology – which is ecological advancement and improvement and reforms – she has stolen by abrogating nuclear energy two years ago in a very sudden u-turn. Without consulting much, after the Fukushima disaster in Japan, as you know, she decided on the spur of the moment to renounce nuclear energy for Germany. For a woman who is known to be 'steady as it goes' and careful and cagey and non-charismatic and unwilling to be confrontational and risk anything, this was an amazing thing to have happened.

I am afraid we will see a renewal of the length of time it takes to form a coalition this time around. It took us 65 days in 2009 to form a coalition. For anyone in Britain who contemplates that it will take this long for a British government to be created, it's absolutely unconscionable. The queen needs her government in place within three or four days of the election; we take two months and more.

### **Constanze Stelzenmueller:**

Should we have the monarchy back?

### **Thomas Kielinger:**

If for no other reason than to quicken the pace of negotiations, why not? Angela Merkel famously said yesterday— when she was asked about how long it might take— she said: thoroughness before speed. That is such a German statement to make. It almost reinforces all the clichés you know about the Germans, the meticulousness and the steady as it goes and the glacial pace of reform and business.

So during those two months it's very hard to say anything about Europe. We are not the only player to decide that – other countries will have a say. The ... water will flow down the Thames and the Spree. So I will be brief and stop here, because first of all it's two months – we have to be patient. The SPD, when asked to come forward and present themselves as likely partners, said – in the remarks of Mr [Sigmar] Gabriel – 'don't call us before this Friday'. They also need their time to think about it. It's been a real landslide event in many ways, the disappearance of that one pivotal party which was the kingmaker in post-war German history – you could not govern Germany without the FDP making it possible to create a coalition with you. That's all gone.

If you look at the remaining parties – the SPD, Die Linke, and the Green parties – they have a numerical majority. They could combine and defeat Frau Merkel and create [Peer] Steinbrueck as chancellor of Germany; they would have a five or six point majority. Which of course is out of the question, but it hasn't been unknown in Germany that the losers of an election form a coalition to not allow the winner to get away with it. The famous case in 1969 when Willy Brandt and Walter Scheel formed the lib–lab coalition. I remember very well that night when Richard Nixon sent a congratulatory telegram to [Kurt Georg] Kiesinger, the chancellor, wishing him well for having won the election, and the following day it was clear that the losers had combined to defeat the CDU. So it's always a possibility that if this new coalition doesn't quite do its homework, the SPD might contemplate perhaps leaving in midterm and thinking of other options, which adds to the mix of unpredictability, I'm sorry to say. We like to think of ourselves as such a stable and reliable country but I think there's a lot of uncertainty around the corner, and we should not underestimate the haggling that is going to emerge between the two large parties.

It's not going to be a repeat of the grand coalition – it's not really grand anyway, when you look at the size of the SPD. But they will exert a price. There is a paradox – and that's my last thought. At the height of her popularity, at the best result that she's scored for her party in 20 or more

years, she is the most vulnerable to concessions demanded of her from her coalition partner. So stay tuned for some rather fascinating developments. Thank you.

**Maurice Fraser:**

David, does David Cameron have reasons to be quite happy or very happy, or does the City of London have reasons to be quite happy or very happy, to see Angela Merkel back?

**David Marsh:**

Contrary to what everybody says – everybody says markets like certainty, but in fact markets like uncertainty, and we're going to have plenty of that. So the City may well feel there's something to trade on here. I think the coalition negotiations will be nasty, brutish and long. So we will face a lot of problems and unpredictability. I fully agree that nothing can be ruled out in terms of the coalition. It's a major temptation for the left to go with Die Linke, and Steinbrueck will go off and spend more time with his bank accounts and the party will move to the left. It's quite likely. Therefore you may well see several goes at forming a coalition and you'll see a lot of swirling news coming out of Berlin, a lot of hurried press conferences, a lot of ministerial limousines going in and out, people winding down their windows and not really being able to say anything very much. And during all this time, real decisions need to be made in Europe and about Europe, and they will not be made. So I think this is possibly a very bad election for Europe.

I fully agree that Mrs Merkel – she's strong and weak at the same time. Her moment of apparent triumph is a moment of great weakness, for all the reasons that Tom has said. Just one point about the SPD: they are 16 percentage points behind in the voting. Never since 1957, when Konrad Adenauer won an absolute majority, have the SPD been so far behind the CDU. And yet the people from the CDU are forced to try to do business with these people who have comprehensively lost the election. There will be enormous backbiting and enmity about this. Don't forget we're talking about ministerial limousines here, we're talking about the posts of state secretaries, ministers and so on. People will not want to give those SPD people posts in a government, even though it is quite clear that she can only carry on in a coalition.



There is, of course, already a grand coalition, as you look at what's going on in Hessen – that is a forerunner of what we might see in Berlin. Mrs Merkel, she's been such a successful black widow, as Tom has said, she has killed off all the pretenders. There is nobody left among the *ministerpraesidenten*, apart from Seehofer, as Constanze said. So she's lost her power in the *Laender*. There is a two-thirds majority against her which makes it really difficult to get any legislation through. I think her poison has been so venomous that she might end up killing off herself. I mean this seriously, I do think the third term is a time when she could be very vulnerable. I do not buy at all this idea that she could go off in the sunset halfway through, when she's done ten years – she's aged 60 – do a Tony Blair – there's very few people who can manage to quit politics at the high point. I think it will be a fairly – position of failure during this third term.

I would like to end on this idea of the euro. The thing is, we haven't actually seen any hard choices probably being made up to now. The German taxpayer has hardly spent any money at all – it's been peanuts. It's been lots of promises, lots of pledges, lots of guarantees. The cheques will be called in in the next three or four years, particularly in the case of Greece, where we know that Greece will need not just more credits but more debt relief – which is going to be incredibly difficult because the European Central Bank and the other official creditors will be called upon to forego loans in some way, which will cause distress amongst the taxpayers.

The whole point about the German election was that it was fought on redistribution. It wasn't fought on Europe. There are a lot of poor people in Germany. We might think they just go around eating their bratwurst off silver spoons and all the latest robot cars and everything, but there's a whole lot of people who feel that they've lost out in the last four or eight years as a result of the big swing toward exports. A lot of ordinary working-class people have had very stagnating incomes, as we all know. You won't get to spend that money twice – you won't be able to give it to Greece and also to give it to Gelsenkirchen. In fact, it needs to be spent three times – there's a lot of infrastructure that needs to be renewed in west Germany, not so much in east Germany. In fact, you also need to spend money on debt relief for the impoverished southern countries of Europe, who may be recovering a little bit now but their debt is still totally unsustainable. And you also need to pay for them to remain in the euro for the next four to six years.

So the really tough questions have not been decided. The SPD do not want to simply be Santa's little helper, helping Angela Merkel out. The wounds of the last grand coalition have not been cauterized; the blood is still warm.

Therefore they will not go down that path again. I think that it's a very good thing in a way for harmonization of Europe, because Germany in the next four years may make France, Italy and Spain look like stable countries.

**Constanze Stelzenmueller:**

You're making Berlin sound like a splatter movie.

**David Marsh:**

Weimar.

**Constanze Stelzenmueller:**

No, a splatter movie. I mean, honestly.

**David Marsh:**

No, I'm not actually.

**Constanze Stelzenmueller:**

Really, this is ludicrous. I think we should all keep our hats on and our hair on and take a deep breath, and look at some of the positives here. One, we didn't vote an anti-EU party into power. Yes, they will go to town on the European elections but you know what, the EP (European Parliament) elections really aren't that important. This is really good news. Most of you would have been extremely upset if they had been voted into power. They probably killed off the liberals, which I tend to agree is not a good thing. I mean, I think we ought to have had a liberal party, I'm not sure with these people, but there you go.

The other thing is, David, you've been explaining just how nasty it's going to be with the SPD and the coalition negotiations, and within the coalition after the negotiations. Look, we had that for the last four years with the liberals. That is what coalitions are like. My sense is that your own conservative-liberal government isn't that pretty either. Again, let's just tone down the rhetoric.

**David Marsh:**

We're not talking party in an ugly contest, are we, today? We're not talking about the UK.

**Constanze Stelzenmueller:**

I think we should actually. I certainly will, if I feel challenged to do so. We should be talking about how the UK and Germany – what relationship they will have and how they'll be working with each other, if at all, which I think they should be.

Finally, all this language – I will sort of use metaphors with the rest of them, but I think if we were talking about a male chancellor, all of us would be saying, god, what a strong man this is. What a successful leader, he's eliminated all the competitors. There is actually still a competitor left standing – she happens to be a woman, Ursula von der Leyen, who unlike Merkel exudes ambition, which is probably her biggest weakness. But the fact of the matter is, much as I personally dislike some of Merkel's decisions and her leadership style, she is an extraordinarily strong politician. To diminish her is to not understand the amount of things that she can still do. Obviously we are talking about a last term, and last terms rarely end in glory. That is the nature of last terms. But I think the important thing to understand about her is that this is somebody who is profoundly disinterested in her legacy or in the impression that she makes on others. She has ideas, she certainly has strategic goals that she would like to push through. But she is not needy or neurotic in the ways that some German chancellors have been. We can all think of examples.

**David Marsh:**

She hasn't hired Tom Kielinger to write her biography yet.

**Constanze Stelzenmueller:**

That can still happen. But what I'm saying is: hold your breaths, I think this could still become interesting and not as unpleasant as has been suggested here.

**Thomas Kielinger:**

I tend to want to stress what David said about the disenfranchised class in Germany, which has grown. People who are on short-term or mid-term contracts that are not safe, and about which the remaining left-wing parties will go all over the place reminding Angela Merkel that she has to do something in this regard. Which in a funny way will allow her to stay the course, her rigid austerity course, in the issue of the euro, because she can't spend her tax money twice. She can't, under the influence and under the demands of the SPD, who will want to make her address the problem of the disenfranchised German population who are not quite as wealthy as some people seem to think – she hasn't got enough money left in the kitty to pay for the improvement of this sector of society – which has been the result of the Agenda 2010, the result of the liberalization of the labour markets – and at the same time loosen the strings in the austerity regime about the euro.

So in a funny way, the popular demand – popular opinion in Germany is a real coalition partner. The first coalition partner is popular opinion. And popular opinion in Germany, I predict, will demand a lifting of the lower-paid, uncertain classes who have suffered as a result of the 2010 reform programmes, and not spend any more on saving Greece or other European countries. That's where I think the main domestic emphasis will have to come out.

**Maurice Fraser:**

Thomas, thank you very much. I will, uncharacteristically for me, try to heroically obey a self-denying ordinance not to ask questions. I hope we all have a chance to touch on Cameron–Merkel, British election in 2015, possibly a British referendum in 2017 on a new relationship with Europe. Maybe it will come up in questions, I hope so.