

Merkel Scrambles for The Exit

And the successor race begins.

BY KLAUS C. ENGELEN

In late October, the day after the Christian Democratic Union in the state of Hesse suffered double-digit losses, German Chancellor Angela Merkel told a meeting of the CDU executive council that she would not stand again as candidate to head the CDU at the coming party convention in Hamburg in early December of this year. She later went before the national press and explained that she will step down as party leader—a position she has held for eighteen years—as a first step toward a leadership transition.

Merkel intends to stay on as chancellor until 2021 when her term runs out. “Her decision to give up the party leadership will set in train a battle for the succession and a potential bitter struggle for the soul of the CDU, one of Europe’s most successful political parties,” comments the *Financial Times*. “Many in the party begrudge how Ms. Merkel brought the CDU to the political center—and want it to return to its conservative roots.”

Merkel conceded that her decision would run counter to her long-standing conviction that both the leadership of the party and the chancellorship should be held together. But considering the present situation, she wanted to give the party enough room to prepare for the time when her term ends. After serving out her fourth term as chancellor, she will not stand for another seat in the Bundestag, nor aspire to any other political position.

In her press conference, Merkel avoided commenting on those prominent candidates who already have announced their candidacy for the CDU

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leadership. She made the point that she will work together with whoever is democratically elected at the convention. Said Merkel, “I am a person who can work very, very well with quite a lot of people, and I am known for that.”

WILL MERKEL’S OLD RIVAL STAGE A COMEBACK?

It was noted that Merkel did not elevate the candidacy of Annegret Kramp-Karrenbauer (56), her favored successor. Kramp-Karrenbauer served as prime minister of the small state of Saarland for seven years, and is highly regarded by

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many CDU members for considering conservative as well as liberal positions on the issues at hand. Merkel brought her to Berlin as CDU secretary-general last year. In that position, Kramp-Karrenbauer was spokeswoman and chief administrator of the party apparatus. There was speculation that Merkel wanted to hand the party’s leadership over to her in 2020 to prepare her as successor.

“AKK” or “Mini-Merkel,” as Kramp-Karrenbauer is dubbed by the press, will have to compete with several candidates at the coming Hamburg party convention. There is Jens Spahn (38), whom some characterize as the “anti Merkel.” He had the courage to challenge Merkel on many issues, including the chancellor’s welcome policy for undocumented refugees. As a member of the Bundestag with a direct seat since 2002, he has made his name as CDU’s health expert. When the recent “Groko” cabinet was put together, Merkel was under pressure within the party to give him the health ministry. Spahn had already broadened his experience in the finance ministry under Wolfgang Schäuble. He is openly gay and has the backing of the business wing and the conservatives, although in his health reforms he has shown a softer side.

When the tabloid *Bild* reported that Merkel’s old rival and challenger Friedrich Merz (63) was also considering entering the race for CDU party leader, the TV station NTV called it “The Comeback of the Year.” For Eurointelligence,

“The candidate to watch out for in the CDU leadership race is Friedrich Merz, the wild card of German politics. Early polls suggest that he has the biggest support among the population, and he is also the candidate of business; his election would accelerate the end of Angela Merkel and the grand coalition.”

Merkel saw Merz, a former judge known for giving brilliant speeches in the Bundestag as parliamentary party leader and preaching the social conservative and liberal business credo, as her most dangerous party rival. In an effort to consolidate her authority in the party on the way to a future chancellorship, in 2002 she took the powerful post of leader of the CDU parliamentary group herself, leaving Merz in second place.

A frustrated Merz, who had served in the European Parliament before he rose to the position of leading economic and finance CDU heavyweight, gave up his seat

Das Scorecard



Annegret Kramp-Karrenbauer is secretary general of the CDU, and “Mini-Merkel.”



Jens Spahn, Minister of Health, is the “anti Merkel.”



Friedrich Merz is Merkel’s old rival and challenger.



Armin Laschet, leader of North Rhine-Westphalia, is from Merkel’s more liberal camp.



CDU/LAURENCE CORRINGTON

Angela Merkel, sometimes described as the de facto leader of the European Union and the most powerful woman in the world.

Don't Call Me a Lame Duck!

Angela Merkel intends to stay on as chancellor until 2021 when her term runs out. She conceded that her decision would run counter to her long-held conviction that both the leadership of the party and the chancellorship should be held together. But considering the present situation, she wants to give the party enough room to prepare for the time when her term ends. After serving out her fourth term as chancellor, she will not stand for another seat in the Bundestag, nor aspire to any other political position.

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as member of the Bundestag in 2009. He joined the U.S. law firm Mayer Brown's Dusseldorf office. As a business lawyer with high-caliber political connections, he became a much-sought-after board supervisor and made a lot of money. As Germany's head of BlackRock, the world's largest asset manager, Merz is connected with many of the companies in Germany's DAX index in which BlackRock is invested. For years, he has headed the Atlantik-Brücke, Berlin's prestigious think tank. There Merz plays an important role on both sides of the Atlantic during these troubled times for transatlantic relations.

After leaving the Bundestag, Merz stayed close to his CDU party network, especially his former political power base in North Rhine-Westphalia. For that state with its close trade relations with the United Kingdom, Merz was appointed commissioner for the Brexit negotiations.

If Armin Laschet, the state's premier, also chooses to enter the Hamburg convention race, a totally new situation would arise.

A Bloomberg article considered whether any of these contenders would worry financial markets. "Kramp-Karrenbauer ... and Laschet are from Merkel's more liberal camp, while Spahn, Schäuble, Merz, and Brinkhaus belong to the fiscally conservative wing of the party. Though Merkel's

announcement didn't shake the euro, a Europe without her raises longer-term questions about the future of the single currency. The chances of more reforms to bolster the euro region could fade, and Germany's next leader may not be as strongly committed to European integration."

It is not surprising that Merkel doesn't like all the talk about her becoming a "lame duck." A day after announcing that she will not stand for the CDU leadership, Merkel rejected the notion that her departure would weaken Germany's position on the European and international stage. On the contrary, she argued with respect to Europe, by leaving the party leadership to others, she would have more time to prepare for international and European challenges. That also is the line that Günther Oettinger, the EU Commissioner for Budget and Personnel, has emphasized in countless interviews.

But it has already become apparent at the recent EU summits how much the formerly strong standing of Germany with Merkel as chancellor has weakened, especially on the refugee and border security issues, and also on securing Germany's interests in the Brexit negotiations as the EU's biggest industrial state. German industry is becoming alarmed that their vital stake in the Brexit dealmaking is being woefully neglected.

By allowing infighting over immigration policy and by not stopping a very public dispute over a spy chief accused of far-right views, Merkel lost much respect and sympathy even among many traditional CDU voters.

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Historian Niall Ferguson reacted to Merkel’s exit plan on CNBC, “We have a vacuum in German politics and therefore a vacuum in the heart of European politics, and that will continue to be the case until Chancellor Merkel has ceased to be chancellor and has made way for a successor.”

What probably convinced Merkel after thirteen years as chancellor to prepare for her exit may be three blows she received recently: first, the unexpected fall of her trusted parliamentary leader Volker Kauder; second, the debacle of her sister party CSU in Bavarian elections; and third, the huge losses that her trusted CDU ally Volker Bouffier suffered in Hesse due to the dismal performance of the Berlin government.

Merkel apparently realized that people were alienated as never before and that this caused, as a way of protest against Berlin, huge voter migrations from the “people’s parties” (*Volksparteien*)—the CDU, CSU, and SPD—to the Greens and AfD.

AN ACT OF REBELLION

After her first national election victory in 2005, Merkel nominated Volker Kauder (69) as floor leader for the CDU/CSU in the German Bundestag. Kauder had supported CSU leader Edmund Stoiber’s bid to become the conservative nominee for the chancellery in 2002. This was seen as a strategic move since the CDU and the Bavarian sister party CSU alliance need to work closely together on the legislative front.

For the past thirteen years, Kauder mostly prevailed as the sometimes ruthless enforcer of Merkel’s wishes. This was the case in passing the highly controversial rescue laws to cope with the banking and euro crisis. He stood by the chancellor after Merkel let in a million

refugees in 2015 and was confronted with eroding support in her own CDU and mounting opposition in her Bavarian sister party CSU.

Having strong backing from Chancellor Merkel and the CSU leader Horst Seehofer, Kauder didn’t take seriously the challenge from a backbencher, Ralph Brinkhaus (50), a finance and budget expert very much respected by his colleagues. In August, Brinkhaus let it be known that he also would be a candidate for Kauder’s position. A tax accountant by training, coming from the small town of Rietberg-Mastholte, Brinkhaus entered the Bundestag in 2009. With his political home base in Germany’s largest state, North Rhine-Westphalia, Brinkhaus had a long career in state and communal affairs. He was critical of the eurozone reform proposals that French President Emmanuel Macron put forward. During his low-key campaign, Brinkhaus avoided openly challenging Merkel. Concentrating on talking individually to most CDU/CSU members of the Bundestag, he promised a new tone and style so that under his leadership their concerns would again matter.

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A Call to Make Europe “Credible”

As it happened, last week CDU stalwart Friedrich Merz co-signed an open letter expressing concern about the future of Europe and calling for implementing the euro reforms and for greater collaboration on defense and foreign policy. This “Time to wake up” appeal, published in *Handelsblatt*, was also signed by former German finance minister Hans Eichel, philosopher Jürgen Habermas, former Hesse premier Roland Koch, economist Bert Rürup, and former justice and economic minister Brigitte Zypries.

“We urge the German government to take bold steps, together with French President Emmanuel Macron, to make the economic and monetary union stronger. It must initiate policies leading to more economic convergence across the EU and avert further drifting apart. We need a budgetary policy for the eurozone, which serves the cohesion and sustainability of the whole area. We also need a common labor-market policy, possibly including EU-wide unemployment insurance. Only then will we make European unity credible.”

“For this, however, we must be ready for hard compromises—including German readiness to make higher financial contributions. The founding fathers of Europe, including former Chancellor Konrad Adenauer, knew that European unity could only succeed if wealth differences between countries were not too big. They knew that the weaker regions and strata, in addition to their own efforts, would need the help of their stronger peers to catch up.”

—K. Engelen

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When the votes of the CDU and CSU parliamentary group were counted on September 25, 2018, backbencher Brinkhaus turned out the winner with 125 votes and only 112 votes for Kauder. Apparently many younger ambitious deputies, especially from the CDU, were tired of the old guard telling them in a “top down” chain-of-command system how they would have to vote and how they would have to see the issues at hand. The way Kauder, Merkel’s closest legislative ally, was voted out in such an unspectacular way was a jolt to Merkel’s power base.

By allowing infighting over immigration policy and by not stopping a very public dispute over a spy chief accused of far-right views, Merkel lost much respect and sympathy even among many traditional CDU voters.

This may have motivated Wolfgang Schäuble, the CDU veteran, former finance minister, and now chairman of the Lower House, to warn before the ballots were in that the elections in Bavaria and Hesse would have “to some extent an impact on federal politics and therefore on the Chancellor’s standing.” The heavy losses in Bavaria and Hesse set unpredictable changes in motion.

BAVARIAN STATE ELECTIONS: THE FIRST BLOW

The CSU suffered a major setback in Germany’s wealthiest state, losing the majority that it has held during most of the postwar era. Dropping 10.6 percentage points and winding up with 37.2 percent of the vote, the result turned out better than some pollsters had predicted. Since Bavaria’s premier Markus Söder will be able to take the locally oriented Free Voters into a new government, the CSU will be able to continue to rule Bavaria.

Merkel’s CDU and the CSU form an alliance in the German Bundestag, which explains why the regional CSU historically was able to have much greater political clout at Germany’s federal level. Currently, the CSU is represented with three ministers in the cabinet.

Big winners in Bavaria were the Greens with 17.6 percent (up 9 percentage points), followed by the Free Voters (11.6 percent of the vote). The far-right Alternative für Deutschland entered the Bavarian state legislature for the first time, securing 10.2 percent of the vote without putting forward a leading candidate.



*Merkel's unmitigated political disaster: making CSU head **Horst Seehofer** her interior minister in charge of immigration. He never stopped accusing the chancellor of breaking the laws of the land by allowing more than a million refugees into Germany in 2015. Although the historic result in Bavaria reflects tectonic shifts in Germany's party landscape, "it had a lot to do with infantile antics of this man" and his "provincial mindset, populist style, and boundless ego."*

For Germany's oldest political party, the Social Democrats, the Bavarian state elections turned out catastrophically, due to a mass exodus of their traditional voters to the AfD and the Greens. The SPD's representation was more than halved, just managing 9.7 percent, down 10.9 percentage points from the last election in 2013. The liberal Free Democrats barely entered the state legislature with 5.1 percent of the vote.

For Christian Teevs of *Der Spiegel*, "The most important outcome of the election in Bavaria, however, is the fact that it has made the premature end of the Merkel's governing coalition much more likely. The leaders of all three coalition partners could lose their posts in the coming weeks and months while the result has shown just how fragile the major parties' foundations have become. Together, the CSU and SPD lost more than 20 percentage points. Meanwhile, the conservatives and the SPD together have only a razor-thin majority in recent nationwide polls."

For this mass exodus of voters, argues the commentator of *Der Spiegel*, the SPD and CDU have themselves to blame. Merkel has had trouble aligning her party behind her. And the SPD's leader, Andrea Nahles, struggles with a situation where many SPD members and officials want their party to leave the coalition. Says Teevs, "Germany's governing coalition, of course, was beset by uncertainty even before the election in Bavaria. Since its start in March of this year, it has been distracted by a seemingly never-ending debate over migration and constant provocations from the CSU, which spent months campaigning on an anti-Merkel, anti-immigration platform."

As it turned out, making CSU head Horst Seehofer—who never stopped accusing the chancellor of breaking the laws of the land by allowing more than a million refugees into Germany in 2015—her interior minister in charge of immigration was an unmitigated disaster politically. "For the sake of Bavaria and all Germany, he must step down, as party leader and interior minister," demanded Andreas Kluth, chief editor of *Handelsblatt*

Global, citing Seehofer's "provincial mindset, populist style, and boundless ego." Although the historic result in Bavaria reflects tectonic shifts in Germany's party landscape, "it had a lot to do with infantile antics of this man."

Most analysts argue that the strategy of the CSU under the leadership of party boss Seehofer and Bavarian Governor Markus Söder to keep voters from joining the AfD by promoting a much tougher migration policy—especially insisting on turning back those refugees who had been already registered in another EU country—backfired.

The voters who were fed up with too many refugees—and all the additional taxpayer billions of euros they cost—moved to the AfD. What frustrated many citizens was that Germany's government authorities on all levels and in most regions so far have been unable to send back those immigrants who were unable to get the needed recognition as legal refugees but are staying on in the country. The voters defending an open, liberal Germany and Europe went to the Greens who continued to support Merkel's welcome policy.

With a much younger voter base eager to campaign for more protection of the environment—tired of the smog-laden air in the major cities due to dirty diesel cars—the Greens turned out to be the big winners in the Bavarian elections, getting many direct seats in Munich and other major Bavarian cities.

ANOTHER ELECTION SETBACK IN HESSE

Then on October 28, Germany's governing parties were sent reeling by their second electoral upset in a fortnight. Support for Merkel's governing party in the state of Hesse—where Germany's financial center Frankfurt

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is located—dropped 11.3 percentage points compared to the previous state elections in 2013 and landed at 27 percent. That was the worst showing since 1966. But the Greens, the coalition partner under the CDU premier Volker Bouffier, surged to 19.8 percent (up 8.7 percentage points).

The meltdown of the Social Democrats also continued in the state of Hesse. The SPD's share of the vote dropped to 19.8 percent (down 10.9 percentage points), landing at the same level as the Greens. This was the worst result for Germany's oldest party since 1946, the first elections after the end of World War II. For the first time, the far-right AfD conquered the Hesse state legislature with 13.1 percent (up 9 percentage points), so that the far-right populists—with their radical rejection of refugees and their battle cry "*Merkel muss weg*"—are now represented in all sixteen German state legislatures.

For Merkel's severely damaged coalition government, there was some sort of comfort in the Hesse results. Bouffier, her close ally, a victim of the bad performance of the Berlin "Groko," will be able to stay in his job and form another coalition.

How long Merkel—after thirteen years as chancellor heading different coalitions—will be able to hold her battered coalition of CDU/CSU and SPD together depends on how the Social Democrats under their severely damaged leader Andrea Nahles cope with the large segment of their membership that favors getting out of the Merkel government as fast as possible.

SO MANY QUESTIONS

Merkel and her coalition partners have to ask themselves now how they will cope with the disintegrating European Union, the Brexit repercussions, and the global threats to the country's prosperity. How will the European Union—and Germany with its huge industrial stakes—cope with a no-deal Brexit if the Berlin government is breaking apart? How should the European Union react to Italy's reckless populists who, on a collision course with the European Commission on budget and debt, risk another eurozone crisis that could threaten the survival of monetary union and the euro? How can Berlin react to EU governments such as Hungary and Poland that reject the EU rules-based legal commitments and values from which they so much benefited in the past? What is going to happen with all the announcements on eurozone reforms and completing the European banking union? How can the European Union react to the mounting trade and geopolitical challenges coming from the United States under President Trump and Russia under Putin? How can Germany—together with France—tackle the soaring European deficiencies in security and defense by strengthening collaboration?

As the coalition government of CDU/CSU and SPD dropped in the polls in reaction to its never-ending debate over migration and constant provocations from the CSU, the debate on euro reforms in Berlin was put on the back

burner. For instance, the "Meseberg Declaration"—the French-German "road map" on eurozone reform, named after the German government's retreat outside Berlin—seems like an event from the distant past.

In June 2018 in Meseberg, French President Macron and Merkel sat down to find a road map on eurozone reform, responding to Macron's sweeping visions for "re-

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building Europe." The political standing and prospects of the two leaders looked much better then. On both sides, there were glimmers of hope and confidence that the bilateral meeting had produced tangible results, showing that the French president could do more than make great speeches and that the German chancellor, although severely weakened politically by her 2015 refugee welcome policy, still had the drive to move forward with a European reform agenda.

As the history of European integration has shown over decades, whenever Germany and France reached a common position, they were able to pave the way for moving forward in the process of European integration. This is no longer the case due to the eroding cohesion among EU member states. The immigration crisis and the emergence of more right-wing populist anti-refugee parties has been a major factor. In March, the Netherlands, Finland, Ireland, Denmark, and four other northern EU states took a joint position that "now is not the time for more reform." They voiced their objections to a "two-speed" Europe with some rules for the wider European Union and others for the eurozone. They demanded that reform discussions on the future of economic and monetary union should be carried out in an "inclusive format," meaning that the leaders of all EU member states would sit on the table.

A reminder of today's EU political realities: While the leaders of Germany's "Groko" coalition licked their wounds after the Hesse election results, the magazine *Der Spiegel* came out with a cover story titled, "Weaponized Debt: Italy Doubles Down on Threat to Euro Stability." ◆