

GERMANY: Beyond the conservative candidature conundrum

- After Sunday's regional elections, the pressure on Christian Democrats (CDU) leader Armin Laschet has increased.
- However, he remains unlikely to renounce the Christian alliance's (CDU/CSU) chancellor candidacy for CSU leader Markus Soeder.
- With a view to business implications – from fiscal to regulatory policies – the most important factor will be the Greens' role in coalition politics beyond the center-right.

As discussed, Laschet may bare his share of the responsibility for the painful defeats on Sunday. After all, the CDU/CSU still lack a manifesto and a candidate. But Laschet's carefully packaged criticism of the government's pandemic management is more than just a tactical attempt to shift the blame onto Chancellor Angela Merkel. The Christian alliance is paying a political price for the vaccine fiasco, for which CDU politicians are being held publicly accountable, including Merkel, Health Secretary Jens Spahn and European Commission President Ursula von der Leyen.

CSU politicians keep testing Laschet, warning of a left-of-center government due to the CDU's weakness and calling for a quicker resolution of the candidacy question. But after Sunday's weak result, Laschet will not want to claim the Merkel succession too quickly. At a 26 March gathering of CDU district leaders, he first wants to collect input for the manifesto to be written jointly with the CSU. The CDU boss is therefore still sticking to the envisaged timeline: the two leaders of the Christian alliance will agree on the joint chancellor candidate between Easter (4 April) and Pentecost (23 May). The intermediate signpost of the Thuringia election has been postponed from 25 April to the day of the Bundestag poll on 26 September, for pandemic reasons.

CDU/CSU manifesto urgently required

In public opinion, the CDU/CSU might now be on a trajectory back to pre-pandemic levels. Merkel's incumbent bonus is fading, both because she will not run again and because her government has little to show for amid the current vaccination disaster. Merkel may highlight her long-standing opposition to hasty reopenings; she was overruled by the 16 regional state leaders. But this cannot paper over structural deficiencies that have become obvious, from overly bureaucratic processes for disbursing support payments to the lack of digital infrastructure and badly prepared testing and vaccination campaigns – from the regional states up to the EU's procurement mess. After 16 years at the chancellery, it is becoming obvious that Merkel's reactive, calm incrementalism may be a blessing and a curse at once. As respective concerns are growing in key CDU/CSU constituencies such as the business community, a bold manifesto is even more urgently required.

Looking ahead, the most important signpost to watch in terms of business implications will not be the CDU/CSU candidature race. Both contenders have anyway positioned themselves as potential leaders of a "black-green" government. More interesting will be the coalition politics beyond the center-right. Both regional elections have enabled alternative "traffic light" coalitions, led either by the Greens or the Social Democrats (SPD), jointly with the center-right Liberals (FDP). A center-left coalition of the Greens, the SPD and the post-communist Left may be another option. In any scenario, the Greens will be the kingmakers and would likely opt against the CDU/CSU if they became stronger than the SPD. After all, this would allow them to obtain the chancellery in a three-way coalition.

Coalitions matter for business

So far, the SPD and the Left are the only parties with manifestoes. But once the Greens publish theirs, they will obviously double down on increasingly popular environmental and climate issues. One aspect to watch in this area will be the balance between incentives such as greater public investment and constraints via new regulation. Regarding the latter, there has been debate about phasing-out combustion engines and a requirement for house owners to cover every roof with solar panels. A comparable balancing act should be watched on social issues, which can either be discussed as questions of rights (for instance, via more ambitious quotas, relevant also for company governance) or as issues of redistribution (as in demands for a unitary public health insurance system). On these questions, the Greens will have to coordinate their leftist and rightist wings. However, Sunday's successes in two structurally rather conservative states serve as yet another reminder of where the party's support base is increasingly located.

Meanwhile, the SPD has ultimately never been serious about its eternal campaign promise of solidaristic public health insurance; based on its coalition talks record, this issue would not be a deal-breaker. But if the Greens chose an approach to climate change that stresses the need for public investment (rather than just regulation), this could provide a basis for a renewed version of "red-green". However, a lack of redistributive focus could, among other sticking points, complicate things with the Left; and the federal-level FDP remains a party of tax cuts – a very different formation to the one that has been governing with the SPD and Greens in Rhineland-Palatinate, for instance. A coalition of the Greens with the CDU/CSU might ultimately turn out to be the relatively easier fit from a programmatic perspective. But the investment and regulatory dimensions will, in any case, need to be watched as parties prepare their manifestoes and position themselves for the post-September coalition games.

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