



The German Parliament wrapped not by Christo – as in 1995 – but by Brunswick's Sandra Meisinger. Next Sunday will show who will fill its seats.

# Germany on the Eve of Elections

BRUNSWICK

The election campaign in the run-up to the Bundestag ballot was a disappointment for the German media. Hardly underway, pundits were already griping about the yawn-inducing boredom and paucity of political thrills. Many an expat in Germany was astonished when Chancellor Angela Merkel, like all her compatriots, nonchalantly traipsed off on a summer break and the campaign ground to a standstill.

But appearances deceive. It is true that Merkel is the undisputed reigning chancellor, with no real contender in sight. That benefits her party, the CDU. Frau Chancellor aside, though, the election campaign was hotly contested. Liberals and populists are sure to enter the next Bundestag, which will lend the German parliament an entirely new complexion and make for more colorful debates.

Merkel benefits from Germany's gravy train. The country is doing better than ever, despite its structural shortcomings. Its economy is flourishing; growth has hovered above 1.5 percent since 2014. Unemployment is low; prosperity is at an all-time high. Pushing 12 percent at Merkel's 2005 inauguration, the unemployment rate has dropped to around 5.5 percent. The situation is even brighter than it seems: The nation's 2.4 million unemployed are looking at more than 800,000 job vacancies, so Germany is actually approaching full employment. On the downside, companies are frustrated, for the pool of skilled workers has dwindled to a puddle. Debt is also under control. Since 2014, Federal Minister of Finance Wolfgang Schäuble has been budgeting without renewed borrowing. Even the influx of some 1.2 million refugees since 2015 hasn't put a dent in Germany's wallet. Schäuble footed the bill for this crisis by dipping into petty cash, so to speak. And exports are booming despite US

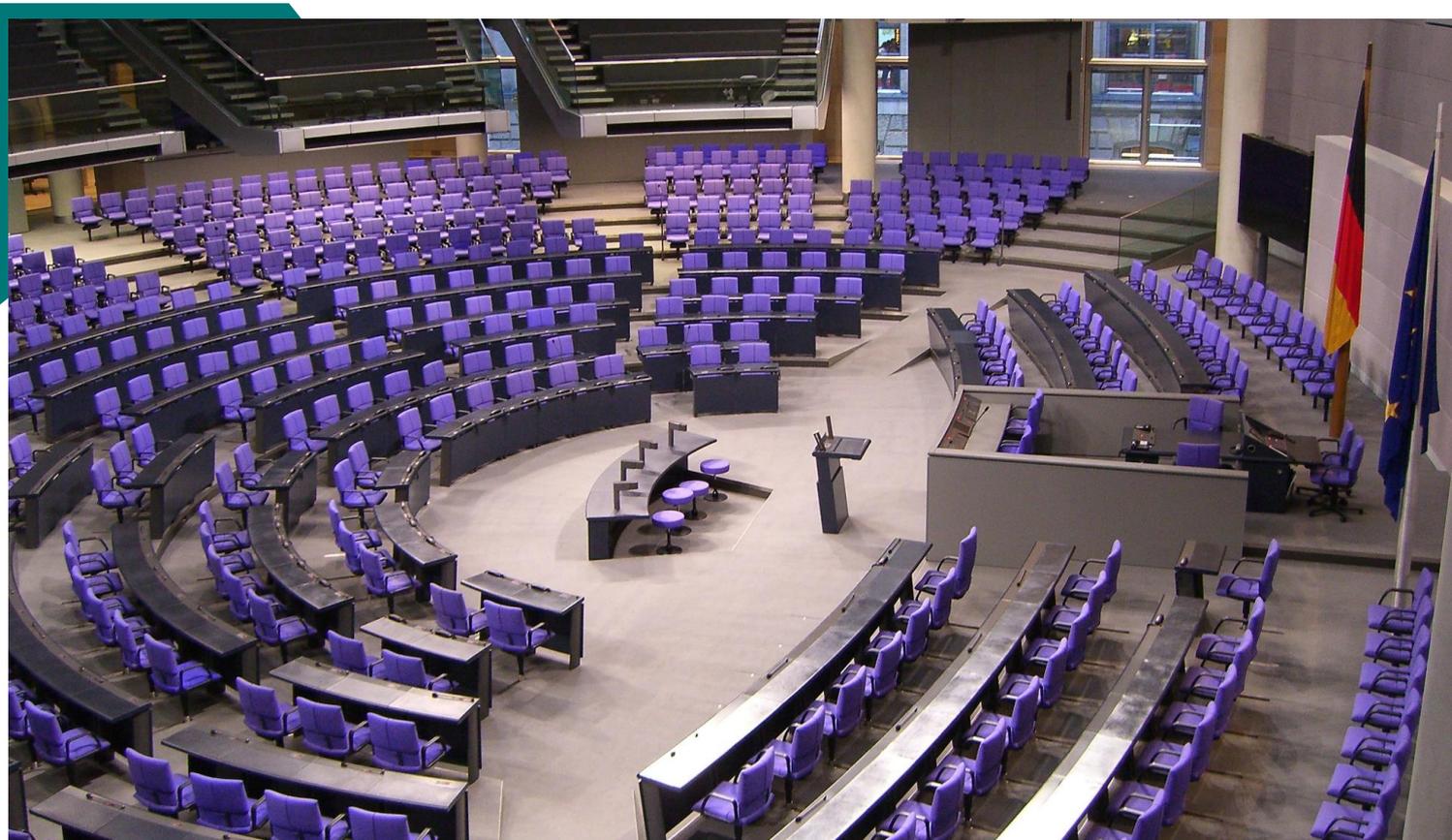
President Donald Trump's laments. Germany set an all-time record in 2016 with a foreign trade surplus approaching €253 billion.

Merkel alone is not the author of all these success stories. Her greatest contribution to Germany's boom is perhaps to have done nothing wrong. The lion's share of credit for doing something right has to go to the labor market reforms of former chancellor Gerhard Schröder, who set the stage for the German 'job miracle.' The financial blessings bestowed upon Schäuble are largely down to the European Central Bank's low interest rate policy. And the thriving economy has much to do with Germany's hallowed social compact. Trade unions have refrained from demanding steep wage hikes for years now. Germany is currently ranked seventh in the EU in terms of labor costs, behind the Scandinavian countries, Belgium and France.

## Fear of decline

As the saying goes about high-fliers, coming down is the hardest thing. This fear of falling plagues many Germans. The angst is strongest among the weaker links in the social chain—low-income earners as well as many pensioners who feel disenfranchised. Falling is not the only fear; flooding is another. Many people are frightened by the migratory flows associated with globalization.

Integrating so many migrants is a journey of small steps, but assimilation costs big money. The new neighbors' foreign cultures are unsettling for German society. The unease is greatest in the east. Although reunification took place 27 years ago, Germany has yet to coalesce as a unified society.



The people in the "new" federal states who came of age behind the Wall never lived or learned democracy by experience (apart from a brief, politically volatile experiment with the Weimar Republic in 1918 to 1933). Democracy appears to be an acquired taste, and anti-democratic flavors linger longer than one would expect. This goes far in explaining why populism is flourishing more in the east of Germany than in the west.

Although such fears have sparked fiery political debates, they have hardly shaken the country's democratic foundation. Populists may take a dim view of migrants and the far left may dream about some nebulous form of modern socialism, but nobody wants a revolution. And that means Germany will remain the bedrock of stability, and its commitment to Europe will continue to run deep. Angela Merkel embodies all this. She is the envoy of Germany's cultural and political mainstream. More moderator than innovator, reactive rather than proactive, she is, in a word, presidential.

## A game-changing shift

Germany has arrived at an epic tipping point with millions of jobs at stake. Two of Germany's flagship industries will be particularly hard hit—the automotive sector and mechanical engineering companies. Both are high-octane export engines.

Already under fire for the blunders that brought them the diesel and cartel scandals, German carmakers are too late out of the gates in the race for ascendancy in autonomous driving and e-mobility. While they stayed in the garage, tinkering away to perfect their internal combustion engines, Tesla, Nissan, Google, and Chinese manufacturers took the fast lane to future technologies. Now Volkswagen, Mercedes and BMW are following suit with a sharp turn off the well-travelled road, as announced in unison at Frankfurt's International Motor Show. The catch is that an internal combustion engine is made up of thousands of parts. An electric motor has around 250 and no need for a manual transmission. Tens of thousands of jobs will be lost. Automakers' workforces will shrink; suppliers' even more so.

Mechanical engineers are facing similar disruptions. 3D printing is on the verge of an industrial breakthrough. In the not-so-distant future, engineers will only be confined to designing machine parts on the computer for the printing to be done anywhere in the world. There will be scant demand for the metalworkers who are grinding parts into shape today.

When additive manufacturing—that's the engineer's term for 3D printing—arrives, it will change the global logistics industry. Who needs parcel carriers if they can print out their orders at home thanks to digitally delivered data? Who needs shipping containers if they can have their car parts printed in China? Who needs container terminals if the 3D printers' main course for every meal is powders and more powders? Rotterdam's port is already preparing for this future by building miles of bulk cargo docks.

Merkel  
can count  
on trade  
unions

Is Germany prepared for these new developments? Yes and no. Like automakers, logistics companies are just beginning to address this structural change, so they are a little late out of the starting block. But Angela Merkel, who is likely to remain head of government for a good while yet, has been grappling with this issue for the better part of two years. She knows that she has to set a course that will sustain Germany's export industry and forestall mass unemployment. She has an unlikely ally that centrist politicians in many other countries can hardly count on for support—trade unions. The big organizations, at least, have transformed themselves in recent years from mere workers' rights advocates into think-tanks that are open-minded in their search for solutions.

One example of this is the speed with which Germany bounced back from the 2008 financial crisis. Short-time compensation was extended to 18 months to prevent the mass layoffs that usually follow events as disruptive as this. And while people in the rest of the world were worried about their jobs, Germans were busy buying new cars courtesy of the cash-for-clunkers program. An absurd regulatory policy it may have been, but it pushed the right buttons in the public's psyche and provided a big boost for the economy. Both measures were devised by the leadership of the metal workers' union, spoon-fed to the government by social democrats, and put into action by Angela Merkel.

## Security in the forefront

Security, climate protection, digitalization, infrastructure and education—these issues figure prominently on the domestic policy agenda. Security is not just about combating terrorism; it is also about arresting rising burglary and violent crime rates. This issue is political, but hardly controversial. Germany will continue to champion climate change action, not only at home, but also in the international arena. Another challenge looms large—digitization. Germany is bringing up the rear; it has to take decisive action to catch up with the early adopters. Then there's the infrastructure. Germany needs to repair and build motorways, bridges and railway lines. Perhaps even more pressing, it needs to develop a stable electrical power grid to finally get around to the apostrophized energy turnaround.

The exit from nuclear power and fossil fuels and transition to renewables energy is a political can of worms that the government has been kicking down the road for years. Thousands upon thousands of wind turbines dot the landscape of the country's windy north. The electricity they generate doesn't make it south, where it is needed, for a lack of power lines. And the final pain-point is education. The system's shortcomings are known; the topic has been broached repeatedly in the election campaign. Merkel's opponent Schulz has expressly committed himself to improving schools. However, federal policymakers' hands are

tyed. Education in Germany is the states' bailiwick, and they will brook no meddling from Berlin.

## What's next for Europe?

When the future of a united Europe is discussed in Germany, it is done with a weary shrug. German politicians pay lip service to the Europe of two speeds and expound on how important the German-French economic engine is to the EU's further development. But a fresh, galvanizing vision for Europe is not to be seen, nor is there an actor to be found with the gravitas to lead the charge. Not even Martin Schulz, Merkel's opponent and former president of the European Parliament, managed to present himself as a great champion of Europe in the election campaign. No riveting policy objectives, not a spark of an idea to set him apart from the chancellor—it was all just platitudes. The CDU/CSU's campaign strategists had fretted that Schulz would find an Achilles' heel here. Merkel has never really been able to shine with new ideas on the European stage.

Europe's biggest political issue in recent years was the economic and monetary crisis. Merkel took the lead role, playing the steely crisis manager. A post-millennial Margaret Thatcher, she pushed through austerity measures and prevented Eurobonds in undisguised pursuit of national interests. Most Germans admired her steel. Europe was somewhat less impressed. Anger and frustration dogged her heels. Comparisons to Hitler and talk about the new German hegemony made the rounds. Her solitary stance compounded the criticism and skepticism as Merkel charged ahead in the refugee crisis when she was pushing things forward. Helmut Kohl was a true European leader who also saw himself as a mediator between countries. That made him popular. Merkel, on the other hand, is highly respected on the European stage, but also feared. She is a cool, pragmatic negotiator, but lacks a grand vision or big idea. "We need more Europe," Merkel has often said in interviews, without bothering to spell out the specifics of a sustainable, strong Europe. And yet there is so much to do. An influential member of Merkel's party recently told Brunswick, "Greece we'll pay for with petty cash. We have much bigger problems." Brexit and Italy's dire financial straits were at the top of his list. Brexit and the euro crisis have made it very clear to Europeans that the EU can't be taken for granted. Its foundations can indeed crack.

Brexit damage control is certainly the biggest European policy challenge for the German government. As it stands now, it is anybody's guess how it aims to accomplish this and what the outcome of the negotiations between Europe and the UK will be.

## Beating back populism

To push the populists back, mainstream politicians will have to find remedies to the many discontented among the citizenry. People are struggling with adverse living conditions and unemployment in many parts of Europe. Some of its countries are practically a world apart in economic terms.

Governments will have to tackle tough social issues to maintain peace and unity within the EU. This also means providing real prospects to recognized refugees—hope and opportunity as antidotes to alienation, crime and terrorism. Throwing piles of money at the problem will not be enough. If the effort fails, it will be a failure of overarching ideas and political will.

Here too, the absence of a master plan is conspicuous. Each country is striving to solve the problems on its own. President Emmanuel Macron's election victory would appear to be a golden opportunity for Germany to tackle these tasks jointly with its French neighbor. However, Germany's federal government would have to entice the president with generous offers.

France itself has little financial leeway with a plodding economy and unemployment approaching double digits. But expansive generosity is unlikely to be forthcoming from the next federal government. The government appears at least to be considering changes to the ESM rescue fund that would enable EU countries to tap into it to stimulate their economies or cope with a natural disaster. It would be the first time Germany were to furnish tax money directly to help financially distressed member nations.

Africa is becoming increasingly important for Merkel and Europeans. Will Europe take action to alleviate the pressure of migration from the south? If so, will it find ways to channel these flows? The continent's fate and its political constitution hang in the balance. People all over Europe expect policymakers to gain and maintain control over the steady flow of refugees. No one knows if a solution is workable, but any attempt is likely to be a mix of tighter borders, controlled immigration and better prospects for people in their native lands. Spain, Italy and France will have to bring all their experience in North Africa to bear—they are all already doing the hands-on work. A European policy on Africa could thus become a joint effort of the major European countries, to the mutual benefit of all.

## Growing external pressure

Merkel's final term in office will be her most important in terms of foreign policy. For years now, the world has been expecting more of Germany. It has been reluctant to step up.

The country has reacted, but only ever taken the initiative when it had no other choice.

Antimilitarism, pacifism and detachment—this is what Germans, and West Germans especially, took away from lessons taught by two world wars. Their attitude towards all foreign policy conflicts is summed up in two words—Ohne Mich [I'm having no part in that]. Until reunification, the Bundeswehr's mission was confined to self-defense. West Germany's foreign ministers sought to mediate between Moscow and Washington to defuse Cold War animosities. As proud as they are of their status as the world's export champions, most Germans soundly reject arms exports (apart from Germany's weapons industry, which is booming). Mindful of the atrocities committed by the Nazi regime, large sections of the population insist on taking the moral high ground. In the 1990s, a former US ambassador sighed, "Reeducation has gone too far." This was one of the many occasions when Americans entreated Germans to show a little more initiative in developing an independent foreign policy.

## Germany is driven out of the USA's shadow

Strategic foreign policymaking is limited to a rarified circle, but now circumstances are forcing the country off the sidelines and onto the playing field. Donald Trump's capriciousness and America's fraying security blanket over Europe are a wake-up call. Life was sweet in the shadow of a big-brother protector. But now big brother can no longer be trusted to keep the bullies at bay. Trump's erratic policy is driving Germany out of the USA's shadow. Emancipation is near and a common European security policy looks, for the first time, to be a realistic prospect.

On top of that, the UK's departure from the European Union is a done deal. London had little love for a common European defense policy, and staunchly rejected every attempt at wooing. Such a policy no longer seems far-fetched now, and it would be largely under Franco-German direction. The two countries have long been discussing joint military procurement projects and proposals to consolidate



defense industries in a bid to advance their military technologies. The merger of the German tank-maker KMW with the French company Nexter provides a blueprint for others to follow. As far as air force assets go, Europe already has a strong multinational partner in Airbus. And when it comes to naval power, there is talk about joint projects and an industrial makeover that may float Europe's boat. Berlin is broadcasting its message loud and clear: Germany is open to proposals that will quickly strengthen Europe's security.

With that in mind, Germany will also be pumping up its defense budget. It won't inflate quite to the 2% of GDP envisioned by NATO, but a hike from the current 1.2% to 1.5% of GDP isn't peanuts. Even the left-leaning social democrats agree that those ten billion euros a year are needed to bring the Bundeswehr back from the brink of obsolescence and gear it up for deployment in international crisis situations. After the Bundestag elections, the European Union may well go on a spending spree for European security.

Even in the face of all these looming foreign policy challenges, it is doubtful that Merkel will find it in her to step up with a more confrontational style in the (probably) final years of her chancellorship. Her modus operandi is to navigate the issues, striving for equilibrium rather than setting the agenda with bold leadership. Given the realities of the Trump regime, the stratified non-relationship with Russian President Putin and the ambivalence towards China, Merkel, if she remains true to herself, can hardly be expected to adopt anything other than a muddle-through policy. The question is whether her foreign partners will let her get away with it.



# Martin Sch



Am 24.09. SPD wählen!

# Angela Merkel



If the Christian Democrats emerge from next Sunday's German Bundestag election as the strongest party—and hardly anyone doubts that it will—Angela Merkel will become Chancellor for the fourth time. She will then draw level with Helmut Kohl, the man who discovered and mentored her.

No one could have imagined this in 1990 when the deputy spokeswoman of East Germany's last government made her first tentative attempts to connect with the old Federal Republic's political representatives and journalists. They encountered a young woman of great intelligence, but little political experience. It seems unlikely that Kohl recognized Merkel's full potential at first glance. He was recruiting staff from the east; all the better if he could hire a woman. Merkel was soon appointed Minister for Family Affairs and Youth, and then Minister for the Environment.

She learned the rules of politics even sooner. The male politicians of her generation treated Merkel with condescension. They sorely underestimated her. When the dubious accounting for party donations tripped up Helmut Kohl, Merkel seized her opportunity with quick, cold hands, and was catapulted into the office of CDU party chairwoman.

All that was long ago. Angela Merkel has been Chancellor of Germany for twelve years now. All those who accompanied her ascent remember their early encounters with this woman well. It wasn't just her fierce intelligence; her extraordinary analytical gifts also served her well. Few politicians are as quick a study as this pastor's daughter from a small town north of Berlin.

Merkel has hardly changed over the

years. Perhaps this immutability is her most astonishing trait. Political storms left her unscathed. Merkel is results-minded. She starts with a goal and thinks her way back. Then she follows her plan with seemingly imperturbable serenity. Helmut Kohl was often accused of sitting out critical situations and challenges, of lacking imagination. The same is said of Merkel. The Social Democrats complain that they come up with great ideas only for them to pay off for Merkel. That is neither wrong nor right—it is the gray area in between. Merkel behaves like many of history's towering political figures. Biding one's time and then seizing one's opportunities is among the greatest of political virtues. Talleyrand is rumored to have said, "There go my people. I must find out where they are going so I can lead them." Merkel has demonstrated her mastery of that concept.

In doing so, she has earned herself a reputation for her profound foresight—despite the mistakes that even this woman has made. Merkel never loses her cool. She cannot be provoked into crossing the line. She gives Germans the comforting sense of security they want in a volatile world of Putins, Kaczinskis, Orbáns, Erdogans, Mays and Trumps.

# Martin Schulz



Politics is a pitiless business. Other German politicians in the 2017 election campaign year may have learned this lesson, but Martin Schulz earned a master's degree in this school of hard knocks. It was an unexpected turn of events when Schulz was declared a candidate for the office of chancellor and then elected to chair the Social Democratic Party early in the year. All the delegates' votes went to Schulz. His appearances in the first few weeks of the election campaign left people entranced. Schulz looked to be a savior of sorts who would deliver Germany from Angela Merkel, take the chancellorship, and lead Germany and the SPD into a bright future. People flocked to the SPD; more than 10,000 newcomers joined the party soon after his nomination.

This success is likely to have surprised no one more than Schulz. A veteran

European politician, whatever trail he might have left in Germany coming of age near Aachen at the tripoint of Germany, Belgium and the Netherlands is long overgrown. The adoration lavished on Schulz attests more to his party's yearning for new faces, a desire unmet by other formidable politicians in its ranks, such as Minister for Foreign Affairs Sigmar Gabriel and Minister of Labor Andrea Nahles.

Schulz left school with the *Mittlere Reife*, a secondary diploma awarded after ten years. He was more interested in soccer. He had a knack for it, but an injury ended his professional career before it could begin. After school, he apprenticed as a bookseller, worked for publishing houses, and co-founded a bookshop with his sister in 1982, which he co-owned until 1994. Surely the most trying time in his life came in the '70s, when he struggled with

alcoholism. Schulz kicked the habit in 1980 and has not looked back since.

If you live in the Aachen area, Europe is your neighborhood. It is not surprising that Schulz, who was the mayor of his hometown, turned to European politics. A remarkable political career that began in 1994 when he was elected to the European Parliament took him all the way to its presidency.

Domestic federal politics, however, is uncharted territory for Schulz, as the public soon discovered during the election campaign. The SPD chairman is an eloquent, engaging speaker, but from the outset, his appearances were strong on rhetoric, yet weak in substance. He took social justice as his theme, but failed to score any big points with an old political hat that has worn a little thin with age and use. As a result, the SPD lost three state elections over the course of the year and the benign smile with which the media greeted Schulz turned into a smirk. They criticized not only his election campaign's lack of a viable political platform, but also his beard and his interviews. His approval ratings took a downturn.

Schulz is to be commended for never complaining, as well as for having seen his election campaign through with fortitude and dignity. And that attests to his commitment to democratic values. It remains to be seen on next Sunday to what extent voters are willing to honor this commitment.

# About

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