



# German Federal Elections 2021

BRUNSWICK

# After Merkel: Don't expect any disruption from Germany

Olaf Scholz is the winner of the election. Will he also become Chancellor? That will only be decided in the coming weeks following complicated coalition negotiations.

Why is this? The Chancellor in Germany is elected by parliamentary majority. How someone achieves this majority is left to his or her own negotiating skills. Unlike in many other countries, a president does not task a single figure with forming a government. Several ways of reaching this majority are possible. Therefore, the coming weeks will see a confusing political bazaar with price negotiations, teaser offers, concessions, deceptive manoeuvres and the all-important evenings spent discussing politics in the political *Kneipen* ("pubs") of Berlin. The outcome remains open.

The only thing that is certain at this point is that the CDU/CSU, quasi the state party in Germany, has suffered a historic defeat. After 16 years of Angela Merkel's reign, many voters want to see the party in opposition. But they will resist this and try to form a majority in the Bundestag.

The Greens are also election winners. They have almost doubled their election result compared with 2017. This reflects the increased awareness of climate change among broad sections of the population. Most people in Germany want faster steps towards a climate-neutral economy and society.

The Liberals (FDP) are once again playing a strong role and will join forces in a new government for economic renewal and technological development. Together with the Greens, they will decide whether the Christian Democrats or the Social Democrats will make the Chancellor.

The right-wing populists from the AfD are occupied with internal trench warfare. Divided between openly radical right-wing forces and a conservative-bourgeois wing, their influence on public debate has noticeably declined. They remain a pure protest party.

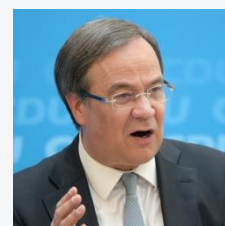
The equally marked decline in the clout of the Left (Die Linke) in Germany is reflected in their weak election results. Their aging voter base from the former German Democratic Republic is shrinking with each passing year. A new force is emerging, a student left that has nothing to do culturally with the former cadres of the GDR state party. The internally torn party will not become part of a government at federal level – it can be lucky that it is still part of the new parliament at all.

## The new Chancellor – Who is it?



**Olaf Scholz**

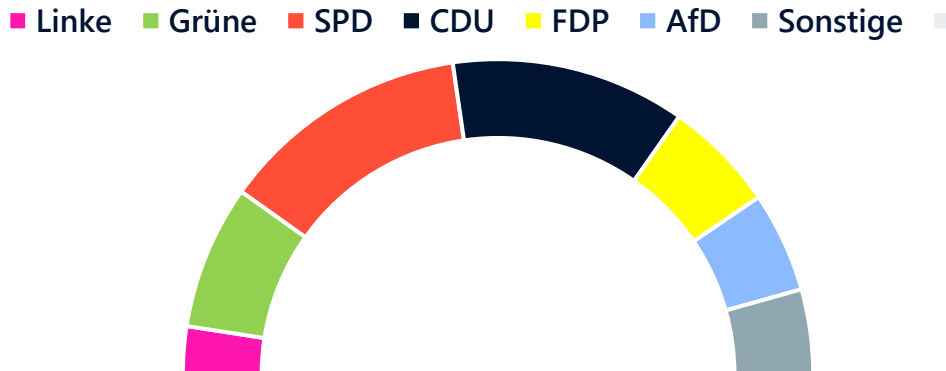
Olaf Scholz has emerged as the strongest candidate in the vote. He belongs to the more centrist wing of the Social Democrats (SPD), contrary to the left-leaning party leadership. During the election campaign, he used his experience as Vice-Chancellor to portray himself as "continuity candidate" after the end of Merkel's term. This helped the former Finance Minister gain votes from Merkel's CDU party base.



**Armin Laschet**

Christian Democrat (CDU) leader Armin Laschet is widely seen as Merkel's centrist successor. He is expected to continue Merkel's strong focus on European cooperation and transatlantic ties. A trained lawyer and journalist, Laschet has spent many decades working in politics, including as prime minister of Germany's most populous state North Rhine-Westphalia as well as a Member of the European Parliament.

# Vote distribution in the Bundestag



## What is the mood like in Germany right now?

Compared with the interest the vote has generated abroad, the Germans themselves have followed the Bundestag elections rather calmly. Who will succeed Angela Merkel? Being sure of one thing has helped the electorate keep its cool: namely, that not much will change. Whoever wants to become German chancellor must make a clear promise, directly or indirectly: a guarantee of stability.

Despite all the worries about the current global situation, people in Germany believe they are safe. A "golden decade" lies behind them. While mass unemployment was the dominant economic and social issue in the 1990s and 00s, today it is the lack of skilled workers in almost all sectors. The comprehensive social reforms of Chancellor Gerhard Schröder ("Agenda 2010") gave Germany a sustained period of prosperity. Other factors contributed to this: the baby boomer generation at the peak of its productivity; persistently low interest rates; and a euro as a common currency that is undervalued compared with Germany's economic performance.

Furthermore, questions about German society are not playing an overriding role at present. Financial wealth has continued to concentrate unequally, but at the same time poverty has been successfully pushed back by the introduction of the minimum wage and practical full employment. Never before has Germany had so many people in registered work as in recent years. Even the vast majority of refugees and immigrants have been absorbed by the labour market.

A more serious issue is the conflict between young and old. The younger generation, the fourth to have grown up in prosperity and peace, asks different questions and raises

different issues than the older generation, which was shaped by the sacrifices and aftermath of the Second World War. Many 25-40 year olds are now also moving into positions of power in parliament, which will influence political debates from climate protection to digitalisation. This also applies to the conflict between urban and rural populations: similar to everywhere in the Western world, people in rural Germany have a different perspective on globalisation and the rapid pace of societal change. The force of social change, which lies at the heart of the Greens' and the FDP's politics, is essentially a preserve of urban milieux. The rural population – who regularly lack a fast internet connection – instead often feel disconnected and not sufficiently heard by politics and the media.

And finally, the conflict between East and West Germany continues to live on 30 years after the fall of the Berlin wall and the reunification of the country. Trust in the political system is significantly higher in the West than in the East: this part of Germany is still structurally far behind the West in terms of economic power and wages, financial assets and the allocation of top positions in business and the judiciary. Dissatisfaction with this state of affairs is the reason why populist parties achieve significantly better results in the East.

# What can we expect from a new government?

Several political construction sites await the new government. Large parts of Germany are still waiting for broadband and fibre optics. Bureaucracy that has grown over decades threatens to stifle innovation. The transition to a climate-friendly economy requires a further massive expansion of renewable energies.

Calls for change and reform come primarily from the business community. The Greens and Liberals will bring these demands to bear in the new government – some with an emphasis on ecological change, others with an emphasis on innovation and technology. The role of Chancellor – whether Christian Democrat or Social Democrat – will be to address the concerns of the sceptical, especially older, segments of the population and to ensure balance on the path to the new digitalised and decarbonised world.

**EUROPE:** The role of "Mr. Europe" will be played by Emmanuel Macron for now, due to his experience and networking in the EU and beyond – every new German Chancellor must first prove him or herself in their own country. As far as policy is concerned, the broad pro-European consensus in Germany is absolutely stable. Scholz as well as Laschet will gradually agree to closer Franco-German cooperation, including a stronger mutualisation of debt in Europe. They both, unlike Merkel, also have their own emotional attachments to France. The FDP will attempt to put the brakes on here, but this will not change the basic policy direction determined by the Chancellor.

**FINANCIAL POLICY:** In the face of government bonds borrowed at negative interest rates, the new government will declare a "decade of investment". Large areas of Germany's infrastructure will indeed have to be renewed or newly built – from fibre optic cables to power lines to 4,000 aging motorway and railway bridges. Austerity policy is "out".

**CLIMATE POLICY:** The Greens will push through a new climate protection ministry with comprehensive powers in environmental and energy policy. With a mixture of bans, limits and incentives, they will – with the support of large parts of the economy – accelerate decarbonisation, not only in power generation, but also in mobility and the building sector. Climate protection is the central issue on which the Greens will be judged at the next federal election in four years' time.

**GEOPOLITICS:** The new government will continue to maintain its mediatory policy between the US and China. The German economy, especially the automotive and mechanical engineering sectors, is too closely interconnected with the Chinese market for a Chancellor to implement a simple anti-China policy. Fundamentally, the new government will not be able to make policy without taking account of the basic reflex of the German population – and that is: we would prefer to be a second Switzerland that stays out of all the world's conflicts as much as possible. Former US Ambassador John Kornblum once lamented this attitude: "Education has gone too far."



# Conclusion

Even under new leadership, Germany remains a calm, cosmopolitan and tolerant country committed to political reason. During crises, this country holds together and recalls its strength. In times without crisis, it enjoys prosperity. There is no crisis in Germany yet: this is why the new federal government will only dare to enact controlled change. The time for disruption has not yet arrived.





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## The Author

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Ulrich is Partner, Head of the Berlin office since 2015 and Head of European Public Affairs since May 2021. He provides strategic communications advice, reputational guidance and senior counsel to international and domestic companies.

Ulrich joined Brunswick's Berlin office in 2012 after more than two decades following German politics, both as a journalist and as a senior government adviser.

Ulrich started his journalistic career in 1990, reporting on the last months of the GDR and its only democratically-elected government, in which Angela Merkel started her political career as deputy spokeswoman. Over the following 16 years, Ulrich worked as a political correspondent and bureau chief of *Süddeutsche Zeitung*, *Berliner Zeitung*, *Der Spiegel* and *Bild am Sonntag*. In 2006 he joined the Ministry of Foreign Affairs (Auswärtiges Amt) as advisor and speechwriter to then Foreign Minister and Vice Chancellor Frank-Walter Steinmeier, who has been the Federal President of Germany since 2017.