Efforts to build a stable governing coalition after Angela Merkel’s resounding election victory have gone nowhere thus far. Potential coalition partners have either lost their parliamentary representation – the Free Democrats – or are fearful that they will lose their voters’ support in a future coalition with Merkel’s Christian Democratic Union.

Coalition building in Germany, therefore, is far from a done deal. While the Social Democrats (SPD) and the Greens both contacted by Merkel for coalition talks, the focus on various domestic reform projects, such as a tax-increase for the wealthy or pushing ahead the German Energiewende, foreign policy considerations are prominent on the chancellor’s mind. When asked by journalists during the election night what she would do if her party won the absolute majority, Germany’s foremost politician of the last decade responded by saying that she was seeking a “broad and stable government” that honored the trust and the expectations of the voters.

Foreign policy regularly requires constitutive consent by the Bundestag – the German parliament – when voting on Eurozone stabilization measures and military deployments abroad. The chancellor’s experience from leading two coalition governments in the past eight years is that even in her own camp – consisting of the CDU and the more conservative Christian Social Union based in the southern state of Bavaria – she faces a substantial group of dissidents, who are prepared to oppose their government’s policies. A small but absolute majority thus would have left the chancellor at the mercy of maverick parliamentarians such as Peter Gauweiler, who has repeatedly sued the government in the Federal Constitutional Court for its Eurozone stabilization schemes.

Foreign as well as domestic policy concerns also drive the chancellor to prevent the prospect of going back to the polls when coalition talks go nowhere. On the domestic front, recent post-election opinion polls suggest that the Euro-sceptic movement ‘Alternative for Germany’ would master the five-percent hurdle, thereby fragmenting the German party system on the right of the political spectrum. The party poses a serious mid- to longterm threat to the Christian Democrats anyway. Containing a Euro-sceptic alternative to the CDU as long as possible is therefore a must for Angela Merkel.

Most policy experts agree that the ‘Agenda 2010’ – structural reforms in Germany’s encrusted labor market implemented by Merkel’s predecessor as chancellor, Social Democrat Gerhard Schröder – is one important pillar of Germany’s recent impressive economic performance, a relatively weak Euro being a close second. But pundits also agree that this reform was the most important factor in pushing the Left Party onto the national level, well above the five-percent hurdle. This has fragmented the structural left-wing majority into, on the one hand, the Social Democrats and Greens, which are well in the mainstream when it comes to Germany’s consensual foreign policy, and on the other hand, a radical Left Party which opposes any German military deployment abroad and demands the dissolution of NATO.

While the Alternative for Germany appears to be less radical on the surface, the movement is still in its infancy, with rightist groups playing a noticeable role in some party sections on the state level. Chancellor Merkel will certainly try to apply the lessons learned from the fate of the SPD and to abort the movements assent before it reduces the CDU’s electorate substantially.

In the short term, long and divisive coalition talks are also toxic for the chancellor’s reassuring discourse on the stabilization of the Euro. When finance minister Schäuble suggested in the run-up to the election that another aid
package for Greece might be needed this fall, several ranking members of the CDU/CSU caucus publicly scolded Merkel’s most successful and respected minister. With coalition negotiations ongoing, the chancellor may have a hard time to rally a stable majority in the newly-elected Bundestag for any significant decision, including Eurozone aid packages. Hence, to project stability abroad, the chancellor must form a broad coalition soon.

Although the election results as such will most likely not change German foreign policy much, the political dynamics of coalition building could have a significant impact on the trust financial markets have invested in Germany’s government in the past. A confluence of unfortunate mishaps could easily derail a smooth transition of power in Germany: a complex and divisive ratification process for another aid package for Greece, a deepening of the Italian political drama, a failure to raise the debt ceiling in the U.S.

In the medium- and long-term perspective, the potential interaction between international crises and Germany’s domestic politics – including the inner dynamics of a likely Grand Coalition between the CDU/CSU and the SPD – may therefore bode ill for sustained German leadership. As the Alternative for Germany is likely to enter some state parliaments and the European parliament in 2014, continued efforts to stabilize the Eurozone may hit the center stage of German party politics. This will leave the Social Democrats tempted to quit the Grand Coalition as soon as the chancellor’s popularity dwindles under the attack of Eurosceptics in her own party.

In today’s world, where trust in statecraft plays a major role in facilitating international agreement, allowing party politics to dominate one’s actions is both irresponsible and unacceptable, in Germany and elsewhere. Thus, German parties should act responsibly and build a stable governing coalition soon.

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