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A Change in Government but No Change in Policy? Implications of the 2009 German Election

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What accounts for the losses seen in Germany's two *Volksparteien*?

How will new leaders in the foreign and defense ministries influence foreign policy?

Can the new coalition reconcile its campaign tax proposals with the reality of the German federal budget?

Germany's election in 2009 ended the Grand Coalition and brought a new coalition to power in Berlin: Germany will be governed by a center-right coalition between the CDU/CSU and the FDP. The SPD, which has governed since 1998, first with the Greens (1998-2005) and then with the CDU/CSU (2005-2009), has returned to the opposition.

The results of this election underscore the fact that Germany's party system is changing as the larger parties lose votes to the (more numerous) smaller parties. This shift in the German party system, with the two large *Volksparteien* (or catch-all parties) losing their dominance and the smaller parties gaining in importance reflects the changing German society, in which party loyalty is waning. Thus, no longer characterized by the large *Volksparteien* and predictable coalition patterns, outcomes will be harder to predict and new coalitions first tested at the state level might also become possible on the federal level. Parties will have to confront different strategic choices as the SPD has to come to terms with a burgeoning Left Party, the Greens find themselves much more of a centrist party and begin to enter coalitions with different partners than the SPD (at least on the state level), and the FDP has to adjust to being a governing party on the federal level and build its voter base beyond strategic split-ticket votes. Yet, even though coalitions and the society that elects them are changing in Germany, the policies pursued by the new government will generally remain, especially when it comes to foreign policy.

This Issue Brief takes an in-depth look at the results of the 2009 German Bundestag election and their implications for the future of Germany's party and electoral system. It further analyzes the current stance of the new governing coalition on key foreign policy and economic and domestic issues and the impact this may have on the German-American partnership and U.S. foreign policy interests.

Recap of the German Election

The outcome of the German federal election in 2009 was not surprising. Polls in the months leading up to the election predicted a win for the center-right parties, the conservative Christian Democratic Union (CDU), its sister party in Bavaria, the Christian Social Union (CSU), and the free-market liberal Free Democratic Party (FDP). The FDP was the biggest winner in the election, able to increase its share of the votes from 9.8 percent in 2005 to 14.6 percent only four years later. The small parties in Germany all saw their share of votes rise: The Green Party achieved 10.7 percent (compared to 8.1 percent in the previous election) and the Left Party garnered 11.9 percent (compared to 8.7 in 2005).

The success story of the smaller parties is contrasted by the losses of the *Volksparteien*: The biggest loser of the election is undoubtedly the Social Democratic Party (SPD), whose result of 23 percent is 11.2 percent lower than its result in 2005. Even the CDU, while still the strongest party and able to form the governing coalition, lost voters and came in with 33.8 percent, down from 35.2 percent in 2005. Voter turn-out was the lowest in the history of the Federal Republic, with a participation of 70.8 percent of eligible voters. Summing up the election result, a dramatic decline for the two *Volksparteien* can be seen: the two parties who once received around 90 percent of the vote in the 1970s now only achieved 57 percent of the vote, which represents less than 40 percent of eligible voters. The three smaller parties are the winners of this election, together receiving 37.2 percent of the votes.

Political Implications

The election results clearly indicate a shift in the German party system, with the two large *Volksparteien* losing their dominance and the smaller parties gaining in importance. This reflects the changing German society, in which party loyalty is waning. New dynamics are already influencing the German *Länder*, whose elections and coalitions are seen as laboratories for different coalitions on the federal level. For example, Hamburg is the first state in Germany governed by a CDU-Green coalition, which came to power in 2008. Berlin is governed by a coalition between the SPD and the Left Party; Mecklenburg-Western Pomerania was governed by a coalition between the SPD and the Left Party from 1998 to 2008. While these coalitions are still exceptions to the more common SPD-Green, CDU/CSU-FDP, and to a certain extent also SPD-FDP coalitions, constellations of Black-Green or Red-Red (and others) are distinct indicators of the changes in the political system and suggest that neither a party nor a coalition will be dominant in the future.

This brings new choices and new challenges for the parties and the voters. In the parties, confronted with new possible coalition partners, there is a growing reluctance to indicate which coalition they will form after the elections. As parties face

Several factors can account for the election result: First, the German election system is changing. Party identification has declined over the years, hurting mainly the *Volksparteien*; strong party identification provides the voter base for a party and, without it, attracting voters can be a challenge. A study of the Forschungsgruppe Wahlen has found that while party identification was very high in the 1970s (in 1976, 45 percent of voters reported to have a high party identification whereas 15 percent indicated no party identification) it has steadily declined over the past decades. In 2008, only 27 percent of the German electorate indicated a strong party identification and 38 percent indicated no party identification.¹ The SPD, for example, lost over 1.5 million votes to non-voters this election and almost 2 million to the three smaller parties combined. A second factor that accounts for the poor showing of the *Volksparteien* is the issue of leadership. Here, the SPD struggled: Polls indicate that Angela Merkel (CDU) was viewed as a stronger leader than Frank-Walter Steinmeier (SPD). Before the election, 56 percent of voters favored keeping Dr. Merkel as chancellor whereas only 33 percent favored Mr. Steinmeier. Finally, a third factor was the type of issues that dominated the campaign—economy, unemployment, and the financial crisis—and on which the CDU is traditionally seen as being more competent than the SPD. The election ended the Grand Coalition and signaled the beginning of the coalition negotiations between the CDU/CSU and the FDP leading to a governing coalition between the three parties.

more choices, voters will have less of a strategic choice in casting their votes if the parties' coalition preferences are unknown. Strategic voting can certainly play a role in an election's outcome, as it did in 2009 when voters guaranteed a CDU/CSU-FDP coalition through split-ticket voting, in which voters split their first and second vote between the two parties.

Just as voters made a strategic decision in casting split-ticket ballots, parties will have to make a strategic choice about coalition partners. For the SPD, dealing with the Left Party will be a key decision. While these two parties have been coalition partners in some eastern states and in Berlin, in western states and on the federal level the SPD refuses to enter into a coalition with the Left Party. The SPD's hesitancy to accept the Left Party as a viable coalition partner is based on several factors: First, the Left Party is a merger between the Party of Democratic Socialism (PDS)—the successor party of the Socialist Unity Party of East Germany (SED)—and the Labor and Social Justice Electoral Alternative WASG, a party founded by Oskar Lafontaine and other former SPD members. Mr. Lafontaine, one of the leaders of the Left Party, is perceived as a liability by the current leadership of the SPD. Thus, the SPD and the Left Party will only be able to cooperate once the

leadership in both parties has passed on to a younger generation, unprejudiced by past relations.

The Left Party and the SPD have not yet reached consensus on several important policy fields. The Left Party is the only German party represented in the Bundestag that has called for a dissolution of NATO, a position which makes it impossible for the SPD or any other party to enter into a coalition with the Left Party on the federal level. Only if the Left Party tempers its party platform will they become a coalition-eligible party in the eyes of other parties in the Bundestag. The party platform for the federal election in 2009 foreshadows a trend of the Left Party in this direction: For the first time, its party platform does not mention socialism, it does not include any discussion of the GDR, and it does not explicitly call for the dissolution of NATO but rather for its role to be redefined. Yet, the Left Party still struggles to form a unified party and achieve compromises between the left and moderate wings within the party. Should the more moderate wing win the programmatic debate, coalitions between the SPD, the Left Party, and the Greens will become more likely in the future. After its disastrous election results, the SPD needs renewal. The SPD lost the largest share of its votes to non-voters. In eastern Germany in particular, the party continues to lose voters to the Left Party and thus any renewal of the SPD will have to include a decision on their relationship with the Left Party, what the differences between the two parties are, and whether they see the Left Party as a viable coalition partner in the future.

The Greens, traditionally the coalition partner of the SPD, also face strategic choices. Long considered as part of the left end of the party spectrum, the party has gradually moved to the center. A coalition between the CDU and the Greens in Hamburg has opened up other coalition options than the SPD.

Foreign Policy Implications

Unlike in 2002, when then-chancellor Gerhard Schröder largely staked his chancellorship on an issue of foreign policy, in 2009 foreign policy did not play a large role in the election campaign. Not only do domestic concerns usually outweigh foreign policy issues in an election campaign, but foreign policy is by and large not contended among the German parties. Aside from the Left Party, which has called for a dissolution of NATO, all other parties agree on German foreign policy being based on a commitment to the EU, NATO, international organizations, and the transatlantic partnership. This is also reflected in the coalition agreement between the CDU/CSU and the FDP, and does not represent a major shift from the foreign policy conducted by the Grand Coalition. Yet, the new governing coalition is awaiting developments in the foreign policy arena that could test the national consensus on issues such as Afghanistan, Iran, and Russia. The new German foreign minister, Guido Westerwelle (FDP), is a relative unknown when it comes to foreign policy; however, the FDP

The party, which is also characterized by a left wing and a more moderate fraction, will have to make strategic choices in the future on policy priorities and coalition options, especially if the SPD continues to weaken.

Largely overshadowed by its ability to form a government with the FDP, the CDU also suffered a small drop in votes. This was especially pronounced in Bavaria, where its sister party CSU lost its absolute majority in the state elections in 2008 for the first time since 1962 and where the CSU has continued to lose ground in the federal elections.

To court new voters and expand its base, the CDU, previously considered a center-right party, finds itself now firmly in the center. This will complicate Angela Merkel's and the CDU/CSU-FDP coalition's ability to implement an agenda of sweeping change. Her leadership will be needed to undertake necessary reforms in domestic and economic policy and to convince not only a skeptical public but also her own party about the necessity of perhaps painful reforms. This could prove politically unpalatable for the CDU, which faces state elections in the coming spring in one of the largest German states, North Rhine-Westphalia. Those elections in spring 2010 limit the time frame in which the new federal coalition can act. Any federal budget cuts that will affect social programs could become a liability for the CDU in the state elections, which in turn would undermine the party's majority in Germany's upper chamber, the Bundesrat. Angela Merkel's remark that she wants to be the "chancellor of all Germans" and repeated statements from the CDU/CSU and FDP in recent weeks that social programs will not be cut indicate that economic reforms might not be undertaken with the rigor that economists have called for.

has a long tradition of heading the foreign ministry. Conversely, his counterpart in the German Ministry of Defense, Karl Theodor von und zu Guttenberg (CSU), is known as a great proponent of the German-American partnership and has extensive personal ties to the United States. The interplay between the two ministries, as well as the chancellery, on issues such as Afghanistan will impact German foreign policy decisions.

Afghanistan

Currently, the most important foreign policy issue for the U.S. is undoubtedly the war in Afghanistan, which could continue to be a source of friction between the new governing coalition and the Obama administration. The CDU/CSU and FDP agreed in their coalition agreement to continue Germany's armed engagement in Afghanistan and did not set an exit date or outline an exit strategy. Yet, they also indicated that a transfer of responsibilities to the Afghan government and Afghan secu-

riety forces should remain a priority. Furthermore, the new government agrees on the concept of networked security (*vernetzte Sicherheit*), combining security and state-building measures; one aspect is Germany's pledge to increase its effort in the EUROPOL mission recruiting and training Afghan security forces and police. While this will be welcome news in Washington, the coalition agreement does not mention an increase in German troops on the ground or the removal of any national caveats that restrict these forces. Greater personnel involvement and any easing of restrictions should not have been expected, as the German public is still largely unsupportive of the Bundeswehr's mission in Afghanistan. As the mandate of this mission will have to be renewed in the Bundestag at frequent intervals (the next time will be in December 2009), it is unlikely that Germany will agree to any substantial troop increase or a change of the Bundeswehr's mission.

However, the indication in the coalition agreement of an increased focus on the training of Afghan police and security forces should be welcomed by the United States. Coupled with new leadership in the Ministry of Defense—zu Guttenberg, who views the relationship between the U.S. and Germany as an important linchpin of German foreign policy—this should at least enable increased talks between Germany and the U.S. about the mission in Afghanistan, its goals, and benchmarks of its progress. Triggered by the Kunduz incident, Chancellor Merkel for the first time gave a major speech on Germany's involvement in Afghanistan during a special parliamentary session in the Bundestag less than a month before the German election. Although the Kunduz incident did not cause foreign policy to become a major issue in the election campaign, the new coalition will need to continue a focused discussion on Germany's involvement in Afghanistan—especially now that there is less risk of it becoming a polarizing election debate. Germany will only become a more invested partner in the mission in Afghanistan if the German public sees the necessity for the mission. Whether the CDU/CSU-FDP coalition is capable of convincing the German public remains to be seen, however, especially in light of the upcoming state election in North Rhine-Westphalia in May 2010, which might impede any far-reaching, national security dialogue.

Iran and Arms Control

The coalition agreement also touches on Iran, albeit briefly. The agreement states that Germany expects Iran to reveal its nuclear program and that, should Iran not agree, the German government in consultation with its international partners is willing to implement tougher sanctions. Germany has strong economic ties with Iran and increased economic sanctions would only be viable with the new government firmly backing this option. The FDP, whose core voters usually come from Germany's business community, might be less supportive of such sanctions; this could preclude the new government from actively pushing tougher sanctions. Yet, Germany's foreign

policy is still largely determined by the chancellery and the working relationship between Chancellor Merkel (CDU) and new foreign minister Guido Westerwelle (FDP) will determine Germany's overarching position vis-à-vis Iran and how much this will align with U.S. policy. The FDP and President Barack Obama are very much on the same page when it comes to arms control, an issue that has long been one of the main foreign policy interests of the FDP. Under the CDU/CSU-FDP coalition, Germany will renew its focus on arms control and the coalition agreement clearly supports the Obama administration's initiatives on arms control and reduction. President Obama will thus find a ready partner in the new government in Germany to pursue his arms control initiatives—perhaps providing the opening to infuse the German-American partnership with a renewed sense of purpose.

Vital Partnerships

The coalition agreement mentions specifically two partnerships as vital to German foreign policy: the European Union and the United States. This constitutes a continuum in German foreign policy, as expected. The coalition agreement states that European integration remains an important goal and stresses economic competition as one of the major hallmarks of the EU, which the new government intends to strengthen. The CDU/CSU-FDP coalition would like to see all financial contributions to the EU limited to 1 percent of the gross national income and rejects any EU taxes. The coalition agreement also mentions the membership negotiations with Turkey, which should be conducted without a foregone conclusion of membership for the country. Should the negotiations fail, Turkey would be offered a preferential partnership agreement. This is a compromise between the CDU/CSU and the FDP, who initially had different positions on Turkey. The FDP is more open to Turkey joining the EU, the CDU/CSU has traditionally been critical of Turkish membership on the grounds of its economic and human rights track record.

Within the EU, Germany's partnership with France is specifically mentioned for its depth and importance. The coalition agreement also names German-U.S. relations as a pillar of German foreign policy. It views the transatlantic partnership between those two countries as vital to Germany's interests in Europe and the world and calls for a deepening of the partnership, accomplished in part by a transatlantic economic area. It remains to be seen how much of a priority such an economic zone would be and what format it would take. Chancellor Merkel introduced the Transatlantic Economic Council (TEC) during Germany's EU presidency in spring 2007; a transatlantic economic zone could be one of the issues the TEC pursues further. However, Franco-German and German-U.S. relations will ultimately be strengthened by common interests in vital foreign policy areas such as Afghanistan, Iran, and Russia. As the new government takes shape, a clearer German position on these issues will emerge, influencing transatlantic and inner-European relations.

Eastern Europe and Russia

The coalition agreement also mentions the country's relationship with Poland within the EU as a partnership it would like to deepen. Russia is characterized as an important partner in the international arena and in solving important foreign policy challenges such as Iran's quest for nuclear capabilities, the Middle East, Afghanistan, international terrorism, and climate change. The new government intends to strengthen economic relations with Russia without increasing its dependence on Russian energy and it aims at incorporating legitimate concerns of its eastern European neighbors related to its Russia policy. The FDP's party platform prior to the elections indicated its concern about the increasingly threatened democracy in Russia; this concern has been reflected in the coalition agreement, albeit in more understated tones. The coalition agreement also specifies the need for German energy foreign policy in light of Germany's dependence on imports for

its energy and raw material. It aims at a diversification of Germany's energy supply to avoid any one-sided dependency. Germany's foreign policy vis-à-vis Russia will impact its relations with the United States and other European states, such as Poland. Balancing a foreign policy toward Russia—one that aims at interdependence, not dependence, and that neither neglects human rights nor ostracizes a geostrategic partner—will be a delicate balance for Germany's governing coalition as well as the transatlantic and European partnerships.

Foreign policy parameters have not shifted much after the 2009 election. While the new personnel adjust to their positions, it remains to be seen how much influence they will have. After all, most foreign policy decisions are still made in the chancellery by Angela Merkel.

Economic Policy and Domestic Policy Changes under the New CDU/CSU-FDP Coalition

Economic Policy Implications

Economic issues played a larger role in this election. Improving the economy and decreasing unemployment were the voters' main concerns—perceptions that the CDU/CSU and FDP would be better able to solve the country's economic issues ensured their election victory. Addressing the economic and financial crisis is no longer a matter of domestic policy but, through globalization and financial interdependence, has become an international matter important for the transatlantic partnership to address.

TAX SYSTEM AND BUDGET DEFICIT

Tax reform was the main focus of the FDP's economic platform. A market-liberal party, which finds its base in the business sector and the middle class, the FDP campaigned for a simplified tax system, a reduction of bureaucracy, and less government involvement in the market. The coalition agreement pledges to reduce tax burdens for lower income and middle class families by €24 billion by 2013. The agreement also aims at changing Germany's tax system from progressive income tax rates to a simplified tax system, containing just three income tax rates (*Stufentarif*) by 2011. However, the new coalition faces a budget deficit of almost €1.5 trillion and Germany's generous social welfare benefits such as short-term work (*Kurzarbeit*) will continue to increase the budget further. Yet, Germany is not only bound by EU agreements to limit its budget deficit to 3 percent of its GDP, but also by a compromise between the states and the federal government in August 2009, which dictates a balanced federal budget by 2016. The goal of the FDP to decrease taxes thus has to be coordinated with reducing Germany's balance deficit. While

the coalition agreement aims at reducing tax burdens for German citizens and companies, it also acknowledges the necessity for the federal budget to be balanced as dictated by Germany's Basic Law. How the government will solve this dilemma is not detailed in the coalition agreement and remains a matter of discussion and debate within the new government.

Prior to the new government taking office, remarks by then-designated finance minister Wolfgang Schäuble (CDU) that tax reductions are not certain caused a bit of a disturbance in the coalition. The relationship between Schäuble and new economics minister Rainer Brüderle (FDP) on these issues will be an important indication of the working relationship within the coalition on these issues and possible solutions the new government will have to agree on. If the coalition agrees on tax cuts and continues to pursue a balanced budget, cuts in social programs would become unavoidable. However, the CDU/CSU-FDP coalition is not only constrained by its pledge to not reduce any social programs, but also by the upcoming state elections in North Rhine-Westphalia in spring 2010. Reductions of social programs would certainly spell the end of the CDU-FDP coalition in that state and CDU state officials will make it clear that any reduction in social programs would not be met with their support. On the reform of the tax system and the federal budget, the coalition agreement can only serve as a guidepost; specific issues will have to be addressed by the new coalition within the next four years. While the balanced budget clause in Germany's Basic Law, as well as the European Union's stipulation to limit the budget deficit to 3 percent of GDP, allow for economic or natural catastrophes to suspend this regulation, the new government should not succumb to the temptation to continue down the path of an

unbalanced budget but rather take this opportunity for real economic reforms.

FINANCIAL REGULATORY FRAMEWORK

The global financial crisis has caused not only the United States to call for reforms of the domestic and international financial regulatory framework; Germany was also instrumental in pushing for tighter financial regulation of banks and financial firms at the G-20 summit in September 2009. The coalition agreement supports the continuation of Germany's tripartite banking system, which is separated into co-operative banks, private banks, and savings banks. The agreement is also aware of the need for regulation of banks and financial firms and calls for increased regulation on domestic and international levels. In Germany, the new government has decided that the German Federal Bank will oversee the regulations of German banks. Until now, the Bundesanstalt für Finanzdienstleistungen (BaFin) was also responsible—a duality that was criticized in Germany during the debate about the causes of the financial crisis. The new government will pursue an increase in banks' capital and measures to prevent banks from forcing national governments to bail them out. The coalition agreement embeds Germany's efforts for increased regulation in the international context and calls for an increase in regulation on an international level, especially within the European Union. The new government pledges, for example, to advocate for a European rating agency to curb the power of existing rating agencies, which according to the coalition agreement are partially to be blamed for the financial crisis. Initially convinced that the financial crisis was limited to the United States, the Grand Coalition was slow to respond to the crisis, which became not only global in scope but also engulfed other economic sectors aside from the finance and banking sector. Criticized for her reluctance to act, Chancellor Merkel has recently been more forceful in arguing for regulation of the banking and finance sector domestically as well as internationally. Yet, as the global economy seems to be recovering and the financial markets have stabilized at least for now, the question remains how much regulation will be implemented on the global level. Additionally, as Germany wrestles with the question of domestic financial regulations, the CDU/CSU will have to contend with the free-market, pro-business FDP, which while agreeing on the need for regulation, will want to protect the banking and finance sector from many more bureaucratic hurdles and impediments to a free market system.

While social welfare programs have been able to minimize the effect on Germany's labor market, Germany is especially vulnerable as an export-oriented nation to global recessions. The new government will have to counter an economic recovery that might prove to be less effective for the German labor market, a financial system in need of regulation, international implications of its economic and financial system, and an almost powerlessness to reduce taxes while maintaining social programs in light of Germany's growing federal budget deficit.

Domestic Policy Changes

Aside from economic reforms, the coalition agreement's domestic agenda includes questions of nuclear power and climate policy. These environmental and energy questions might also influence the transatlantic partnership, which in turn could also impact German foreign policy vis-à-vis third countries, such as Russia.

The CDU/CSU-FDP coalition has agreed to increase the lifespan of several nuclear power plants in certain circumstances, but no new nuclear power plants will be built. Yet, many critical questions went unanswered in the coalition agreement: Which nuclear power plants will be allowed to continue to run? What standards will decide this question? As a majority of the German population supports phasing-out nuclear energy in Germany while the energy companies owning the nuclear power plants argue for longer phase-out times for all nuclear power plants, the coalition runs the risk of pleasing neither side. The coalition agreement also includes the support of renewable energies and the importance of climate protection. The details of Germany's energy policy will also influence the country's foreign policy parameters, as Germany is dependent on energy imports mainly from Russia. Some in the United States see this dependency as a constraint on Germany's foreign policy toward Russia and would like to see Europe decrease its dependency on energy imports in general. Germany's eastern European neighbors also favor a European-wide energy policy.

Climate policy also features in the coalition agreement between the CDU/CSU and FDP. The new coalition agrees on the need to curb global warming-causing emissions and to continue Germany's internationally leading role in climate policy. The coalition aims at lowering Germany's emissions by 40 percent in 2010 with 1990 as the base year. To achieve these goals, the new government prefers market instruments such as cap-and-trade programs over a carbon tax—and thinks that such a tax on an EU-wide basis should be prevented. Individual cap-and-trade markets should be developed with the end goal of having a global cap-and-trade market—yet the coalition would like to exclude energy-intensive companies, as its politicians fear these companies would be disadvantaged in the global competition.

The coalition agreement also supports an international climate agreement in Copenhagen and sees developed and developing countries both as essential participants in such an agreement. Aside from climate policy the coalition agreement also details the necessity of an all-encompassing German energy policy, which outlines the required energy mix for Germany to not only achieve its emission reduction goals but also to reduce its dependency on any one nation for its energy needs.

Energy and climate policy, until the 1990s primarily a topic for the Green Party, have become rather mainstream not only in German politics but also in German society. The consensus in

Germany on nuclear energy, energy efficiency, conservationism, and renewable energy is fairly high. The coalition agreement between the CDU/CSU and the FDP reflects this consensus and incorporates it into its coalition agreement, albeit with an emphasis on retaining Germany's global competitiveness. Germany's position in Copenhagen will remain the same and one can expect the country to continue to be a leader in international climate policy. The emphasis on market-based instruments for achieving Germany's emission reductions as well as the understanding in the coalition agreement that developing countries have to become partners in any international agreement decided on in Copenhagen, makes the

country a complementary partner for U.S. policy. The U.S. Congress has repeatedly indicated that U.S. climate policy will have to be market-based and that the U.S. will only comply with an international agreement that also includes developing countries. Both the U.S. and Germany should thus cooperate on issues of climate policy, with any national cap-and-trade systems developed in the U.S. considering its compatibility with the European system. Issues such as climate and energy policy are no longer domestic concerns but also influence Germany's foreign policy and its relations with its partners in Europe and the world.

Conclusion

Even though the German population elected a conservative-market liberal coalition government in September 2009, ending not only four years of a grand coalition, but also over ten years of participation by the Social Democrats in government, Germany's domestic and foreign policy will not change drastically. The new government's choices are restricted by the upcoming state elections, which will impede any drastic social cuts that might be necessary to balance the budget and lower taxes. Balancing the market-liberal ambitions of the FDP with the centrist desires of the CDU/CSU and overcoming the inertia of German society for change will be major challenges for the new government and Chancellor Merkel. This election also cemented changes in the German party system—the SPD and CDU/CSU have to wrestle with the meaning of being and remaining *Volksparteien* and confront the volatility that the rise of the smaller parties opens up in the coalition-building party system. The parties will have to react to these new choices and challenges on the state and federal level. Looking for a new voter base, the CDU is now safely located in the center and re-elected Chancellor Merkel's remarks that she would like to be the chancellor of all Germans reflects her party's claim to the center of society—making it even harder for her to implement any necessary changes.

The smaller parties all gained votes in the recent election. Different coalition patterns, which have already been experimented with on the state level, might become possibilities for the federal level. Yet, the smaller parties will also have to face strategic choices. The Left Party will have to consolidate a variety of factions within the party and only if their party program becomes more moderate will they become a viable

coalition partner on the federal level. The Greens have to wrestle with their new identity as a center party and consider the possibility of forming coalitions aside from its traditional partner, the SPD. The FDP, the largest winner in this election, will have to prove that it can gain more substantial votes than just benefitting from split-ticket voting as in the last election. The state elections over the next four years will be an indicator of the direction in which the party system is developing and which coalitions will become more likely not only on the state level, but also on the federal level.

Germany will have to address not only domestic and economic challenges but also face foreign policy decisions on Afghanistan, Iran, and Russia. For Germany to remain an important partner to the United States it is imperative for the country to understand its own strategic goals and choices. It is not enough to send German troops to Afghanistan at the request of the U.S.—Germany needs to recognize its own goals in that region. With its desire to formulate an energy foreign policy, the new coalition indicates that it is interested in formulating Germany's strategic goals. The CDU/CSU and FDP should extend that goal to all foreign and domestic policy choices it confronts. Only then will it be able to persuade a wary domestic audience that economic reforms and troops in Afghanistan might be painful choices, but necessary ones.

NOTES

1 Forschungsgruppe Wahlen: Politbarometer-Kumulation 1976-2008

AICGS' project on "The Election in Germany: Status Quo or Radical Change?", supported by the German Marshall Fund of the United States, tracked the German election and analyzed different outcomes' implications for German domestic politics, Germany's role in Europe, and transatlantic relations. Bringing together policymakers and representatives of the business, academic, and media communities in the U.S. and Germany for a series of conferences and roundtable discussions in Washington, D.C. and Berlin, the project touched on all three AICGS program areas (Foreign & Domestic Policy; Business & Economics; and Society, Culture, & Politics). Additional analyses are available on AICGS' website.

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