

## Germany: Merkel sunset postponed

The growing government crisis in Germany has been defused, temporarily. However, the fact that the interior minister has given the chancellor a kind of ultimatum shows once again that the situation remains strained



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It is a normal political phenomenon that the longer a politician is in office, the higher the number of swan songs they will get. German Chancellor Angela Merkel has survived and managed several difficult situations during nearly 13 years in office. However, most of these crises were on the European stage. The current one is playing out on the domestic stage. And even worse, it is within her own coalition. The chancellor's political survival has never been more at risk than it is right now.

### What is happening?

Merkel's problems stem directly from the refugee crisis, which has returned to the forefront of German politics. Scandals at regional offices of the Federal asylum agency, the murder of a 14-year old girl with an asylum seeker as a suspect and tough talk from Merkel's coalition partners, have dominated recent headlines. On the back of these tensions, a conflict between Merkel's CDU and the Bavarian CSU has heated up. The CSU wants German police to prevent refugees, who are registered in another EU country, from entering Germany. Merkel blocked its plans, arguing in favour of a European solution. This debate has led to a damaging fight that is out in the open between Merkel and her interior minister, the chairman of the CSU, Horst Seehofer.

On the one hand, Seehofer has threatened to issue an order to implement his will regardless of Merkel's objections. According to German law, ministers can introduce new policies in their respective domain, without the government's agreement. On the other, the Chancellor can fire ministers. So there is clear deadlock from political gambling by the CSU. At the moment, it is hard to see how exactly the CSU wants to solve the situation without any severe loss of face or a collapse of the government.

Today, both parties agreed on some kind of ceasefire. Merkel and Seehofer, in two separate statements, announced that Merkel would try to find a European solution at next week's European Summit, while Seehofer will prepare measures to prevent refugees from entering the German border until early July. But Chancellor Merkel also stated there was no deadline for a solution after the European summit, trying to play down that effectively Seehofer seems to have given her an ultimatum. In our view, this simply means that the conflict has only been postponed. European leaders are only likely to agree on common principles and intentions next week, not specific details.

## Any upside?

The only upside of this severe political crisis in Germany could be that Merkel will now be forced to give away more than currently expected on other policy areas to the rest of Europe. Her domestic fragility could mean that she will be somewhat more willing to push on with eurozone reforms - even though it is questionable whether this would be in the CSU's interest.

## Merkel's worst crisis ever

Merkel is currently going through the worst political crisis since she entered office almost 13 years ago. However, this doesn't necessarily mean that the government is about to collapse. The fact is that the CSU is playing a dangerous game and it's unlikely to benefit from a collapse of the government. It would backfire for the CSU during the Bavarian elections in October, because a possible splitting of CDU and CSU would bring the CDU to Bavaria, costing the CSU votes.

Nevertheless, political tensions remain, and a multitude of different scenarios look possible. These range from a muddling-through process, the CSU budging or a strengthened European Merkel, to a fall of the chancellor, a full collapse of the government and new elections. We will not speculate, but one thing is clear: hopes for a strong German government to lead further reforms in the eurozone have taken a severe hit.

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