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Holger Schmieding, Chief Economist | Holger.schmieding@berenberg.com | +44 20 3207 7889

GERMAN POLITICS: WOULD THE CSU TOPPLE MERKEL?

Berenberg Macro Flash

THINKING THROUGH THE CONSEQUENCES

German Chancellor Angela Merkel is often portrayed as trying to think through methodically how it all may end before taking a decision. The bitter dispute between her and the restive Bavarian CSU component of her CDU/CSU-SPD coalition about migration could possibly bring down her government in early July. Still, if we employ Merkel's approach of thinking through the consequences („vom Ende her denken“), we can still conclude that the demise of the current Merkel government is not the most likely outcome yet. Both CSU and CDU would have too much to lose from it.

POLITICAL EROSION

Traditional political parties have fractured across much of Europe in the last few years. Germany's centre-left/left has broken apart into three separate components. The once mighty centre-left SPD has shrunk by half. After suffering from the rise of the Greens that began in the 1980s, the SPD also lost heavily to the Left Party in the last 15 years. Instead of popular support of 40%+ for the SPD of old, the party may now get around 20% of the popular vote with some 10%+ each for the Greens and the Left Party.

The same could now happen to Germany's centre-right if the CSU tries to bring down Merkel. Whether or not the CSU really wants that is the key question its leaders in Munich will have to answer soon.

WHAT DOES THE CSU WANT?

The CSU is the Bavarian incarnation of the conservative political party known as CDU in Germany's 15 other federal states. Merkel leads the CDU but not the CSU. Despite occasional disputes, the CDU and CSU have always formed a common group in the Bundestag since 1949, being either in government or opposition together.

The rise of the anti-immigration AfD has hurt both the CDU and the CSU, although the AfD has also made heavy inroads into the SPD's traditional working-class base. Partly due to the AfD, the CSU looks set to lose its absolute majority of seats in the Bavarian regional election on 14 October 2018. Worrying about that prospect, Bavaria's state prime minister Markus Söder demands a hard line on migration, stoking the conflict with Merkel.

CSU leaders may believe that a noisy conflict with Merkel now may benefit the CSU in the October regional election. Being seen as forcing the federal chancellor to change tack may go down well with parts of the CSU's Bavarian base. However, political infighting usually hurts the electoral prospects of the political groups that tear each other apart. More importantly, toppling Merkel could backfire for the CSU. Merkel remains one of Germany's most popular politicians. According to a Forsa poll out today, Merkel enjoys more support even in Bavaria with an approval rating of 43% than CSU leaders Söder (38%) and Seehofer (37%). Even among CSU supporters in Bavaria, Merkel scores better than Söder and Seehofer.

If the CSU were to abandon its alliance with the CDU, the CDU may strike back by branching out into Bavaria. In return, the CSU could try to capture the more conservative wing of the CDU by extending its reach from Bavaria to all of Germany. Instead of the pre-2015 situation of a unified centre-right CDU/CSU and no relevant force to the right of it, Germany would then end up with three major political forces on the centre-



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right (CDU, CSU) and far right (AfD). All three would look set to clear the 5% threshold needed to make it into the federal and state parliaments.

At first glance, this could have some attraction for the CSU. According to one - probably overhyped - INSA opinion poll, the CSU might get 18% of the national vote versus 22% for the CDU. As a non-toxic alternative to the CDU, a pan-German CSU could take some votes away from the AfD.

However, abandoning the Merkel government and extending its reach beyond Bavaria would have major negative consequences for the CSU:

- 1) The official CSU leader Horst Seehofer, who is minister of interior affairs in Berlin, would be out of a serious job if he walks out of the Merkel government. Within the CSU, the much younger Söder calls the shots anyway.
- 2) Branching out to Bavaria, Merkel's CDU would bite into the support for the CSU there and make it virtually impossible for the CSU to win in Bavaria on 14 October. State prime minister Söder could be out of a job if CDU, SPD, Greens and FDP were to unite against him after the state election.
- 3) The essence of the CSU and a major part of its appeal at home stem from its special Bavarian identity. Re-inventing itself as a pan-German party to the right of the CDU would cut the CSU's links to its roots. As just another German party, the CSU would be heavily vulnerable to future challenges, for instance from a post-Merkel CDU.

For these reasons, we expect the CSU to ultimately shy away from breaking the current link with the CDU and turning itself into a pan-German party. Under pressure from the CSU, the CDU seems to be largely rallying around Merkel despite misgivings about her migration policies. More likely than not, the CSU will have to find some compromise with Merkel, probably by pushing through a significantly harder German line on migration while leaving the door wide open for the arrangements on the European level that Merkel is striving for.

NOT BY LOGIC ALONE

Trying to think through the potential consequences of an escalating conflict supports the conclusion that, more likely than not, the Merkel government will not break apart in early July. Of course, politics does not always follow such logic. Merkel herself apparently did not think through all the potential consequences when she agreed to let refugees stranded in Hungary into Germany in September 2015 and hesitated far too long thereafter to clamp down on the resulting mass influx of migrants. The risk that rash behaviour on either or both sides of the worst CDU-CSU dispute ever could topple Germany's current government is serious.

Following a largely inconclusive EU mini-summit on Sunday, Merkel is trying this week to promote her ideas of a bilateral German-Italian or a wider multilateral deal that would allow Germany to quasi-automatically send back migrants who have already registered as asylum seekers in Italy. On 1 July, the CDU and CSU will separately evaluate the results - or the lack thereof - of the 28-29 June EU summit and other efforts to defuse the migration dispute. That will set the stage for a decision on the fate of the current German government on 2 July or shortly thereafter. If there is no serious progress, Merkel's government would be at risk.

For a „what if“ discussion of potential crisis scenarios ranging from new elections (unlikely), a minority government, a new coalition including the Greens (more likely) to a new chancellor (unlikely for now), see [German scenarios](#) from 17 June 2018.



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For a rough timeline and a survey of key issues and potential outcomes on the European and German level, see [European political risks](#) from 22 June 2018.

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Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London EC2R 8HP
Phone +44 20 3207 7878
www.berenberg.com
holger.schmieding@berenberg.com